



**TOWN OF CHAPIN,  
SOUTH CAROLINA**

**ANNUAL COMPREHENSIVE FINANCIAL REPORT**

**FOR THE YEAR ENDED DECEMBER 31, 2020**

**Mayor**

David W. Knight

**Town Council**

Mike Clonts

Kay Hollis

Al Koon

Leland Teal

**Director of Finance and Administrative Support**

Laura Culler

Prepared By:

Finance Department

**TOWN OF CHAPIN, SOUTH CAROLINA  
ANNUAL COMPREHENSIVE FINANCIAL REPORT  
FOR THE YEAR ENDED DECEMBER 31, 2020**

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ANNUAL COMPREHENSIVE FINANCIAL REPORT  
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157 NW Columbia Avenue • P.O. Box 183 • Chapin, SC 29036

June 9, 2021

To the Honorable Members of Town Council and Citizens of the Town of Chapin, South Carolina:

State law requires that all general-purpose local governments publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted accounting standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the annual comprehensive financial report of the Town of Chapin for the calendar year ended December 31, 2020.

This report consists of management's representations concerning the finances of the Town. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations management of the Town has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the Town's financial statements in conformity with GAAP. Because of the costs of internal controls should not outweigh their benefits the Town's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The Town's financial statements have been audited by Mauldin & Jenkins Certified Public Accountants, LLC a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the Town for the calendar year ended December 31, 2020, are free of material misstatement. The independent audit involved examining on a test basis, evidence supporting the amounts and disclosures in the financial statement presentation; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded based upon the audit that there was a reasonable basis for rendering an unmodified opinion that the Town's financial statements for the fiscal year ended December 31, 2020, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany these basic financial statements in the form of management's discussion and analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. Town of Chapin's MD&A can be found immediately following the report of the independent auditors.

## **Profile of Government**

The Town of Chapin was incorporated on December 24, 1889. The Town is located in Lexington County, South Carolina, 22 miles northwest of the capital city of Columbia and accessible by US Hwy 76 and Interstate 26 at exit 91. As of December 31, 2020, the Town occupied a land area of 1.9-square miles and serves a population of approximately 1,664 residents. The Town is empowered to levy a property tax on real and personal property located within its boundaries. It also is empowered by state statute to extend its corporate limits by annexation.

The Town operates under the Mayor-Council form of government with the Mayor serving as the Chief Administrative Officer for the Town. The Council serves as a policy-making and legislative body and is made up of

four at-large members plus the mayor. The Council is responsible for passing ordinances, adopting the budget, appointing committees, and hiring the Town Clerk, Town Attorney, and Municipal Judge. The Mayor is responsible for overseeing the daily operations of the government and appointing heads of various departments. The four council members and mayor are elected to four-year staggered terms, with two council members elected every two years.

The Town provides a range of services to its citizens, including: public safety, zoning and code enforcement, court services, community and economic development, public works, and sewer infrastructure.

The annual budget serves as the foundation for the Town's financial planning and control. All departments of the Town of Chapin are required to submit requests for appropriations to the Director of Finance and Administration by August. These requests are used as a starting point for the Mayor to develop a proposed budget. The Director of Finance and Administration presents the proposed budget to the Council for review prior to November. The Council is required to hold a public hearing on the proposed budget and to adopt a final budget no later than December 31<sup>st</sup>, the close of the fiscal year. The appropriated budget is prepared by fund and department. Budgetary control (that is the level at which expenditures cannot legally exceed the appropriated amount) is maintained by the manager at the fund level and may be amended as necessary by the Mayor during the fiscal year. The Mayor is authorized to reallocate budgeted funds from line item to line item within the General Fund and Enterprise Fund. The Mayor is also authorized at the fund level to transfer appropriated funds between departments. Council is the only authorized governing body that may amend the budget. Budget-to-actual revenue and expense comparisons are provided in the report for each individual government fund for which an appropriated budget has been adopted. For the general fund, this comparison is presented as part of the required supplementary information for government funds.

The Purchasing Agent is responsible for approving purchases initiated by Department Directors, other than contracts subject to formal bid procedures, which have been specifically itemized in the current budget up to \$25,000.00 without further Council approval, and the Mayor (Purchasing Agent) and Director of Finance (Assistant Purchasing Agent) are authorized to approve budgeted purchases up to \$50,000.00. Any purchases over \$50,000.00 must be approved by Council, as well as, all requested non-budgeted purchases in any amount, except that the Purchasing Agent may pay incidental routine invoices from vendors and credit card companies up to \$5,000.00 whether budgeted or not.

### **Factors Affecting Financial Condition**

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the Town operates.

### **Local Economy**

According to the Bureau of Census, median household income in Chapin is approximately \$60,139. Chapin's existing retail marketplace is \$126,836,546 (as extrapolated from 2020 retail business license returns.) National retailers in the Town include Publix, Food Lion, Advance Auto, Walgreens, McDonald's, Hardees, Subway, Waffle House, Dominos, Anytime Fitness, Dollar General, Bojangles, Sonic, Marcos Pizza Jersey Mikes, O'Reilly Auto Parts and Lowes Foods. The Town enjoys a vibrant collection of small local retailers, professional services firms, restaurants, medical practices, and service providers. The biggest employers in Town are General Information Services, Lexington Richland School District 5 (Chapin High School), and Publix.

The COVID-19 crisis has affected several of the Town's revenue sources. Businesses were closed or capacity limited by orders from the Governor to protect the health and welfare of people within the State. The shutdown of businesses impacted business licenses, hospitality collections and general spending by the public. The Town took necessary measures to reduce the impacts caused by the financial impacts associated with the health crisis. Spending was limited to recurring costs for the basic expenses to run the Town operations. Town events such as the six Farmers' Markets and the annual Labor Day Celebration were canceled.

## Long-term Financial Planning

The Town of Chapin has spent a lot of time and effort in order to properly manage the growth of the future commercial and residential development. To accomplish this, the Town has invested in the appropriate personnel and tools in order to handle the economic development as well as zoning to ensure the zoning standards are adhered to. One primary concern is that the necessary planning and growth management tools are in place to assure that the future cost of providing Town services does not exceed the revenues received from the new growth.

In April 2016 the General Obligation Bond was refinanced from an interest rate of 3.49% to 1.97% for which the total savings will be \$18,000 over 5 years and after legal fees the net savings will be approximately \$13,000 over 5 years. The final payment will be made in the year 2021.

In December 2019 Council approved a 2% Hospitality Tax which began February 1, 2020 to provide funding for the revitalization and beautification of incorporated areas of Town, improvements of Town of Chapin owned properties, and marketing and promotion of Town sponsored events. Council is planning to apply a portion of the Hospitality Tax toward pedestrian friendly facilities as well as enhanced lighting, traffic signals, and landscaping for the Chapin interchange and I-26 widening project.

## Major Initiatives

**Wastewater Plant Expansion** – The Town of Chapin broke ground in March 2018 on a 2.4 million gallon per day waste water treatment plant. Construction is estimated to take 18 months to complete. Funding has been secured through the State Clean Water Revolving Loan Fund. The plant came online in April of 2020.

**Road Improvement Projects** – Construction is set to begin in the next year on the I-26 Widening Project from mile marker 85 to mile marker 101 funded by SCDOT and the Federal Highway Administration. The project will include improvements to the Chapin interchange at S-48 (Columbia Ave) or Exit 91 as well as widening of I-26. Construction is also set to begin in the next few years on the S-48 (Columbia Ave) Corridor Improvement Project to provide traffic congestion relief from the I-26 and S-48 interchange to the S-48/S-51 (Amicks Ferry Road)/US 76 (Chapin Road) intersection located in down town Chapin. The improvements will include roadway widening, new location roadway, pedestrian and bicycle facilities, intersection and overall safety improvements. The Town hired Mead & Hunt to provide a cost analysis of enhanced lighting, traffic signals, landscaping, pedestrian sidewalks and bike lanes while exploring ways to finance such improvements.

**Business Development** - The Town of Chapin continues to experience growth in its commercial and retail development. New retail businesses include O'Reilly Auto Parts, Lowes Foods, Farmhouse 221, The Houston House, LLC and Moseley Jewelers of Chapin. New restaurants include Bart's Crazy Good Coffee Roasting and Zaxby's. Construction continues on a multi-unit retail space on Columbia Avenue which will include Muv Fitness, Chophouse of Chapin, Bakon and Hyde Salon which have been announced to open in 2021. Goodwill and Lexington Medical Center Medical Office Building are also scheduled to open in 2021.

**Comprehensive Plan** – In 2011 the Town created its current 10-year overall plan for the future growth and development. Every 10 years the plan needs to be revised and rewritten according to South Carolina State law. In 2020, the town hired a consulting firm to assist with revision of the plan.

**Water & Sewer Master Plan** – The Town of Chapin Water & Sewer has initiated a Water & Sewer Master Plan Project which is expected to be complete by mid-2021. It will serve as a guidance document to provide information on system upgrades and improvements needed throughout the Town's service area to satisfactorily provide water and sewer service.

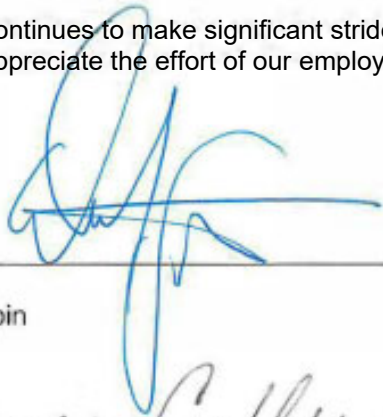
**Technology Park** - Lexington County has developed a 200+ acre Class A Business Park adjacent to the Town. The ground breaking ceremony was held in January 2018. There is more than 150 acres of planned residential mixed-use development next to the park that is within Town limits, which will increase property tax and business license revenue as those developments come online.

**Awards and Acknowledgments**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town of Chapin, South Carolina for its Annual Comprehensive Financial Report (ACFR) for the fiscal year ended December 31, 2019. This was the third year that the Town of Chapin has received this prestigious award. The Certificate of Achievement is the highest form of recognition for excellence in state and local government financial reporting. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized annual comprehensive financial report, whose contents conform to program standards. This report must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe our current annual comprehensive financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to GFOA to determine its eligibility for another certificate.

In closing, the Town continues to make significant strides in its financial reporting and planning for the future of the community. We appreciate the effort of our employees who contributed to this report.

Sincerely,



David W. Knight  
Mayor, Town of Chapin



Laura Cuffer  
Director of Finance and Administration  
Town of Chapin



Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

**Town of Chapin  
South Carolina**

For its Comprehensive Annual  
Financial Report  
For the Fiscal Year Ended

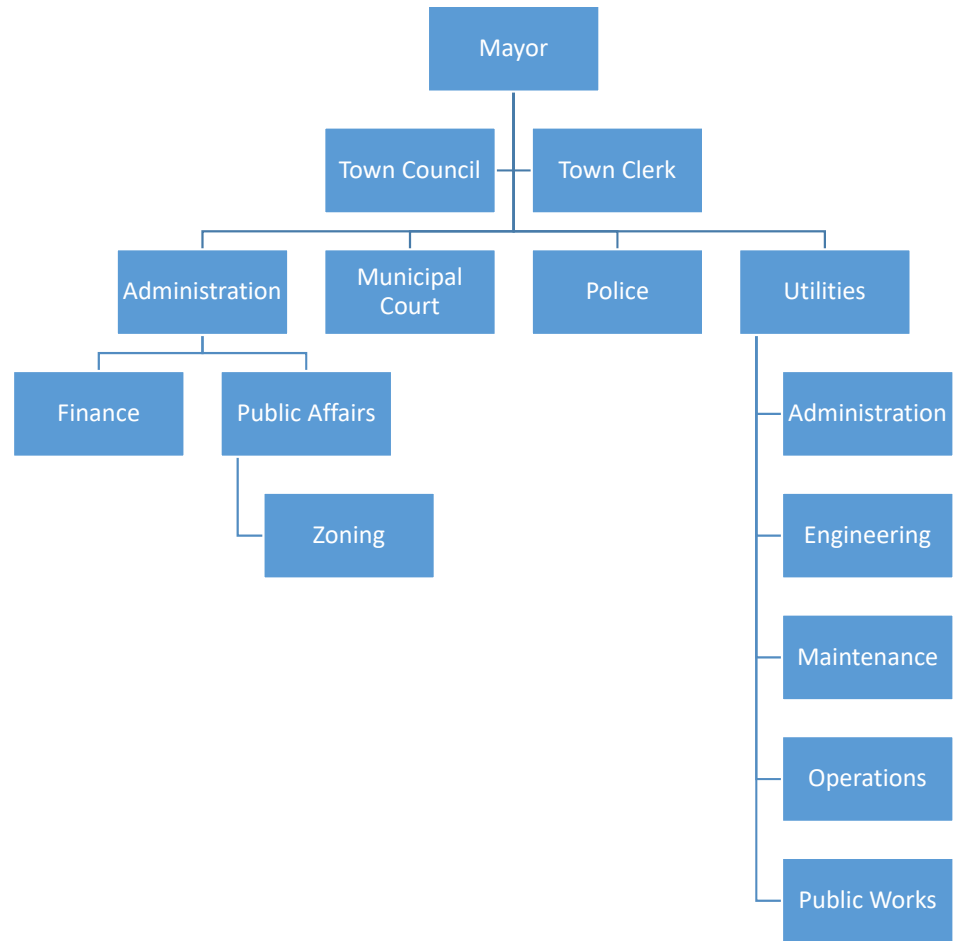
December 31, 2019

*Christopher P. Morill*

Executive Director/CEO

# Organizational Chart By Department

Updated February 2021



**TOWN OF CHAPIN, SOUTH CAROLINA**

**PRINCIPAL OFFICIALS**

**December 31, 2020**

**ELECTED**

Mayor.....David W. Knight  
Mayor Pro Tem.....Mike Clonts  
Councilwoman.....Kay Hollis  
Councilman.....Al Koon  
Councilman.....Leland Teal

**APPOINTED**

Finance Director.....Laura Culler  
Town Clerk.....Shannon Bowers  
Police Chief.....Seth Zeigler  
Public Affairs Director.....Nicholle Burroughs  
Utilities Director.....Andy Metts  
Zoning Administrator.....Ian Ashford

## **FINANCIAL SECTION**

## INDEPENDENT AUDITOR'S REPORT

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**Honorable Mayor and Members  
of the Town Council  
Town of Chapin, South Carolina**

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the **Town of Chapin, South Carolina** (the "Town"), as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

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***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Town of Chapin, South Carolina, as of December 31, 2020, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters******Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (on pages 11 through 17), the Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Hospitality Tax Fund (page 64), the Schedule of Proportionate Share of the Net Pension Liability – South Carolina Retirement System (page 65), the Schedule of Proportionate Share of the Net Pension Liability – Police Officers Retirement System (page 65), the Schedule of Contributions – South Carolina Retirement System (pages 66 through 67) and the Schedule of Contributions – Police Officers Retirement System (pages 66 through 67) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Chapin, South Carolina's basic financial statements. The introductory section and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Uniform Schedule of Court Fines, Assessments and Surcharges (per ACT 96) (on pages 68 through 69) is presented for purposes of additional analysis as required by the State of South Carolina, and is not a required part of the basic financial statements.

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The Uniform Schedule of Court Fines, Assessments and Surcharges (per ACT 96) is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Uniform Schedule of Court Fines, Assessments and Surcharges (per ACT 96) is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

**Other Reporting Required By *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 9, 2021, on our consideration of the Town of Chapin, South Carolina's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town of Chapin, South Carolina's internal control over financial reporting compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Chapin, South Carolina's internal control over financial reporting and compliance.

*Mauldin & Jenkins, LLC*

Columbia, South Carolina  
June 9, 2021

**TOWN OF CHAPIN, SOUTH CAROLINA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2020**

As management of the Town of Chapin, South Carolina (the "Town"), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the year ended December 31, 2020. The intent of this discussion and analysis is to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the Town's financial activities (c) identify changes in the Town's financial position, (d) identify significant deviations from the approved general fund budget, and highlight significant issues in the individual funds. We encourage readers to consider the information presented here in conjunction with the Town's financial statements, which follow this section.

**Financial Highlights**

- The Town's reporting period is January 1 to December 31
- The assets and deferred outflows of the Town exceeded its liabilities and deferred inflows at the close of the most recent calendar year by \$31,807,338 (net position). Of this amount, \$24,681,579 represents the investment in capital assets and \$569,978 is considered restricted. The remaining \$6,555,781 (unrestricted) may be used to meet the Town's ongoing obligations to citizens and creditors.
- The Town's total net position increased by \$1,372,415.
- At the close of the current calendar year, the Town's governmental funds reported an ending fund deficit (\$251,617), an increase of \$699,400 primarily due to the new Hospitality Tax Fund.
- The Town has \$89,499 in general obligation bonds outstanding at December 31, 2020, a net decrease of \$87,770 from the balance at December 31, 2019. This decrease was due to the scheduled principal payment during 2020.

**Overview of the Financial Statements**

This discussion and analysis provides an introduction to the Town of Chapin's basic financial statements, which include the following parts: (1) *government-wide financial statements*, (2) *fund financial statements*, and (3) *notes to the financial statements*. This annual report also contains certain *required supplementary information* and *other supplementary information* to aid in understanding the operations of the Town.

**Government-wide Financial Statements**

The government-wide statements present a long-term view of the Town's finances *as a whole*, using accrual-basis accounting—the same accounting basis that most businesses use.

There are two government-wide financial statements:

*Statement of Net Position*: This statement presents information on *all* of the Town's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in the Town's net position may serve as a useful indicator of whether its financial position is improving or deteriorating. However, the statement of net position does not tell the whole story. To assess the Town's overall financial health, other factors need to be considered such as the Town's economy and the condition of its *capital assets* such as its buildings and infrastructure (water and sewer lines).

*Statement of Activities*: This statement presents information showing how the Town's overall net position changed during the year. The Town reports a change in its net position as soon as an underlying event occurs that causes a change. The statement of activities accounts for all current-year revenues and expenses, regardless of when the Town received or paid cash. Although governments compile the statement of activities using accounting methods similar to businesses, the format of this statement is quite different from the format of a business's profit and loss statement. The statement of activities helps to show how much it costs for the Town to provide various services. It also indicates the extent to which each government function covers its own costs through user fees, charges, or grants. The *net revenues (expenses)* column on the far right of this statement shows how much a particular function relies on taxes and other general revenues as opposed to program revenues to support its programs.

**TOWN OF CHAPIN, SOUTH CAROLINA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2020**

For financial reporting purposes the government-wide statements present three different kinds of *activities*:

***Governmental activities:*** Most of the Town's basic services are included here, such as general government, and administration of justice. Taxes (real and personal property taxes), charges for services and grants provide resources to support most of these services. The Town's General Fund and Hospitality Tax Fund are the only governmental activities of the Town.

***Business-type activities:*** These activities usually recover all, or a significant portion, of the costs of their services or goods by charging fees to customers. The Water and Sewer Utilities Fund is the only business-type activity of the Town.

***Component units:*** Although component units are legally separate from the Town, the Town's elected officials are financially accountable for them. For the year ended December 31, 2020, the Town did not have any component units.

### **Fund Financial Statements**

The fund financial statements provide detailed information about the Town's most significant funds—not the Town as a whole. Funds are accounting designations that the Town uses to track specific funding sources and spending for particular purposes. The Town of Chapin, like other governments, uses fund accounting to ensure and demonstrate compliance with financial related legal requirements.

The Town reports two types of *funds*:

***Governmental funds:*** The Town reports most of its basic services in its governmental fund. The governmental fund accounts for activities that the Town reports as *governmental activities* in its government-wide statements. This fund focuses on *short-term* inflows and outflows of expendable resources. The balances remaining at the end of the year help determine whether a fund has more or less financial resources available to spend in the near future. Because the governmental fund statements lack the additional long-term focus of the government-wide statements, a reconciliation that explains the relationship (or differences) between the two kinds of statements is provided. By comparing the two kinds of statements and examining the reconciliation, a better understanding of the long-term impact of the Town's near-term funding decisions is available.

***Proprietary fund:*** Proprietary funds charge customers for the services they provide—whether they are provided to outside customers (*enterprise funds*) or other Town departments and other governments (*internal service funds*). Proprietary funds use the *accrual basis of accounting* like businesses use. The Town reports its enterprise fund as *business-type activities* in the government-wide statements.

### **Notes to the Financial Statements**

Immediately following the financial statements are *notes* that provide additional and pertinent information to the financial statement amounts.

### **Required Supplementary Information**

This section addresses certain *required* reporting information that supplements the basic financial statements. Included in this section is a schedule of the Town's proportionate share of the net pension liability of the South Carolina Retirement System, and a schedule of contributions to the South Carolina Retirement System.

**TOWN OF CHAPIN, SOUTH CAROLINA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2020**

**Supplementary Information**

Supplementary information presented but not required by accounting principles generally accepted in the United States of America includes the schedule of court fines, assessments and surcharges. This schedule is presented to provide information requested by the South Carolina State Treasurer's Office.

**Government-wide Financial Analysis**

As noted earlier, net position serves as a useful indicator of a public government's financial position. The following table reflects the condensed governmental-wide statement of net position.

TOWN OF CHAPIN, SOUTH CAROLINA NET POSITION						
	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Current and Other Assets	\$ (13,953)	\$ (828,592)	\$ 11,185,116	\$ 11,418,932	\$ 11,171,163	\$ 10,590,340
Capital Assets	5,307,363	5,516,300	32,499,654	31,262,347	37,807,017	36,778,647
Total Assets	5,293,410	4,687,708	43,684,770	42,681,279	48,978,180	47,368,987
Deferred Outflows of Resources	206,499	172,456	334,188	328,741	540,687	501,197
Long-term Liabilities Outstanding	1,864,165	1,897,338	14,412,262	14,144,810	16,276,427	16,042,148
Other Liabilities	181,059	105,652	1,103,045	1,238,792	1,284,104	1,344,444
Total Liabilities	2,045,224	2,002,990	15,515,307	15,383,602	17,560,531	17,386,592
Deferred Inflow of Resources	117,222	41,456	33,776	7,213	150,998	48,669
Net Position						
Net Investment in						
Capital Assets	5,184,868	5,267,190	19,496,711	18,432,494	24,681,579	23,699,684
Restricted	569,978	66,668	-	-	569,978	66,668
Unrestricted	(2,417,383)	(2,518,140)	8,973,164	9,186,711	6,555,781	6,668,571
Total Net Position	\$ 3,337,463	\$ 2,815,718	\$ 28,469,875	\$ 27,619,205	\$ 31,807,338	\$ 30,434,923

**Net Position**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The Town's combined net position at December 31, 2020, was \$31,807,338, an increase of \$1,372,415 or 4.51%, from our last calendar year end or twelve months ago.

The largest portion of the Town's net position of \$24,681,579, (77.60%) reflects its investment in capital assets less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens of the town and surrounding community, consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves are unlikely to be sold or leased to repay these liabilities.

**TOWN OF CHAPIN, SOUTH CAROLINA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2020**

The balance of the restricted net position, \$569,978 (1.80%) represents resources subject to external restrictions as to how they may be used.

The remaining balance of the unrestricted net position, \$6,555,781 (20.60%) may be used to meet the Town's ongoing obligations to citizens and creditors.

Changes in the Town's net position during the years ended December 31, 2020 and 2019 are shown below:

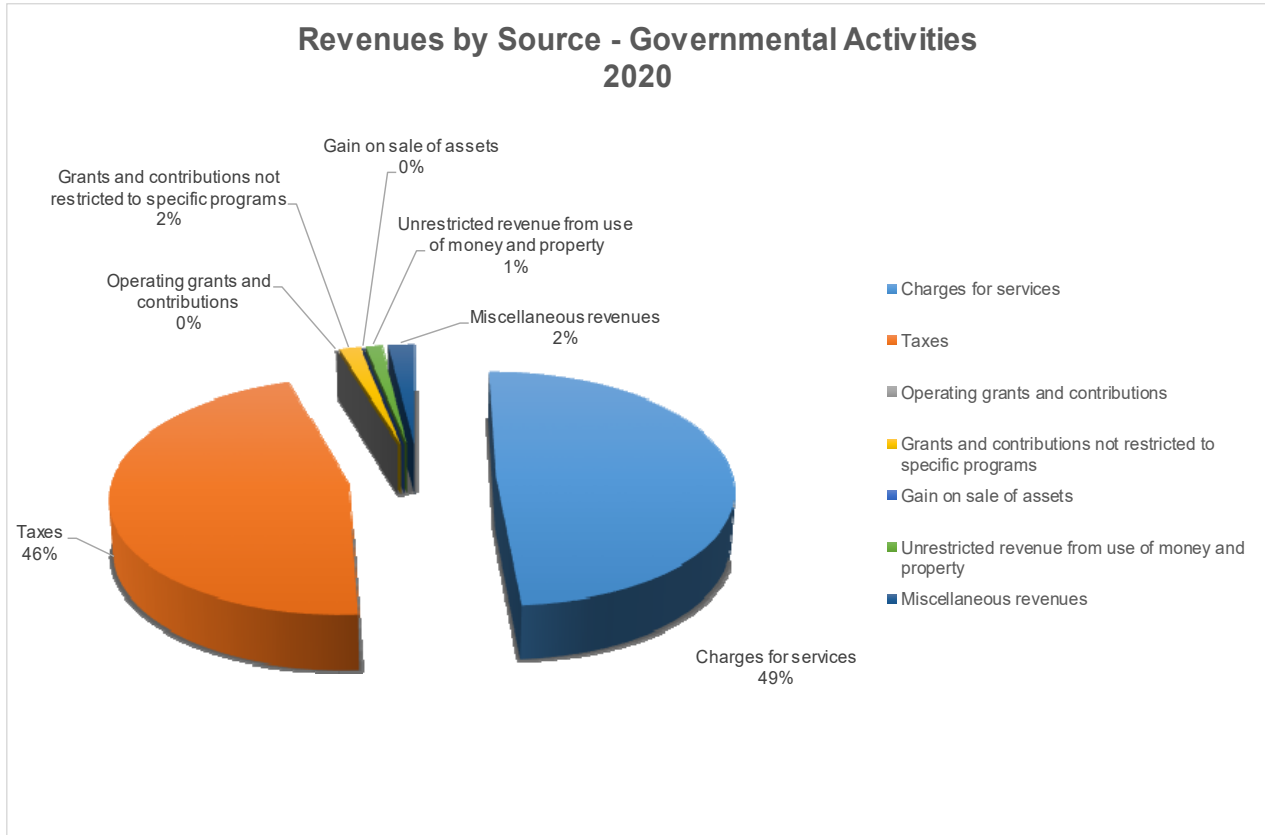
TOWN OF CHAPIN, SOUTH CAROLINA CHANGES IN NET POSITION

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Program Revenues						
Charges for services	\$ 1,041,372	\$ 981,771	\$ 4,266,947	\$ 4,456,722	\$ 5,308,319	\$ 5,438,493
Operating grants and contributions	-	-	-	-	-	-
Capital grants and contributions	-	-	1,387,905	2,375,133	1,387,905	2,375,133
General Revenues						
Taxes	981,847	484,007	-	-	981,847	484,007
Grants and contributions not restricted to specific programs	34,259	33,852	-	-	34,259	33,852
Gain on sale of assets	-	5,935	-	-	-	5,935
Unrestricted revenue from the use of money and property	26,581	40,120	19,404	41,947	45,985	82,067
Miscellaneous	43,281	19,416	16,035	4,421	59,316	23,837
Total Revenues	<u>2,127,340</u>	<u>1,565,101</u>	<u>5,690,291</u>	<u>6,878,223</u>	<u>7,817,631</u>	<u>8,443,324</u>
Expenses						
General government	676,206	796,162	-	-	676,206	796,162
Public safety	674,875	816,938	-	-	674,875	816,938
Judicial	139,894	174,202	-	-	139,894	174,202
Public works	155,020	145,296	-	-	155,020	145,296
Community & economic development	11,056	-	-	-	11,056	-
Interest and fees	4,944	8,548	-	-	4,944	8,548
Water and sewer	-	-	4,783,221	3,885,223	4,783,221	3,885,223
	<u>1,661,995</u>	<u>1,941,146</u>	<u>4,783,221</u>	<u>3,885,223</u>	<u>6,445,216</u>	<u>5,826,369</u>
Increase (decrease) in net position before transfers	465,345	(376,045)	907,070	2,993,000	1,372,415	2,616,955
Transfers	56,400	56,400	(56,400)	(56,400)	-	-
Change in Net Position	521,745	(319,645)	850,670	2,936,600	1,372,415	2,616,955
Net Position - Beginning	2,815,718	3,135,363	27,619,205	24,682,605	30,434,923	27,817,968
Net Position - Ending	<u>\$ 3,337,463</u>	<u>\$ 2,815,718</u>	<u>\$ 28,469,875</u>	<u>\$ 27,619,205</u>	<u>\$ 31,807,338</u>	<u>\$ 30,434,923</u>

**TOWN OF CHAPIN, SOUTH CAROLINA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2020**

**Governmental activities.** Governmental activities increased the Town's net position by a net of \$521,745. Key elements of this decrease are as follows:

- In 2020, revenue from taxes increased 102.86% with the inclusion of the Hospitality Tax fund, while general government and public safety expenditures decreased 15.07% and 17.39%, respectively.



**Business-type activities.** Business-type activities increased the Town's net position by \$850,670. The water and sewer activities account for the increase. Key elements of this increase are as follows:

- In 2020, water consumption increased by 6.85% due to new meters which result in more accurate readings that properly reflect consumption.
- The Town of Chapin was deeded developer constructed sewer lines in the amount of \$1,387,905 in 2020 due to continued development with the Wastewater Treatment Plant Expansion.
- Overall expenses increased 23.11% primarily due to increased cost of goods sold and salaries and related expenses.

**Financial Analysis of the Government's Funds**

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

**TOWN OF CHAPIN, SOUTH CAROLINA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2020**

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

At the end of the current calendar year, the Town's governmental funds reported an ending deficit fund balance of (\$251,617), an increase of \$699,400. The General Fund accounted for \$194,249 of the increase while the new Hospitality Tax Fund created \$516,207 in additional revenues for the Town. The Hospitality Tax Fund had an increase in fund balance of \$505,151.

**Governmental Funds Budgetary Highlights**

For the calendar year 2020, Town Council adopted a balanced budget for both the General Fund and Hospitality Tax Fund. The Town Council has the authority to amend the budget as required. There were no budget amendments in any fund for 2020. There were two significant budgetary variances between the final budget and actual results for the General Fund. Actual fines and forfeitures revenue was approximately 50% short of the budget due to suspension of court proceedings and fewer fines given out due to the Covid-19 pandemic. Tax income decreased by 15% of the budget due to an increase in unavailable tax revenue. Overall Operating Expenses were 12% less than budgeted as expenses were monitored closely throughout the year.

The new Hospitality Tax fund saw an increase over budgeted revenues of approximately 52% to the ongoing growth in the Town. Overall expenses were under budget due to budgeted capital projects that did not come to fruition.

**Capital Assets and Debt Administration**

**Capital Assets.** The Town's investment in capital assets as of December 31, 2020, amounts to \$37,807,017 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings and improvements, machinery and equipment, vehicles and infrastructure and land improvements. Additional information on the Town's capital assets can be found in Note 6 of this report.

TOWN OF CHAPIN, SOUTH CAROLINA CAPITAL ASSETS

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Land	\$ 1,035,209	\$ 1,035,209	\$ 573,825	\$ 573,825	\$ 1,609,034	\$ 1,609,034
Construction in progress	-	-	15,768,150	14,896,014	15,768,150	14,896,014
Building and improvements	3,464,196	3,592,623	53,754	37,415	3,517,950	3,630,038
Infrastructure and land improvements	737,385	786,205	15,349,193	14,980,781	16,086,578	15,766,986
Machinery and equipment	19,444	23,955	590,292	639,765	609,736	663,720
Vehicles	51,129	78,308	164,440	134,547	215,569	212,855
Total	<u>\$ 5,307,363</u>	<u>\$ 5,516,300</u>	<u>\$ 32,499,654</u>	<u>\$ 31,262,347</u>	<u>\$ 37,807,017</u>	<u>\$ 36,778,647</u>

Major capital asset events during the current year include the following:

- Machinery and equipment included the purchase of a John Deere 2020 Gator for the amount of \$10,854. An OBIC liner to wetwell/pump station in the amount of \$15,235. There was also a purchase of an OBIC liner to wetwell/pump station #31 in the amount of \$9,050.

**TOWN OF CHAPIN, SOUTH CAROLINA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2020**

- The Utilities department purchased two new vehicles in the amount of \$68,611 in 2020.
- During 2020, the Town of Chapin was deeded developer constructed sewer lines in the amount of \$1,387,905.
- The construction expense of the Wastewater Treatment Plant Expansion was added to Construction in Progress in the amount of \$880,305. Also added to Construction in Progress is the expense for the construction and survey of the East Chapin Forcemain in the amount of \$61,601. Also added to Construction in Progress is the expense for the Lagoon Closeout in the amount of \$16,000.

**Long-term Obligations.** At the end of 2020, the Town had total-long term obligations outstanding of \$16,276,427 which includes \$3,057,118 in net pension liabilities. The Town's long-term debt increased by \$234,279 which was due to an increase in the Town's proportionate share of the SCRS and PORS Plan net pension liabilities of \$166,952 and additional draws on the note payable for the Wastewater Treatment Plant Expansion in the amount of \$544,847, and the principal payments on the general obligation bonds and note payables causing a reduction in those liabilities of \$490,952. Additional information on the Town's long-term debt can be found in Note 7 of this report.

State statutes limit the amount of general obligation debt a government entity may issue, without a referendum, to 8 percent of its total assessed valuation. The current debt limitation for the Town is \$1,255,643 of which \$89,499 is outstanding.

TOWN OF CHAPIN, SOUTH CAROLINA OUTSTANDING DEBT

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
General obligation bonds	\$ 89,499	\$ 177,269	\$ -	\$ -	\$ 89,499	\$ 177,269
Note payable	32,996	64,421	13,002,943	12,829,853	13,035,939	12,894,274
Capital lease obligation	-	7,420	-	-	-	7,420
Compensated absences	38,082	27,596	55,789	45,423	93,871	73,019
Net pension liability	1,703,588	1,620,632	1,353,530	1,269,534	3,057,118	2,890,166
Total outstanding debt	<u>\$ 1,864,165</u>	<u>\$ 1,897,338</u>	<u>\$ 14,412,262</u>	<u>\$ 14,144,810</u>	<u>\$ 16,276,427</u>	<u>\$ 16,042,148</u>

**Economic Factors and Next Year's Budget**

- For the calendar year 2021, the Town Council has approved an annual budget in the amount of \$1,653,510 for the General Fund, an increase of \$28,110 (1.8%) over the prior year.
- The Town's millage rate of 13.07 remains unchanged from the prior year.

**Requests for Information**

This financial report is designed to provide a general overview of the Town of Chapin's for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director of Finance and Administrative Support, Town of Chapin, 157 NW Columbia Avenue, Chapin, South Carolina, 29036.

**TOWN OF CHAPIN, SOUTH CAROLINA**

**STATEMENT OF NET POSITION  
DECEMBER 31, 2020**

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,727,003	\$ 6,978,227	\$ 8,705,230
Restricted cash	-	1,378,696	1,378,696
Receivables, net of allowance			
Taxes	158,419	-	158,419
Accounts	1,659	348,278	349,937
Due from county treasury	82,552	-	82,552
Due from other governments	8,565	60,324	68,889
Internal balances	(2,032,213)	2,032,213	-
Inventories	-	387,378	387,378
Prepaid items	40,062	-	40,062
Capital assets:			
Non-depreciable	1,035,209	16,341,975	17,377,184
Depreciable, net of accumulated depreciation	4,272,154	16,157,679	20,429,833
Total assets	<u>5,293,410</u>	<u>43,684,770</u>	<u>48,978,180</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension	206,499	334,188	540,687
Total deferred outflows of resources	<u>206,499</u>	<u>334,188</u>	<u>540,687</u>
<b>LIABILITIES</b>			
Accounts payable	32,526	275,940	308,466
Accrued salaries and related liabilities	146,644	722,236	868,880
Customer deposits	-	42,705	42,705
Accrued interest payable	1,889	62,164	64,053
Noncurrent liabilities			
Due within one year	160,577	434,660	595,237
Due in more than one year	-	12,624,072	12,624,072
Net pension liability	1,703,588	1,353,530	3,057,118
Total liabilities	<u>2,045,224</u>	<u>15,515,307</u>	<u>17,560,531</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension	117,222	33,776	150,998
Total deferred inflows of resources	<u>117,222</u>	<u>33,776</u>	<u>150,998</u>
<b>NET POSITION</b>			
Net investment in capital assets	5,184,868	19,496,711	24,681,579
Restricted for:			
Public safety	64,827	-	64,827
Community and economic development	505,151	-	505,151
Unrestricted	(2,417,383)	8,973,164	6,555,781
Total net position	<u>\$ 3,337,463</u>	<u>\$ 28,469,875</u>	<u>\$ 31,807,338</u>

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

**TOWN OF CHAPIN, SOUTH CAROLINA**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2020**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 676,206	\$ 1,004,006	\$ -	\$ -
Public safety	674,875	32,853	-	-
Judicial	139,894	-	-	-
Public works	155,020	4,513	-	-
Community & economic development	11,056	-	-	-
Interest and fees	4,944	-	-	-
Total governmental activities	<u>1,661,995</u>	<u>1,041,372</u>	<u>-</u>	<u>-</u>
Business-type activities:				
Water and sewer utilities	4,783,221	4,266,947	-	1,387,905
Total business-type activities	<u>\$ 4,783,221</u>	<u>\$ 4,266,947</u>	<u>\$ -</u>	<u>\$ 1,387,905</u>
General revenues:				
Taxes				
Property, including fee in lieu of taxes				
Accommodations				
Franchise				
Hospitality				
Grants and contributions not restricted to specific programs				
Unrestricted revenue from use of money and property				
Miscellaneous revenues				
Transfers				
Total general revenues and transfers				
Change in net position				
Net position, beginning of year				
Net position, end of year				

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

**Net (Expenses) Revenues and  
Changes in Net Position**

<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
\$ 327,800	\$ -	\$ 327,800
(642,022)	-	(642,022)
(139,894)	-	(139,894)
(150,507)	-	(150,507)
(11,056)	-	(11,056)
(4,944)	-	(4,944)
<u>(620,623)</u>	<u>-</u>	<u>(620,623)</u>
-	871,631	871,631
<u>-</u>	<u>871,631</u>	<u>871,631</u>
213,322	-	213,322
5,169	-	5,169
247,553	-	247,553
515,803	-	515,803
34,259	-	34,259
26,581	19,404	45,985
43,281	16,035	59,316
56,400	(56,400)	-
<u>1,142,368</u>	<u>(20,961)</u>	<u>1,121,407</u>
521,745	850,670	1,372,415
2,815,718	27,619,205	30,434,923
<u>\$ 3,337,463</u>	<u>\$ 28,469,875</u>	<u>\$ 31,807,338</u>

**TOWN OF CHAPIN, SOUTH CAROLINA**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2020**

	<b>General Fund</b>	<b>Hospitality Tax Fund</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,279,853	\$ 447,150	\$ 1,727,003
Receivables, net of allowance			
Taxes	100,418	58,001	158,419
Accounts	1,659	-	1,659
Due from county treasurer	82,552	-	82,552
Due from other governments	8,565	-	8,565
Prepaid items	40,062	-	40,062
<b>Total assets</b>	<b>1,513,109</b>	<b>505,151</b>	<b>2,018,260</b>
<b>LIABILITIES</b>			
Accounts payable	32,526	-	32,526
Accrued salaries and related liabilities	146,644	-	146,644
Advances from other fund	2,032,213	-	2,032,213
<b>Total liabilities</b>	<b>2,211,383</b>	<b>-</b>	<b>2,211,383</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue - property taxes	58,494	-	58,494
<b>Total deferred inflows of resources</b>	<b>58,494</b>	<b>-</b>	<b>58,494</b>
<b>FUND BALANCE (DEFICIT)</b>			
Nonspendable			
Prepaid items	40,062	-	40,062
Restricted for:			
Public safety	64,827	-	64,827
Community and economic development	-	505,151	505,151
Unassigned	(861,657)	-	(861,657)
<b>Total fund balance (deficit)</b>	<b>(756,768)</b>	<b>505,151</b>	<b>(251,617)</b>
Total liabilities, deferred inflows of resources, and fund balance	<b>\$ 1,513,109</b>	<b>\$ 505,151</b>	<b>\$ 2,018,260</b>

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

**TOWN OF CHAPIN, SOUTH CAROLINA**

**RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
DECEMBER 31, 2020**

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Total governmental fund balances:		\$ (251,617)
<p>Amounts reported for governmental activities in the Statement of Net Position are different because of the following:</p> <p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the government funds:</p>		
Cost of assets	\$ 7,156,924	
Accumulated depreciation	<u>(1,849,561)</u>	5,307,363
<p>Other long term assets are not available to pay for current period expenditures and, therefore, are not reported or are deferred in the funds:</p>		
		58,494
<p>Deferred outflows of resources related to the recording of the net pension liability are recognized as expense over time and, therefore, are not reported in the funds.</p>		
		206,499
<p>Deferred inflows of resources related to the recording of the net pension liability do not consume current financial resources and are therefore, not reported in the funds.</p>		
		(117,222)
<p>Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.</p>		
General obligation bonds payable	\$ (89,499)	
Notes payable	(32,996)	
Net pension liabilities	(1,703,588)	
Compensated absences payable	(38,082)	
Accrued interest payable	<u>(1,889)</u>	<u>(1,866,054)</u>
Net position of governmental activities		<u>\$ 3,337,463</u>

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

**TOWN OF CHAPIN, SOUTH CAROLINA**

**STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE (DEFICIT)  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2020**

	General Fund	Hospitality Tax Fund	Total Governmental Funds
<b>Revenues:</b>			
Property taxes	\$ 175,627	\$ -	\$ 175,627
Other taxes	-	515,803	515,803
Licenses, permits, and franchise taxes	1,256,072	-	1,256,072
Fines and forfeitures	32,853	-	32,853
Intergovernmental revenues	39,428	-	39,428
Miscellaneous	69,458	404	69,862
Total revenues	<u>1,573,438</u>	<u>516,207</u>	<u>2,089,645</u>
<b>Expenditures:</b>			
Current:			
General government	497,030	-	497,030
Public safety	573,459	-	573,459
Judicial	130,621	-	130,621
Public works	100,783	-	100,783
Community & economic development	-	11,056	11,056
Debt Service:			
Principal retirement	126,615	-	126,615
Interest	7,081	-	7,081
Total expenditures	<u>1,435,589</u>	<u>11,056</u>	<u>1,446,645</u>
Excess of revenues over expenditures	<u>137,849</u>	<u>505,151</u>	<u>643,000</u>
<b>Other financing sources:</b>			
Transfers in	56,400	-	56,400
Total other financing sources	<u>56,400</u>	<u>-</u>	<u>56,400</u>
Net change in fund balances	194,249	505,151	699,400
<b>Fund balance (deficit), beginning of year</b>	<u>(951,017)</u>	<u>-</u>	<u>(951,017)</u>
<b>Fund balance (deficit), end of year</b>	<u>\$ (756,768)</u>	<u>\$ 505,151</u>	<u>\$ (251,617)</u>

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

**TOWN OF CHAPIN, SOUTH CAROLINA**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2020**

Net change in fund balances - total governmental funds	\$	699,400
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeded capital outlay in the current period.</p>		
Depreciation expense		(208,937)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		37,695
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized for governmental activities. The net effect of these differences in the treatment of long-term debt and related items are as follows:</p>		
Repayment of capital lease obligations	\$ 7,420	
Repayment of notes payable	31,425	
Repayment of general obligation bonds	<u>87,770</u>	
		126,615
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>		
Compensated absences	\$ (10,486)	
Net pension liability, net of pension related deferred outflows and inflows of resources	(124,679)	
Accrued interest	<u>2,137</u>	
		<u>(133,028)</u>
Change in net position of governmental activities	\$	<u><u>521,745</u></u>

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

**TOWN OF CHAPIN, SOUTH CAROLINA**

**GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND DEFICIT - BUDGET AND ACTUAL - GAAP BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2020**

	Budget		Actual	Variance With Final Budget
	Original	Final		
<b>Revenues:</b>				
Property taxes	\$ 205,850	\$ 205,850	\$ 175,627	\$ (30,223)
Licenses, permits, and franchise taxes	1,197,000	1,197,000	1,256,072	59,072
Fines and forfeitures	64,500	64,500	32,853	(31,647)
Intergovernmental revenues	34,100	34,100	39,428	5,328
Miscellaneous	62,550	62,550	69,458	6,908
Total revenues	<u>1,564,000</u>	<u>1,564,000</u>	<u>1,573,438</u>	<u>9,438</u>
<b>Expenditures:</b>				
Current:				
General Government:				
Administrative	350,397	350,397	442,388	(91,991)
Mayor and council	70,126	70,126	54,642	15,484
Community and				
economic development	98,748	98,748	-	98,748
Zoning	77,772	77,772	-	77,772
Public safety:				
Police	624,836	624,836	573,459	51,377
Judicial:				
Municipal court	171,338	171,338	130,621	40,717
Public works	98,487	98,487	100,783	(2,296)
Debt service:				
Principal retirement	126,615	126,615	126,615	-
Interest	7,081	7,081	7,081	-
Total expenditures	<u>1,625,400</u>	<u>1,625,400</u>	<u>1,435,589</u>	<u>189,811</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(61,400)</u>	<u>(61,400)</u>	<u>137,849</u>	<u>199,249</u>
<b>Other financing sources:</b>				
Transfers in	56,400	56,400	56,400	-
Proceeds from sale of capital assets	5,000	5,000	-	(5,000)
Total other financing sources	<u>61,400</u>	<u>61,400</u>	<u>56,400</u>	<u>(5,000)</u>
Net change in fund balances	<u>-</u>	<u>-</u>	<u>194,249</u>	<u>194,249</u>
<b>Fund balance (deficit), beginning of year</b>	<u>(951,017)</u>	<u>(951,017)</u>	<u>(951,017)</u>	<u>-</u>
<b>Fund balance (deficit), end of year</b>	<u><u>\$ (951,017)</u></u>	<u><u>\$ (951,017)</u></u>	<u><u>\$ (756,768)</u></u>	<u><u>\$ 194,249</u></u>

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

# TOWN OF CHAPIN, SOUTH CAROLINA

## STATEMENT OF NET POSITION PROPRIETARY FUND TYPE - ENTERPRISE FUND DECEMBER 31, 2020

	Enterprise Fund
	Water and Sewer Utility Fund
<b>ASSETS</b>	
<b>CURRENT ASSETS</b>	
Cash and cash equivalents	\$ 6,978,227
Due from other governments	60,324
Accounts receivable, net of allowance	348,278
Inventories	387,378
Restricted cash	1,378,696
Total current assets	9,152,903
<b>NONCURRENT ASSETS</b>	
Advance to other fund	2,032,213
Capital assets:	
Non-depreciable	16,341,975
Depreciable, net of accumulated depreciation	16,157,679
Total noncurrent assets	34,531,867
Total assets	43,684,770
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Pension	334,188
Total deferred outflows of resources	334,188
<b>LIABILITIES</b>	
<b>CURRENT LIABILITIES</b>	
Payable from unrestricted assets:	
Accounts payable	275,940
Accrued expenses	722,236
Accrued interest payable	62,164
Compensated absences payable	55,789
Payable from restricted assets:	
Customer deposits payable	42,705
Current portion of notes payable from direct borrowings	378,871
Total current liabilities	1,537,705
<b>LONG-TERM LIABILITIES</b>	
Net pension liability	1,353,530
Long-term portion of notes payable from direct borrowings	12,624,072
Total long-term liabilities	13,977,602
Total liabilities	15,515,307
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Pension	33,776
Total deferred inflows of resources	33,776
<b>NET POSITION</b>	
Net investment in capital assets	19,496,711
Unrestricted	8,973,164
Total net position	\$ 28,469,875

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

# TOWN OF CHAPIN, SOUTH CAROLINA

## STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION PROPRIETARY FUND TYPE - ENTERPRISE FUND FOR THE YEAR ENDED DECEMBER 31, 2020

	Enterprise Fund
	<b>Water and Sewer Utility Fund</b>
<b>OPERATING REVENUE</b>	
Charges for services and sales	\$ 3,725,397
Connection fees	541,550
Miscellaneous	16,035
Total operating revenues	4,282,982
<b>OPERATING EXPENSES</b>	
Salaries and related expenses	1,239,773
Cost of goods sold	672,982
Administrative	139,331
Contractual services	209,294
Materials and supplies	572,189
Repairs and maintenance	279,678
Depreciation	1,144,498
Utilities	274,159
Total operating expenses	4,531,904
Operating loss	(248,922)
<b>NON-OPERATING REVENUES (EXPENSES)</b>	
Interest income	19,404
Interest expense	(251,317)
Total non-operating expenses, net	(231,913)
Loss before capital contributions and transfers	(480,835)
<b>CAPITAL CONTRIBUTIONS</b>	1,387,905
<b>TRANSFERS</b>	
Transfers out	(56,400)
Net change in net position	850,670
<b>Net position, beginning of year</b>	27,619,205
<b>Net position, end of year</b>	\$ 28,469,875

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

**TOWN OF CHAPIN, SOUTH CAROLINA**

**STATEMENT OF CASH FLOWS  
 PROPRIETARY FUND TYPE - ENTERPRISE FUND  
 FOR THE YEAR ENDED DECEMBER 31, 2020**

	<b>Enterprise Fund</b>
	<b>Water and Sewer Utility Fund</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Receipts from customers and users	\$ 4,238,031
Cash paid to suppliers	(2,267,464)
Cash paid to employees	(1,104,733)
Internal activity-payments from other funds	29,411
Net cash provided by operating activities	895,245
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>	
Transfers to other funds	(56,400)
Net cash used in noncapital financing activities	(56,400)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Proceeds from issuance of notes payable	666,638
Principal paid on notes payable	(371,757)
Payment of interest expense	(253,083)
Acquisition and construction of capital assets	(993,900)
Net cash used by capital and related financing activities	(952,102)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest earned on investments	19,404
Net cash provided by investing activities	19,404
Net decrease in cash and cash equivalents	(93,853)
Cash and cash equivalents, beginning of year	8,450,776
Cash and cash equivalents, end of year	\$ 8,356,923
Per Statement of Net Position	
Cash and cash equivalents	\$ 6,978,227
Cash and cash equivalents - restricted	1,378,696
	\$ 8,356,923

(Continued)

**TOWN OF CHAPIN, SOUTH CAROLINA**

**STATEMENT OF CASH FLOWS  
 PROPRIETARY FUND TYPE - ENTERPRISE FUND  
 FOR THE YEAR ENDED DECEMBER 31, 2020**

	<b>Enterprise Fund</b>
	<b>Water and Sewer Utility Fund</b>
<b>RECONCILIATION OF OPERATING LOSS</b>	
<b>TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	
Operating loss	\$ (248,922)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	1,144,498
(Increase) decrease in:	
Accounts receivables	(44,951)
Inventory	33,712
Advance to other fund	29,411
Deferred outflows of resources	(5,447)
Increase (decrease) in:	
Accounts payable	(155,693)
Accrued expenses and compensated absences payable	29,928
Customer deposits	2,150
Net pension liability	83,996
Deferred inflows of resources	26,563
Net cash provided by operating activities	\$ 895,245
<b>NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES</b>	
Contributed capital assets	\$ 1,387,905
Net noncash investing, capital, and financing activities	\$ 1,387,905

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

# TOWN OF CHAPIN, SOUTH CAROLINA

## NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Town of Chapin, South Carolina (the "Town") have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government 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.

#### A. Reporting Entity

The Town of Chapin, South Carolina was founded by Martin Chapin in 1889 and originally incorporated in 1950 under the laws of the State of South Carolina. The Town adopted the Council form of government pursuant to the Home Rule Statute, Act No. 283 of 1995. The Town operates under the Mayor Council form of government with the Mayor and four council members comprising the governing body. As authorized by its Code of Ordinances, the Town provides public safety (police), municipal court, public works (streets), water and sewer utilities, zoning administration, community development, licensing and regulation and general administrative services to its constituents.

In evaluating how to define the government for financial reporting purposes, management has considered all potential component units. 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, 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 for being fiscally independent if excluding it would cause the Town's financial statements to be misleading.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### A. Reporting Entity (Continued)

Blended component units, although legally separate entities, are in substance, part of the government's operations and data from these units are combined with data of the primary government in the fund financial statements. Discretely presented component units, on the other hand, are reported in a separate column in the government-wide financial statements to emphasize they are legally separate from the Town. Based on the criteria above, the Town does not have any component units.

#### B. Government-wide and Fund Financial Statements

##### *Government-wide Statements*

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's enterprise fund functions and various other functions of government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned. 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. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable, when applicable.

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.

##### *Fund Financial Statements*

The fund financial statements provide information about the government's funds. Separate statements for each fund category – governmental and proprietary – are presented. The emphasis of fund financial statements is on major governmental and proprietary funds. All remaining governmental and proprietary funds are aggregated and reported as nonmajor funds. The Town reports no nonmajor funds. Major individual governmental and proprietary funds are reported as separate columns in the fund financial statements.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### B. Government-wide and Fund Financial Statements (Continued)

##### *Major Funds*

The Town reports the following major governmental funds:

The *General Fund* is the Town's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Hospitality Tax Fund* accounts for the revenues collected as a percentage of sales for restaurants in the Town used for the improvement of tourism related services and facilities.

The Town reports the following major proprietary fund:

The *Water and Sewer Utilities Fund* accounts for the operations and maintenance of the water and sewer distribution system owned by the Town.

##### *Nonmajor Funds*

The Town reports no nonmajor funds.

During the course of operations, the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds, when applicable) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise fund) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### C. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured, such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements and proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Revenue from grants, entitlements and donations are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. State-levied locally shared taxes are recognized as revenue in the year appropriated by the state.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when 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. The Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Revenues are considered to be measurable if the amount is known or reasonably estimable at year-end. The following revenue sources are deemed both measurable and available if collected within 60 days of year-end: delinquent property taxes, investment earnings, fines and forfeitures, state-levied locally shared taxes, insurance taxes, certain charges for services, and grant revenues for which all eligibility requirements imposed by the provider have been met. Permits, vehicle and some franchise taxes, licenses, and miscellaneous revenues, although they may be available within 60 days of year-end are considered to be measurable only when cash is received by the Town.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in the governmental fund.

Proceeds of general long-term debt and proceeds for acquisitions under capital leases are reported as other financing sources.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### D. Cash and Cash Equivalents

The Town considers all highly liquid investments (including restricted assets) with original maturities of three months or less when purchased and investments in the South Carolina Local Government Investment Pool (LGIP) to be cash equivalents. Securities with an initial maturity of more than three months (from when initially purchased) that are not purchased from the LGIP are reported as investments.

#### E. Investments

State statutes authorize the Town to invest in obligations of the United States and its agencies, general obligations (not revenue obligations) of the State of South Carolina and its political subdivisions, savings and loan associations to the extent of federal insurance, certificates of deposits collaterally secured, repurchase agreements secured by the foregoing obligations, and the LGIP. The LGIP is an investment mechanism authorized by the South Carolina State Legislature and is not registered with the SEC as an investment company. There is no regulatory oversight of the pool. The pool's primary objective is to acquire maximum returns on investments by pooling available funds with funds from other political subdivisions. The total fair value of the investment pool is apportioned to the entities with funds invested on an equal basis for each share owned, which are acquired at a cost of \$1. Investments in the pool are stated at fair value which approximates cost. The remaining investments (if any) of the Town are reported at fair value.

The Town did not have any investments as of December 31, 2020.

#### F. Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either interfund receivables/payables, i.e., the current portion of interfund loans, or advances to/from other funds, i.e., the noncurrent portion of interfund loans. All other outstanding balances between funds are reported as due to/from other funds.

Advances between funds are offset by a nonspendable fund balance account in applicable governmental funds to indicate they are not available for appropriation and are not expendable available financial resources.

All trade and accounts receivable are reported net of an allowance for the uncollectible amounts.

## NOTES TO FINANCIAL STATEMENTS

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### **NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **G. Inventories and Prepaid Items**

Inventories of the Enterprise Fund are recorded at cost determined by the first-in, first-out method. Inventory items consist of supplies used to install and maintain water and sewer systems. Such inventories are recorded as expenses as they are used (consumed).

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The costs of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

#### **H. Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets and infrastructure are defined by the Town as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Assets with individual values under \$5,000 are considered capital assets if purchased in bulk and acquired by issuance of capital lease obligations. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at their acquisition value at the date of donation.

General capital assets are those assets not specifically related to activities reported in the Proprietary Fund. These assets generally result from expenditures in the governmental fund. These assets are reported in the governmental activities column of the government-wide Statement of Net Position, but are not reported in the fund financial statements. Capital assets utilized by the Proprietary Fund are reported both in the business-type activities column of the government-wide Statement of Net Position and in the respective fund financial statements.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of enterprise fund capital assets is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period. Interest incurred during construction of governmental-type activities is not capitalized.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### H. Capital Assets (Continued)

All reported capital assets except land and construction in progress are depreciated. Useful lives for infrastructure are estimated based on the Town's historical records of necessary improvements and replacements. Depreciation is provided using the straight-line method over the following estimated useful lives:

Asset	Years
Buildings and improvements	10-50
Land improvements	10-30
Machinery and equipment	5-15
Vehicles	5

#### I. Deferred Outflows/Inflows of Resources

##### *Deferred Outflows of Resources*

In addition to assets, the Statement of Net Position reports a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future period(s) and so will not be recognized as an outflow of resources (expense) until then. Five items relating to the Town's Retirement Plans qualify for reporting in this category and are combined in the Statement of Net Position under the heading "Pension". The first item, experience losses, results from periodic studies by the actuary of the retirement plan, which adjust the net pension liability for actual experience for certain trend information that was previously assumed, for example the assumed dates of retirement of plan members. These experience losses are recorded as deferred outflows of resources and are amortized into pension expense over the expected remaining service lives of the plan members. The second item, differences between projected investment return on pension investments and actual return on those investments, is deferred and amortized against pension expense over a five-year period, resulting in recognition as a deferred outflow of resources. The third item results from changes in the proportionate share and differences between employer contributions and the proportionate share of total plan employer contributions. These changes are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in future years. The fourth item, changes in the actuarial assumptions, adjust the net pension liabilities are amortized into pension expense over the expected remaining service lives of plan members.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### I. Deferred Outflows/Inflows of Resources (Continued)

##### *Deferred Outflows of Resources (Continued)*

Additionally, any contributions made by the Town to the pension plan before year-end but subsequent to the measurement date of the Town's net pension liability are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability during the year ended December 31, 2021.

##### *Deferred Inflows of Resources*

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town has three items that qualify for reporting in this category. The first item, *unavailable revenue*, arises only under a modified accrual basis of accounting and is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenue from property taxes and these amounts are deferred and will be recognized as an inflow of resources in the period in which the amounts become available. The second item, experience gains relating to the Town's retirement plan qualified for reporting in this category. Experience gains result from periodic studies by the actuary of the retirement plan, which adjust the net pension liability for actual experience for certain trend information that was previously assumed. These gains are recorded as deferred inflows of resources and are amortized into pension expense over the expected remaining lives of the plan members. The third item results from changes in the proportionate share and differences between employer contributions and the proportionate share of total plan employer contributions.

#### J. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the South Carolina Retirement System (SCRS) and the Police Officers Retirement System (PORS) and additions to/deductions from the SCRS's and PORS's fiduciary net position have been determined on the accrual basis of accounting as they are reported by SCRS and PORS, respectively, in accordance with generally accepted accounting principles (GAAP). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### K. Net Position and Fund Balance

Fund equity at the governmental fund financial reporting level is classified as “fund balance.” Fund equity for all other reporting is classified as “net position.”

**Fund Balance** - Generally, fund balance represents the difference between the assets and deferred outflows of resources and liabilities and deferred inflows of resources under the current financial resources measurement focus of accounting. In the fund financial statements, governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the Town is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Fund balances are classified as follows:

**Nonspendable** - Fund balances are reported as nonspendable when amounts cannot be spent because they are either (a) not in a spendable form or (b) legally or contractually required to be maintained intact.

**Restricted** - Fund balances are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Town or through external restrictions imposed by creditors, grantors, or laws and regulations of other governments.

**Committed** - Fund balances are reported as committed when they can be used only for specific purposes pursuant to constraints imposed by formal action of the Town Council through the adoption of a resolution or passage of an ordinance. Only the Town Council may modify or rescind the commitment.

**Assigned** - Fund balances are reported as assigned when amounts are constrained by the Town’s intent to be used for specific purposes, but are neither restricted nor committed. Intent can be expressed by Town Council or by an official or body to which Town Council delegates the authority. The Town Council has not delegated such authority as of December 31, 2019.

**Unassigned** - Fund balances are reported as unassigned as the residual amount when the balances do not meet any of the above criterion. The Town reports positive unassigned fund balance only in the General Fund. Negative unassigned fund balances may be reported in all funds.

**Flow Assumptions** - When both restricted and unrestricted amounts of fund balance are available for use for expenditures incurred, it is the Town’s policy to use restricted amounts first and then unrestricted amounts as they are needed. For unrestricted amounts of fund balance, it is the Town’s policy to use fund balance in the following order: 1) committed, 2) assigned, and 3) unassigned.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### L. Accounting Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires the Town's management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### M. Compensated Absences

**Vacation** – The Town's policy permits employees to accumulate earned but unused vacation benefits, which are eligible for payment upon separation from government service. The liability for such leave is reported as incurred in the government-wide and proprietary fund financial statements. A liability for those amounts is recorded in the governmental fund only if the liability has matured as a result of employee resignations or retirements. The liability for compensated absences includes salary-related benefits, where applicable.

**Sick Leave** – Accumulated sick leave lapses when employees leave the employ of the Town and, upon separation from service, no monetary obligation exists.

#### N. 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. All current payables and accrued liabilities from the governmental fund are reported in the governmental fund financial statements.

In the government-wide financial statements for the primary government, long-term debt, and other long-term obligations are reported as liabilities on the Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method that approximates the effective interest method. Bonds payable are reported net of the applicable bond premiums or discount and deferred advance refunding amounts, if applicable.

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

## NOTES TO FINANCIAL STATEMENTS

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### **NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **O. Proprietary Fund Operating and Non-operating Revenues and Expenses**

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing goods and services in connection with a proprietary fund's principal ongoing operations. The Town's business-type activities accounted for in the proprietary fund are chiefly water sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

### **NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

#### **Budgetary Information**

The Town utilizes the following procedures in establishing the budgetary data reflected in the financial statements:

1. Budgets are adopted on a GAAP basis. During the spring, the Town's Administration, with other department input, develops a preliminary budget model for operational and capital expenditures, and develops revenue projections as a proposed means of financing the proposed expenditures.
2. Upon receipt of the budget estimates, the Town Council holds a first reading of the budget ordinance. Information about the budget ordinance is then published. The ordinance sets the limit at the fund level, for which expenditures may not exceed appropriations. After two readings of the budget, the Town Council legally adopts the budget through the passage of the ordinance.
3. Budget accountability rests primarily with the operating departments of the Town. In accomplishing the programs and objectives for which the budget was authorized, department directors are responsible for ensuring that their respective expenditures do not exceed the prescribed funding levels.
4. The Mayor has the authority to transfer funds across departments and functions. Such transfers are entered on the Town's records. All unused expenditure appropriations lapse at year-end. However, Town Council must approve any revisions that alter the total expenditures of any fund.
5. Budgeted amounts are as originally adopted, or as amended by Town Council.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

#### Deficit Fund Balance

The General Fund reported a deficit fund balance of \$756,768 as of December 31, 2020. This deficit is primarily the result of the costs of construction of the Town Hall building which occurred in 2013. The Town continues to evaluate various options for the elimination of this deficit.

### NOTE 3. CASH AND INVESTMENTS

Total cash and cash equivalents as of December 31, 2020, are summarized as follows:

Statement of Net Position:

Cash	\$ 8,705,230
Restricted cash	1,378,696
Total cash	<u>\$ 10,083,926</u>

Cash deposited with financial institutions	\$ 9,429,322
South Carolina Local Government Investment Pool	654,604
	<u>\$ 10,083,926</u>

At December 31, 2020, the Town's cash included local government pools, which is managed by the State of South Carolina. The fair value of its position in the pool is the same as the value of the pool shares.

Certain cash and cash equivalents of the Town are legally restricted for specified purposes. The major types of restrictions at December 31, 2020, were those imposed by the revenue source and as stipulated in certain bond and loan offering documents.

Under State law, the Town is authorized to hold funds in deposit accounts with banking institutions and invest funds in the following items: obligations of the United States and agencies thereof, obligations of the State of South Carolina or any of its political units, banks and savings and loan associations to the extent insured by an agency of the federal government, and/or certificates of deposit where the certificates are federally insured or collaterally secured by collateral of the types in the previously mentioned items.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 3. CASH AND INVESTMENTS (CONTINUED)

#### *Custodial Credit Risk – Deposits*

In the case of deposits, this is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. The Town does not have a policy for custodial credit risk. However, South Carolina state statutes provide that banks accepting deposits of funds from local government units must furnish an indemnity bond or pledge as collateral obligations of the United States, South Carolina and political subdivisions of South Carolina, the Federal National Mortgage Association, the Federal Home Loan Bank, the Federal Farm Credit Bank, or the Federal Home Loan Mortgage Corporation. As of December 31, 2020, the Town's bank balance of \$9,702,231 was fully insured or collateralized by government investments held by the pledging financial institution's trust department or agent in the Town's name.

#### *Interest Rate Risk – Investments*

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes.

The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

#### *Credit Risk – Investments*

Credit risk for investments is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Town's investment policy for credit risk states that the risk shall be mitigated by investing in safe institutions, but does not have strict guidelines regarding credit ratings. The Town follows the investment policy statutes of the State of South Carolina related to credit risk for investments, which is as follows:

1. Obligations of the United States and agencies thereof;
2. General obligations of the State of South Carolina or any of its political units;
3. Savings and loan association deposits to the extent insured by the Federal Deposit Insurance Corporation;
4. Certificates of Deposit and repurchase agreements collateralized by securities of the type described in 1) and 2) above, held by a third-party as escrow agent or custodian, of a fair value not less than the amount of certificates of deposit and repurchase agreements so secured, including interest; and

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 3. CASH AND INVESTMENTS (CONTINUED)

#### *Credit Risk – Investments (Continued)*

5. No-load open and 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, 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.

#### *Custodial Credit Risk – 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's investment policy is designed to operate within existing statutes (which are identified for all funds and fund types) of the State of South Carolina. As of December 31, 2020, none of the Town's investment balances were exposed to custodial credit risk.

#### *Concentration of Credit Risk – Investments*

Concentration of credit risk is the risk of loss attributable to the magnitude of the Town's investment in a single issuer. The Town places no limit on the amount the Town may invest in any one issuer.

In addition, South Carolina state statutes authorize the Town to invest in the LGIP. The LGIP is an investment trust fund created by state legislation, in which public monies under the custody of any political subdivision in excess of current needs may be deposited. The LGIP is permitted to purchase obligations of the United States, its agencies and instrumentalities, and any corporation within the United States if such obligations bear any of the three highest ratings of at least two nationally recognized rating services.

As of December 31, 2020, the Town reported investments of \$654,604 in the LGIP. Due to the nature of these investments, as described above, they do not meet the criteria for reporting in the fair value hierarchy.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 4. RECEIVABLES

Receivables as of December 31, 2020, including the applicable allowances for uncollectible accounts, are as follows:

	<b>General Fund</b>	<b>Hospitality Tax Fund</b>	<b>Water and Sewer Utility Fund</b>
Receivables:			
Taxes	\$ 103,285	\$ 58,001	\$ -
Accounts	1,659	-	433,446
Intergovernmental	91,117	-	60,324
Gross receivables	196,061	58,001	493,770
Less allowance for uncollectibles			
Taxes	(2,867)	-	-
Accounts	-	-	(85,168)
Total allowance	(2,867)	-	(85,168)
Net receivables	\$ 193,194	\$ 58,001	\$ 408,602

**Property Taxes.** The Town has an agreement with Lexington County to maintain property tax rolls and to levy and collect property taxes. The taxes collected are remitted to the Town at the end of each month with the exception of December and January, for which remittance is made twice a month. The County charges per notice for collection. Taxes are levied on September 30, and payable on or before January 15, at which time a penalty is assessed on unpaid accounts. An additional penalty of 7% is assessed on February 1 and March 16. Liens attach to the property at the time the taxes are levied. Town property tax revenues are recognized when received with the exception of those that are received by the Town within sixty days of year-end, which are recognized as revenue as of December 31. An allowance is established for delinquent taxes to the extent their collection is improbable.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 5. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Interfund balances largely result from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. Advances to/from other funds represent amounts not expected to be repaid within one year from the date of the financial statements.

The composition of interfund balances as of December 31, 2020, is as follows:

	<b>Receivable Fund</b>	<b>Payable Fund</b>
Governmental Fund		
General Fund	\$ -	\$ 2,032,213
Enterprise Fund		
Water and Sewer Utility Fund	2,032,213	-
	\$ 2,032,213	\$ 2,032,213

As discussed in Note 2, the advance from the Water and Sewer Utilities Fund to the General Fund is the result of the costs of construction of the Town Hall building in 2013. The Town anticipates that this advance will be eliminated in future years through future General Fund revenues and/or a reduction in expenditures.

The composition of interfund transfers for the year ended December 31, 2020, is as follows:

	<b>Transfers In</b>	<b>Transfers Out</b>
Governmental Fund		
General Fund	\$ 56,400	\$ -
Enterprise Fund		
Water and Sewer Utility Fund	-	56,400
Total Transfers	\$ 56,400	\$ 56,400

Transfers are used (1) to move revenues from the fund that a statute or budget requires to collect them to the fund that a statute or budget requires to expend them, and (2) to use unrestricted revenues collected in the General Fund to finance various programs accounted for in the Water and Sewer Utilities Fund in accordance with budgetary authorizations.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 6. CAPITAL ASSETS

Capital asset activity for the governmental activities for the year ended December 31, 2020, is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balance</u>
<b>Governmental Activities:</b>					
Capital Assets, Not Being Depreciated:					
Land	\$ 1,035,209	\$ -	\$ -	\$ -	\$ 1,035,209
Total	<u>1,035,209</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,035,209</u>
Capital Assets, Being Depreciated:					
Buildings and improvements	4,509,597	-	-	-	4,509,597
Land improvements	1,345,563	-	-	-	1,345,563
Machinery and equipment	50,844	-	-	-	50,844
Vehicles	215,711	-	-	-	215,711
Total	<u>6,121,715</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,121,715</u>
Less Accumulated Depreciation for:					
Buildings and improvements	(916,974)	(128,427)	-	-	(1,045,401)
Land improvements	(559,359)	(48,819)	-	-	(608,178)
Machinery and equipment	(26,889)	(4,511)	-	-	(31,400)
Vehicles	(137,402)	(27,180)	-	-	(164,582)
Total	<u>(1,640,624)</u>	<u>(208,937)</u>	<u>-</u>	<u>-</u>	<u>(1,849,561)</u>
Total capital assets, being depreciated, net	<u>4,481,091</u>	<u>(208,937)</u>	<u>-</u>	<u>-</u>	<u>4,272,154</u>
Governmental activities capital assets, net	<u>\$ 5,516,300</u>	<u>\$ (208,937)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,307,363</u>

## NOTES TO FINANCIAL STATEMENTS

### NOTE 6. CAPITAL ASSETS (CONTINUED)

Capital asset activity for the business-type activities for the year ended December 31, 2020, is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balance</u>
<b>Business-type Activities</b>					
Capital Assets, Not Being Depreciated:					
Land	\$ 573,825	\$ -	\$ -	\$ -	\$ 573,825
Construction in progress	14,896,014	890,149	-	(18,013)	15,768,150
Total	<u>15,469,839</u>	<u>890,149</u>	<u>-</u>	<u>(18,013)</u>	<u>16,341,975</u>
Capital Assets, Being Depreciated:					
Buildings and improvements	42,974	-	-	18,013	60,987
Infrastructure and land improvements	30,191,531	1,387,905	-	-	31,579,436
Machinery and equipment	858,416	35,140	-	-	893,556
Vehicles	351,546	68,611	-	-	420,157
Total	<u>31,444,467</u>	<u>1,491,656</u>	<u>-</u>	<u>18,013</u>	<u>32,954,136</u>
Less Accumulated Depreciation for:					
Buildings and improvements	(5,559)	(1,674)	-	-	(7,233)
Infrastructure and land improvements	(15,210,750)	(1,019,493)	-	-	(16,230,243)
Machinery and equipment	(218,651)	(84,613)	-	-	(303,264)
Vehicles	(216,999)	(38,718)	-	-	(255,717)
Total	<u>(15,651,959)</u>	<u>(1,144,498)</u>	<u>-</u>	<u>-</u>	<u>(16,796,457)</u>
Total capital assets, being depreciated, net	<u>15,792,508</u>	<u>347,158</u>	<u>-</u>	<u>18,013</u>	<u>16,157,679</u>
Business-type activities capital assets, net	<u>\$ 31,262,347</u>	<u>\$ 1,237,307</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 32,499,654</u>

Included in current year additions are contributed water and sewer systems valued at \$1,387,905.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 6. CAPITAL ASSETS (CONTINUED)

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

<b>Governmental activities</b>	
General government	\$ 131,985
Public safety	27,180
Judicial	48,819
Public works	953
Total depreciation expense - governmental activities	<u>\$ 208,937</u>

### NOTE 7. LONG-TERM DEBT

The Town has the following forms of long-term indebtedness:

Capital Lease Obligations – The Town uses leases to finance the purchase of various equipment. Leases are paid from the General Fund.

General Obligation Bonds – The Town issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities for use in governmental activities. The primary source of revenue for repayment of bonds is the General Fund. General obligation bonds are direct obligations and pledge the full faith and credit of the Town.

Notes Payable from Direct Borrowings – The Town has two notes that are funded by the General Fund and the Water and Sewer Utilities Fund, respectively. The General Fund note was used for the purchase of real property. The Water and Sewer Utilities Fund note is a State Revolving Fund loan for the Wastewater Treatment Plant Upgrade. The project has not been completed as of December 31, 2020.

Compensated Absences Payable – These obligations represent accumulated annual leave and compensatory time benefits which were not funded by the current or prior years' revenue resources. These obligations are primarily funded by the General Fund for the Town's governmental activities and by the Water and Sewer Utilities Fund for the Town's business-type activities.

Net Pension Liability – This obligation represents the Town's allocated portion of their long-term obligation for pension benefits. This obligation is funded by the General Fund for the Town's governmental activities and by the Water and Sewer Utilities Fund for the Town's business-type activities.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 7. LONG-TERM DEBT (CONTINUED)

#### *Changes in Long-term Liabilities*

Long-term liability activity for the year ended December 31, 2020, is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental Activities</b>					
General obligation bonds	\$ 177,269	\$ -	\$ (87,770)	\$ 89,499	\$ 89,499
Notes from direct borrowings	64,421	-	(31,425)	32,996	32,996
Capital lease obligations	7,420	-	(7,420)	-	-
Compensated absences	27,596	25,887	(15,401)	38,082	38,082
Net pension liability	1,620,632	403,469	(320,513)	1,703,588	-
Total long-term liabilities	<u>\$ 1,897,338</u>	<u>\$ 429,356</u>	<u>\$ (462,529)</u>	<u>\$ 1,864,165</u>	<u>\$ 160,577</u>
<b>Business-type Activities</b>					
Notes from direct borrowings	\$ 12,829,853	\$ 544,847	\$ (371,757)	\$ 13,002,943	\$ 378,871
Compensated absences	45,423	32,166	(21,800)	55,789	55,789
Net pension liability	1,269,534	320,563	(236,567)	1,353,530	-
Total long-term liabilities	<u>\$ 14,144,810</u>	<u>\$ 897,576</u>	<u>\$ (630,124)</u>	<u>\$ 14,412,262</u>	<u>\$ 434,660</u>

#### **General Obligation Bonds**

In 2011, the Town issued general obligation bonds in the amount of \$431,507, the proceeds of which were used to (1) defray the costs of issuance of the 2011 bond; (2) provide for the construction, including but not limited to, site preparation, and equipping of a 15,000 square foot facility used as a new Town Hall, housing the Town's Police Department, Water and Sewer Department, and the Town's General Administration Department; and (3) provide for the construction of a pond that serves as the Town's stormwater drainage facility. The bonds are payable in annual payments of \$91,262 through March 2021 at an interest rate of 1.97%. The Bonds are payable from a direct ad valorem tax on all taxable property in the Town.

Debt service requirements for the general obligation bonds are as follows:

<u>Year ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	<u>\$ 89,499</u>	<u>\$ 1,763</u>	<u>\$ 91,262</u>
Total	<u>\$ 89,499</u>	<u>\$ 1,763</u>	<u>\$ 91,262</u>

## NOTES TO FINANCIAL STATEMENTS

### NOTE 7. LONG-TERM DEBT (CONTINUED)

#### *Notes Payable from Direct Borrowings*

In 2016, the Town Council approved a promissory note for the purchase of certain real property. The note is payable in annual payments of \$34,646 through September 2021 at an interest rate of 5%. The note is payable from a direct ad valorem tax on all taxable property in the Town.

Debt service requirements for the note payable are as follows:

<u>Year ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 32,996	\$ 1,650	\$ 34,646
Total	<u>\$ 32,996</u>	<u>\$ 1,650</u>	<u>\$ 34,646</u>

In 2017, the Town Council approved a state revolving fund loan agreement for the expansion and upgrade of the Wastewater Treatment Plant. After the project is completed, the note is payable with the first payment of \$91,843 in October 2019 and quarterly payments of \$156,210 through July 2049 at an interest rate of 2.4%. As of December 31, 2020, \$13,466,544 of the \$13,466,544 total amount of the loan had been drawn down, however, the project is still being closed out by the City.

Debt service requirements for the note payable are as follows:

<u>Year ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 378,871	\$ 245,969	\$ 624,840
2022	386,121	238,719	624,840
2023	393,510	231,330	624,840
2024	401,040	223,800	624,840
2025	408,714	216,126	624,840
2026 - 2030	2,163,924	960,276	3,124,200
2031 - 2035	2,379,043	745,157	3,124,200
2036 - 2040	2,459,119	537,830	2,996,949
2041 - 2045	2,246,538	368,656	2,615,194
2046 - 2049	1,786,063	91,030	1,877,093
Total	<u>\$ 13,002,943</u>	<u>\$ 3,858,893</u>	<u>\$ 16,861,836</u>

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 7. LONG-TERM DEBT (CONTINUED)

#### *Capital Leases*

In 2017, the Town entered into a capital lease agreement for the purchase of a police vehicle. The lease is due in annual installments, including principal and interest, over the next two years with payments of \$7,787 through March 2020 at an interest rate of 4.95%. The capital lease was paid in full during the fiscal year ending December 31, 2020.

### NOTE 8. OPERATING LEASES

The Town, as lessor, leases certain properties to tenants for terms generally varying from one to five years under leases accounted for as operating leases. Revenues are recorded in earned and available. For the year ended December 31, 2020, the Town recognized rental income from its operating leases of \$12,060.

Future minimum lease payments for the leases are as follows:

<u>Year ending December 31,</u>	<u>Amount</u>
2021	\$ 11,865
2022	<u>10,320</u>
Total	<u>\$ 22,185</u>

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 9. OTHER INFORMATION

#### Commitments and Contingent Liabilities

##### *Grants*

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

##### *Litigation*

The Town is contingently liable with respect to various legal proceedings which normally occur in the course of governmental operations. It is the opinion of Town management, based on the advice of legal counsel on pending litigation, that the ultimate disposition of these claims not covered by insurance will not have a material adverse effect on the financial condition of the Town.

##### *Construction Commitments*

At December 31, 2020, the Town had the following construction commitments:

Construction services (Wastewater Treatment Plant Upgrade)	\$ 743,699
I – 26 Utility Relocation Project	\$ 284,121

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 9. OTHER INFORMATION (CONTINUED)

#### **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; and natural disasters. For all of these risks, the Town is a member of the State of South Carolina Insurance Reserve Fund. The Town pays an annual premium to the State Insurance Reserve Fund for its general insurance coverage. The State Insurance Reserve Fund is self-sustaining through member premiums and reinsures through commercial companies for certain claims.

The Town has not significantly reduced insurance coverages from the previous year and settled claims in excess of insurance coverage for the last three years were immaterial. For each of the insurance programs and public entity risk pools in which they participate, the Town has effectively transferred all risk with no liability for unfunded claims.

#### **Economic Dependency**

Dominion Energy, an American power and energy company, (the "Company") provides a major source of revenues for the Town's governmental activities. During the year ended December 31, 2020, the Company paid its franchise fee to the Town which amounted to approximately 10.02% of the revenues of the Town's governmental activities.

### NOTE 10. DEFINED BENEFIT PENSION PLAN

#### *Overview*

The South Carolina Public Employee Benefit Authority (PEBA), created July 1, 2012, is the state agency responsible for the administration and management of the various Retirement Systems and retirement programs of the state of South Carolina, including the State Optional Retirement Program and the S.C. Deferred Compensation Program, as well as the state's employee insurance programs. As such, PEBA is responsible for administering the South Carolina Retirement Systems' five defined benefit pension plans. PEBA has an 11-member Board of Directors, appointed by the Governor and General Assembly leadership, which serves as custodian, co-trustee and co-fiduciary of the Systems and the assets of the retirement trust funds. The Retirement System Investment Commission (Commission as the governing body, RSIC as the agency), created by the General Assembly in 2005, has exclusive authority to invest and manage the retirement trust funds' assets. The Commission, an eight-member board, serves as co-trustee and co-fiduciary for the assets of the retirement trust funds. By law, the State Fiscal Accountability Authority (SFAA), which consists of five elected officials, also reviews certain PEBA Board decisions regarding the actuary of the Systems. For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Systems and additions to/deductions from the Systems fiduciary net position have been determined on the accrual basis of accounting as they are reported by the Systems in accordance with generally accepted accounting principles (GAAP). For this purpose, revenues are recognized when earned and expenses are recognized when incurred. Benefit and refund expenses are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 10. DEFINED BENEFIT PENSION PLAN (CONTINUED)

#### *Overview (Continued)*

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

#### *Plan Descriptions*

The South Carolina Retirement System (SCRS), a cost-sharing multiple-employer defined benefit pension plan, was established July 1, 1945, pursuant to the provisions of Section 9-1-20 of the South Carolina Code of Laws for the purpose of providing retirement and other benefits for teachers and employees of the state and its political subdivisions. SCRS covers employees of state agencies, public school districts, higher education institutions, other participating local subdivisions of government and individuals newly elected to the South Carolina General Assembly at or after the 2012 general election. The South Carolina Police Officers Retirement System (PORS), a cost-sharing multiple-employer defined benefit pension plan, was established July 1, 1962, pursuant to the provisions of Section 9-11-20 of the South Carolina Code of Laws for the purpose of providing retirement and other benefits to police officers and firefighters. PORS also covers peace officers, coroners, probate judges and magistrates.

#### *Membership*

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

**South Carolina Retirement System** – 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.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 10. DEFINED BENEFIT PENSION PLAN (CONTINUED)

#### *Membership (Continued)*

**South Carolina Police Officers Retirement System** – 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; be a coroner in a full-time permanent position; or be a peace officer employed by the Department of Corrections, the Department of Juvenile Justice or the Department of Mental Health. Probate judges and coroners may elect membership in PORS. Magistrates are required to participate in PORS for service as a magistrate. PORS members, other than magistrates and probate judges, must also earn at least \$2,000 per year and devote at least 1,600 hours per year to this work, unless exempted by statute. An employee member of the system with an effective date of membership prior to July 1, 2012, is a Class Two member. An employee member of the system with an effective date of membership on or after July 1, 2012, is a Class Three member.

#### *Benefits*

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

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

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

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 10. DEFINED BENEFIT PENSION PLAN (CONTINUED)

#### *Benefits (Continued)*

**South Carolina Police Officers Retirement System** – A Class Two member who has separated from service with at least five or more years of earned service is eligible for a monthly pension at age 55 or with 25 years of service regardless of age. A Class Three member who has separated from service with at least eight or more years of earned service is eligible for a monthly pension at age 55 or with 27 years of service regardless of age. Both Class Two and Class Three members are eligible to receive a deferred annuity at age 55 with five or eight years of earned service, respectively. An incidental death benefit is also available to beneficiaries of active and retired members of employers who participate in the death benefit program. Accidental death benefits are also provided upon the death of an active member working for a covered employer whose death was a natural and proximate result of an injury incurred while in the performance of duty. The retirement allowance of eligible retirees or their surviving annuitants is increased by the lesser of one percent or five hundred dollars every July 1. Only those annuitants in receipt of a benefit on July 1 of the preceding year are eligible to receive the increase.

#### *Contributions*

Actuarial valuations are performed annually by an external consulting actuary to ensure applicable contribution rates satisfy the funding parameters specified in Title 9 of the South Carolina Code of Laws. Under these provisions, SCRS and PORS contribution requirements must be sufficient to maintain an amortization period for the financing of the unfunded actuarial accrued liability (UAAL) over a period that does not exceed the number of years scheduled in state statute. Legislation in 2017 increased, but also established a ceiling for SCRS and PORS employee contribution rates. Effective July 1, 2017, employee rates were increased to a capped rate of 9.00 percent for SCRS and 9.75 percent for PORS. The legislation also increased employer contribution rates beginning July 1, 2017 for both SCRS and PORS by two percentage points and further scheduled employer contribution rates to increase by a minimum of one percentage point each year in accordance with state statute. However, the General Assembly postponed the one percent increase in the SCRS and PORS employer contribution rates that was scheduled to go into effect beginning July 1, 2020. If the scheduled contributions are not sufficient to meet the funding periods set in state statute, the board shall increase the employer contribution rates as necessary to meet the funding periods set for the applicable year. The maximum funding period of SCRS and PORS is scheduled to be reduced over a ten-year schedule from 30 years beginning fiscal year 2018 to 20 years by fiscal year 2028.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 10. DEFINED BENEFIT PENSION PLAN (CONTINUED)

#### *Contributions (Continued)*

Additionally, the Board is prohibited from decreasing the SCRS and PORS contribution rates until the funded ratio is at least 85 percent. If the most recent annual actuarial valuation of the Systems for funding purposes shows a ratio of the actuarial value of system assets to the actuarial accrued liability of the system (the funded ratio) that is equal to or greater than 85 percent, then the board, effective on the following July first, may decrease the then current contribution rates upon making a finding that the decrease will not result in a funded ratio of less than 85 percent. If contribution rates are decreased pursuant to this provision, and the most recent annual actuarial valuation of the system shows a funded ratio of less than 85 percent, then effective on the following July first, and annually thereafter as necessary, the board shall increase the then current contribution rates until a subsequent annual actuarial valuation of the system shows a funded ratio that is equal to or greater than 85 percent. For the year ended December 31, 2020, the Town contributed \$165,573 to the SCRS plan and \$64,749 to the PORS plan.

Required employee contribution rates for the year ended December 31, 2020, are as follows:

#### **South Carolina Retirement System**

- 9.00% of earnable compensation from January 1st through June 30th
- 9.00% of earnable compensation from July 1st through December 31st

#### **South Carolina Police Officers Retirement System**

- 9.75% of earnable compensation from January 1st through June 30th
- 9.75% of earnable compensation from July 1st through December 31st

Required employer contribution rates for the year ended December 31, 2020, are as follows:

#### **South Carolina Retirement System**

- 15.41% of earnable compensation from January 1st through June 30th
- 15.41% of earnable compensation from July 1st through December 31st
- Employer incidental death benefit: 0.15% of earnable compensation

#### **South Carolina Police Officers Retirement System**

- 17.84% of earnable compensation from January 1st through June 30th
- 17.84% of earnable compensation from July 1st through December 31st
- Employer incidental death benefit: 0.20% of earnable compensation

## NOTES TO FINANCIAL STATEMENTS

### NOTE 10. DEFINED BENEFIT PENSION PLAN (CONTINUED)

*Net Pension Liability*

The June 30, 2020 (the measurement date) total pension liability, net pension liability, and sensitivity information were determined by the consulting actuary, Gabriel, Roeder, Smith and Company (GRS) and are based on the July 1, 2019, actuarial valuations, as adopted by the PEBA Board and Budget and Control Board, which utilized membership data as of July 1, 2019. The total pension liability was rolled-forward from the valuation date to the plan's fiscal year ended June 30, 2020, using generally accepted actuarial principles. Information included in the following schedules is based on the certification provided by GRS.

The net pension liability 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. As of December 31, 2020, (measurement date of June 30, 2020), the net pension liability amounts for the Town's proportionate share of the collective net pension liabilities associated with the SCRS and PORS plans are as follows:

System	Total Pension Liability	Plan Fiduciary Net Position	Employer's Net Pension Liability	Plan Fiduciary Net Position as a percentage of the Total Pension Liability	Town's Proportionate Share of the Collective Net Pension Liability
SCRS	\$ 4,686,196	\$ 2,376,612	\$ 2,309,584	50.7%	0.009039%
PORS	\$ 1,813,816	\$ 1,066,282	\$ 747,534	58.8%	0.022542%

## NOTES TO FINANCIAL STATEMENTS

### NOTE 10. DEFINED BENEFIT PENSION PLAN (CONTINUED)

*Actuarial Assumptions and Methods*

Actuarial valuations of the plan involve estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and future salary increases. Amounts determined regarding the net pension liability are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. South Carolina state statute requires that an actuarial experience study be completed at least once in each five-year period. An experience report on the Systems was most recently issued for the period ending June 30, 2019 for first use in the July 1, 2021 actuarial valuation.

The following table provides a summary of the actuarial assumptions and methods used in the July 1, 2019, valuations for SCRS and PORS.

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

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

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

## NOTES TO FINANCIAL STATEMENTS

### NOTE 10. DEFINED BENEFIT PENSION PLAN (CONTINUED)

*Actuarial Assumptions and Methods (Continued)*

The long-term expected rate of return on pension plan investments for actuarial purposes is based upon the 20-year capital market assumptions. The actuarial long-term expected rates of return represent assumptions developed using an arithmetic building block approach primarily based on consensus expectations and market-based inputs. Expected returns are net of investment fees. The expected returns, along with the expected inflation rate, form the basis for the target asset allocation adopted at the beginning of the 2020 fiscal year. The long-term expected rate of return is produced by weighting the expected future real rates of the return by the target allocation percentage and adding expected inflation and is summarized in the table below. For actuarial purposes, the 7.25 percent assumed annual investment rate of return used in the calculation of the TPL includes a 5.00 percent real rate of return and a 2.25 percent inflation component.

<b>Allocation/Exposure</b>	<b>Policy Target</b>	<b>Expected Arithmetic Real Rate of Return</b>	<b>Long-term Expected Portfolio Real Rate of Return</b>
<b>Global Equity</b>	<b>51.0%</b>		
Global public equity	35.0%	7.81%	2.73%
Private equity	9.0%	8.91%	0.80%
Equity options strategies	7.0%	5.09%	0.36%
<b>Real Assets</b>	<b>12.0%</b>		
Real estate (Private)	8.0%	5.55%	0.44%
Real estate (REITs)	1.0%	7.78%	0.08%
Infrastructure (Private)	2.0%	4.88%	0.10%
Infrastructure (Public)	1.0%	7.05%	0.07%
<b>Opportunities</b>	<b>8.0%</b>		
GTAA	7.0%	3.56%	0.25%
Other opportunistic strategies	1.0%	4.41%	0.04%
<b>Credit</b>	<b>15.0%</b>		
High Yield Bonds/Bank Loans	4.0%	4.21%	0.17%
Emerging markets debt	4.0%	3.44%	0.14%
Private debt	7.0%	5.79%	0.40%
<b>Rate Sensitive</b>	<b>14.0%</b>		
Core fixed income	13.0%	1.60%	0.21%
Cash and short duration (net)	1.0%	0.56%	0.01%
	<u>100.0%</u>		
		Total expected real return	5.80%
		Inflation for actuarial purposes	2.25%
		Total expected nominal return	<u>8.05%</u>

## NOTES TO FINANCIAL STATEMENTS

### NOTE 10. DEFINED BENEFIT PENSION PLAN (CONTINUED)

*Discount Rate*

The discount rate used to measure the total pension liability was 7.25 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers in SCRS and PORS will be made based on the actuarially determined rates based on provisions in the South Carolina State Code of Laws. Based on those assumptions, the Town'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. The following table presents the sensitivity of the net pension liabilities to changes in the discount rate.

The following table presents the sensitivity of the net pension liability to changes in the discount rate.

<b>Sensitivity of the Net Position Liability to Changes in the Discount Rate</b>					
	<b>1% Decrease</b>		<b>Current</b>		<b>1% Increase</b>
	<b>(6.25%)</b>		<b>Discount Rate</b>		<b>(8.25%)</b>
			<b>(7.25%)</b>		
SCRS	\$ 2,862,496		\$ 2,309,584		\$ 1,847,970
PORS	\$ 989,618		\$ 747,534		\$ 553,168

*Pension Expense*

For the year ended December 31, 2020, the Town recognized its proportionate share of collective pension expense of \$258,419 and recognition of deferred amounts from changes in proportionate share and differences between employer contributions and the proportionate share of total plan employer contributions of \$113,906 for a total of \$372,325 for the SCRS plan. Additionally, for the year ended December 31, 2020, the Town recognized its proportionate share of collective pension expense of \$107,680 and recognition of deferred amounts from changes in proportionate share and differences between employer contributions and the proportionate share of total plan employer contributions of (\$19,891) for a total of \$87,789 for the PORS plan.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 10. DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

At December 31, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to the SCRS and PORS pension plans, respectively, from the following sources:

<b>SCRS</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
	<u>                    </u>	<u>                    </u>
Differences between expected and actual experience	\$ 26,650	\$ 8,734
Changes of assumptions	2,830	-
Net difference between projected and actual earnings on pension plan investments	169,890	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	107,904	58,918
Employer contributions subsequent to the measurement date	<u>86,508</u>	<u>-</u>
Total	<u>\$ 393,782</u>	<u>\$ 67,652</u>
<b>PORS</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
	<u>                    </u>	<u>                    </u>
Differences between expected and actual experience	\$ 15,887	\$ 3,290
Changes of assumptions	9,122	-
Net difference between projected and actual earnings on pension plan investments	76,546	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	11,640	80,056
Employer contributions subsequent to the measurement date	<u>33,710</u>	<u>-</u>
Total	<u>\$ 146,905</u>	<u>\$ 83,346</u>

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 10. DEFINED BENEFIT PENSION PLAN (CONTINUED)

*Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)*

Town contributions subsequent to the measurement date of \$86,508 and \$33,710 for the SCRS plan and the PORS plan, respectively, are deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ended December 31, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended December 31</u>	<u>SCRS</u>	<u>PORS</u>
2021	\$ 85,185	\$ 12,338
2022	70,506	(563)
2023	40,578	2,233
2024	43,353	15,841

*Pension Plan Fiduciary Net Position*

Detailed information regarding the fiduciary net position of the plans administered by PEBA is available in the separately issued ACFR containing financial statements and required supplementary information for SCRS and PORS. The ACFR of the Pension Trust Funds is publicly available on PEBA's Retirement Benefits' website at [www.retirement.sc.gov](http://www.retirement.sc.gov), or a copy may be obtained by submitting a request to PEBA, P.O. Box 11960, Columbia, SC 29211-1960.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**TOWN OF CHAPIN, SOUTH CAROLINA**

**HOSPITALITY TAX FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GAAP BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2020**

	Budget		Actual	Variance With Final Budget
	Original	Final		
<b>Revenues:</b>				
Other taxes	\$ 340,000	\$ 340,000	\$ 515,803	\$ 175,803
Miscellaneous	-	-	404	404
Total revenues	<u>340,000</u>	<u>340,000</u>	<u>516,207</u>	<u>176,207</u>
<b>Expenditures:</b>				
Current:				
Community and economic development	15,000	15,000	11,056	3,944
Capital outlay	325,000	325,000	-	325,000
Total expenditures	<u>340,000</u>	<u>340,000</u>	<u>11,056</u>	<u>328,944</u>
Net change in fund balances	<u>-</u>	<u>-</u>	<u>505,151</u>	<u>505,151</u>
<b>Fund balance, beginning of year</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 505,151</u>	<u>\$ 505,151</u>

**TOWN OF CHAPIN, SOUTH CAROLINA**

**REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
FOR THE YEAR ENDED DECEMBER 31, 2020**

**South Carolina Retirement System**

Plan Year Ended June 30	Town's proportion of the net pension liability	Town's proportionate share of the net pension liability	Town's covered payroll	Town's share of the net pension liability as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2020	0.009039%	\$ 2,309,584	\$ 1,008,406	229%	50.70%
2019	0.009391%	2,144,354	991,669	216%	54.40%
2018	0.008747%	1,959,924	906,439	216%	54.10%
2017	0.008101%	1,823,665	817,368	223%	53.30%
2016	0.006923%	1,478,743	670,421	221%	52.90%
2015	0.004757%	902,188	383,998	235%	57.00%
2014	0.001987%	342,096	184,220	186%	59.90%

**South Carolina Police Officers Retirement System**

Plan Year Ended June 30	Town's proportion of the net pension liability	Town's proportionate share of the net pension liability	Town's covered payroll	Town's share of the net pension liability as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2020	0.022542%	\$ 747,534	\$ 340,527	220%	58.80%
2019	0.026023%	745,812	377,451	198%	62.70%
2018	0.026097%	739,499	361,228	205%	61.70%
2017	0.027210%	745,380	366,400	203%	60.90%
2016	0.026900%	580,117	291,756	199%	60.40%
2015	0.026900%	586,219	276,159	212%	64.60%
2014	0.016600%	317,757	207,008	153%	67.50%

The above schedules will present 10 years of information once it is accumulated.

The assumptions used in the preparation of the above schedules are disclosed in Note 10 to the financial statements.

**TOWN OF CHAPIN, SOUTH CAROLINA**

**REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF CONTRIBUTIONS  
FOR THE YEAR ENDED DECEMBER 31, 2020**

**South Carolina Retirement System**

Year Ended December 31	Statutorily required contribution	Contributions relative to statutorily required contribution	Contribution deficiency (excess)	Town's covered payroll	Contributions as a percentage of covered payroll
2020	\$ 165,573	\$ 165,573	\$ -	\$ 1,064,096	15.56%
2019	149,681	149,681	-	993,669	15.06%
2018	130,643	130,643	-	926,696	14.10%
2017	114,864	114,864	-	910,936	12.61%
2016	84,466	84,466	-	746,327	11.32%
2015	63,480	63,480	-	577,855	10.99%
2014	26,833	26,833	-	249,898	10.74%

**South Carolina Police Officers Retirement System**

Year Ended December 31	Statutorily required contribution	Contributions relative to statutorily required contribution	Contribution deficiency (excess)	Town's covered payroll	Contributions as a percentage of covered payroll
2020	\$ 64,749	\$ 64,749	\$ -	\$ 354,982	18.24%
2019	65,349	65,349	-	369,171	17.70%
2018	61,938	61,938	-	370,392	16.72%
2017	53,622	53,622	-	353,992	15.15%
2016	48,772	48,772	-	348,524	13.99%
2015	36,461	36,461	-	268,814	13.56%
2014	34,453	34,453	-	262,988	13.10%

The above schedules will present 10 years of information once it is accumulated.

# TOWN OF CHAPIN, SOUTH CAROLINA

## REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF CONTRIBUTIONS FOR THE YEAR ENDED DECEMBER 31, 2020

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The assumptions used the preparation of the previous schedules are as follows:

System	SCRS	PORS
Calculation date	July 1, 2018	July 1, 2018
Actuarial cost method	Entry Age Normal	Entry Age Normal
Asset valuation method	5-year Smoothed	5-year Smoothed
Amortization method	Level % of pay	Level % of pay
Amortization period	29 years maximum, closed period	29 years maximum, closed period
Investment return	7.25%	7.25%
Inflation	2.25%	2.25%
Salary increases	3.00% plus step-rate increases for members with less than 21 years of service	3.50% plus step-rate increases for members with less than 15 years of service
Mortality	2016 Public Retirees of South Carolina Mortality Tables for Males and Females, both projected at Scale AA from the year 2016. Male rates are multiplied by 100% for non-educators and 92% for educators. Female rates multiplied by 111% for non-educators and 98% for educators.	2016 Public Retirees of South Carolina Mortality Tables for Males and Females, both projected at Scale AA from the year 2016. Male rates are multiplied by 125% and females rates are multiplied by 111%.

**OTHER SUPPLEMENTARY INFORMATION REQUIRED  
BY THE STATE OF SOUTH CAROLINA**

**TOWN OF CHAPIN, SOUTH CAROLINA**  
**UNIFORM SCHEDULE OF COURT FINES, ASSESSMENTS AND SURCHARGES (per ACT 96)**  
**For The Year Ended December 31, 2020**

**FOR THE STATE TREASURER'S OFFICE:**

<b>COUNTY / MUNICIPAL FUNDS COLLECTED BY CLERK OF COURT</b>	<b><u>General Sessions</u></b>	<b><u>Magistrate Court</u></b>	<b><u>Municipal Court</u></b>	<b><u>Total</u></b>
<b>Court Fines and Assessments:</b>				
Court fines and assessments collected	N/A	N/A	\$ 31,856	\$ 31,856
Court fines and assessments remitted to State Treasurer	N/A	N/A	17,916	17,916
<b>Total Court Fines and Assessments retained</b>	<b><u>N/A</u></b>	<b><u>N/A</u></b>	<b>13,940</b>	<b>13,940</b>
<b>Surcharges and Assessments retained for victim services:</b>				
Surcharges collected and retained	N/A	N/A	596	596
Assessments retained	N/A	N/A	1,391	1,391
<b>Total Surcharges and Assessments retained for victim services</b>	<b><u>N/A</u></b>	<b><u>N/A</u></b>	<b>\$ 1,987</b>	<b>\$ 1,987</b>

**FOR THE DEPARTMENT OF CRIME VICTIM COMPENSATION (DCVC)**

<b><u>VICTIM SERVICE FUNDS COLLECTED</u></b>	<b><u>Municipal</u></b>	<b><u>County</u></b>	<b><u>Total</u></b>
<b>Carryforward from Previous Year – Beginning Balance</b>	<b>\$ 64,841</b>	<b>N/A</b>	<b>\$ 64,841</b>
<b><u>Victim Service Revenue:</u></b>			
Victim Service Fines Retained by City/County Treasurer	-	N/A	-
Victim Service Assessments Retained by City/County Treasurer	1,391	N/A	1,391
Victim Service Surcharges Retained by City/County Treasurer	596	N/A	596
Interest Earned	206	N/A	206
Grant Funds Received			
Grant from:	-	N/A	-
General Funds Transferred to Victim Service Fund	-	N/A	-
<b>Contribution Received from Victim Service Contracts:</b>			
(1) Town of	-	N/A	-
(2) Town of	-	N/A	-
(3) City of	-	N/A	-
<b>Total Funds Allocated to Victim Service Fund + Beginning Balance (A)</b>	<b>\$ 67,034</b>	<b>N/A</b>	<b>\$ 67,034</b>

**TOWN OF CHAPIN, SOUTH CAROLINA**  
**UNIFORM SCHEDULE OF COURT FINES, ASSESSMENTS AND SURCHARGES (per ACT 96)**  
**For The Year Ended December 31, 2020**

<b><u>Expenditures for Victim Service Program:</u></b>	<b><u>Municipal</u></b>	<b><u>County</u></b>	<b><u>Total</u></b>
Salaries and Benefits	\$ -	N/A	\$ -
Operating Expenditures	392	N/A	392
<b>Victim Service Contract(s):</b>			
(1) Michell Singleton - Victim Advocate	1,643	N/A	1,643
(2) Entity's Name	-	N/A	-
<b>Victim Service Donation(s):</b>			
(1) Sistercare	2,000	N/A	2,000
(2) Entity's Name	-	N/A	-
(3) Entity's Name	-	N/A	-
Transferred to General Fund	-	N/A	-
<b>Total Expenditures from Victim Service Fund/Program (B)</b>	<b>4,035</b>	<b>N/A</b>	<b>4,035</b>
Total Victim Service Funds Retained by Municipal/County Treasurer (A-B)	62,999	N/A	62,999
<b>Less: Prior Year Fund Deficit Repayment</b>	<b>-</b>	<b>N/A</b>	<b>-</b>
<b>Carryforward Funds – End of Year</b>	<b>\$ 62,999</b>	<b>N/A</b>	<b>\$ 62,999</b>

**TOWN OF CHAPIN, SOUTH CAROLINA  
STATISTICAL SECTION**

**FOR THE YEAR ENDED DECEMBER 31, 2020**

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This section of the Town of Chapin, South Carolina’s comprehensive annual financial report presents detailed trend and other information as a context for understanding what the information in the basic financial statements, notes to the basic financial statements, required supplementary information and other supplementary information says about the Town’s overall financial health.

	<u>Page</u>
<b>Financial Trends</b> .....	<b>70 - 74</b>

These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.

<b>Revenue Capacity</b> .....	<b>75 - 79</b>
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These schedules contain information to help the reader assess the Town’s most significant local revenue source, property tax.

<b>Debt Capacity</b> .....	<b>80 - 83</b>
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These schedules present information to help the reader assess the affordability of the Town's current levels of outstanding debt and the Town's ability to issue additional debt in the future.

<b>Demographic and Economic Information</b> .....	<b>84 and 85</b>
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These schedules offer demographic and economic indicators to help the reader understand the environment within which the Town’s financial activities take place.

<b>Operating Information</b> .....	<b>86 - 88</b>
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These schedules contain service and infrastructure data to help the reader understand how the information in the Town’s financial report relates to the services the Town provides and the activities it performs.

Sources: Unless otherwise noted, the information in these schedules is derived from the annual financial reports for the relevant year.

**TOWN OF CHAPIN, SOUTH CAROLINA  
NET POSITION BY COMPONENTS  
LAST TEN CALENDAR YEARS**

	2020	2019	2018	2017	2016*	2015	2014	2013	2012	2011
<b>Governmental activities</b>										
Net investment in capital assets	\$ 5,184,868	\$ 5,267,190	\$ 5,318,892	\$ 5,379,002	\$ 4,390,105	\$ 5,512,582	\$ 5,620,601	\$ 4,998,370	\$ 1,469,282	\$ 1,806,260
Restricted	569,978	66,668	67,713	69,875	-	-	-	-	382,004	749,679
Unrestricted	(2,417,383)	(2,518,140)	(2,251,242)	(2,211,401)	(1,009,042)	(1,971,317)	(2,171,761)	(1,530,805)	1,456,002	461,661
Total governmental activities net position	<u>\$ 3,337,463</u>	<u>\$ 2,815,718</u>	<u>\$ 3,135,363</u>	<u>\$ 3,237,476</u>	<u>\$ 3,381,063</u>	<u>\$ 3,541,265</u>	<u>\$ 3,448,840</u>	<u>\$ 3,467,565</u>	<u>\$ 3,307,288</u>	<u>\$ 3,017,600</u>
<b>Business-type activities</b>										
Net investment in capital assets	\$ 19,496,711	\$ 18,432,494	\$ 16,654,743	\$ 14,963,725	\$ 10,898,167	\$ 11,546,285	\$ 11,596,721	\$ 15,039,385	\$ 15,362,218	\$ 15,799,376
Restricted	-	-	-	-	-	2,714,727	2,710,658	2,968,889	3,199,511	-
Unrestricted	8,973,164	9,186,711	8,027,862	8,175,697	7,405,155	2,714,527	2,783,594	1,919,729	1,476,219	4,161,380
Total business-type activities net position	<u>\$ 28,469,875</u>	<u>\$ 27,619,205</u>	<u>\$ 24,682,605</u>	<u>\$ 23,139,422</u>	<u>\$ 18,303,322</u>	<u>\$ 16,975,539</u>	<u>\$ 17,090,973</u>	<u>\$ 19,928,003</u>	<u>\$ 20,037,948</u>	<u>\$ 19,960,756</u>
<b>Primary Government</b>										
Net investment in capital assets	\$ 24,681,579	\$ 23,699,684	\$ 21,973,635	\$ 20,342,727	\$ 15,288,272	\$ 17,058,867	\$ 17,217,322	\$ 20,037,755	\$ 16,831,500	\$ 17,605,636
Restricted	569,978	66,668	67,713	69,875	-	2,714,727	2,710,658	2,968,889	3,581,515	749,679
Unrestricted	6,555,781	6,668,571	5,776,620	5,964,296	6,396,113	743,210	611,833	388,924	2,932,221	4,623,041
Total business-type activities net position	<u>\$ 31,807,338</u>	<u>\$ 30,434,923</u>	<u>\$ 27,817,968</u>	<u>\$ 26,376,898</u>	<u>\$ 21,684,385</u>	<u>\$ 20,516,804</u>	<u>\$ 20,539,813</u>	<u>\$ 23,395,568</u>	<u>\$ 23,345,236</u>	<u>\$ 22,978,356</u>

\* Net position of the Town's business-type activities has been restated to reflect the correction of an error in the December 31, 2016 report.

**TOWN OF CHAPIN, SOUTH CAROLINA  
CHANGES IN NET POSITION  
LAST TEN CALENDAR YEARS**

	2020	2019	2018	2017	2016*	2015	2014	2013	2012	2011
<b>Expenses</b>										
Governmental activities:										
General government	\$ 676,206	\$ 796,162	\$ 764,702	\$ 839,683	\$ 975,716	\$ 702,816	\$ 570,239	\$ 363,855	\$ 283,300	\$ 271,533
Public safety - police	674,875	816,938	828,595	789,610	590,472	545,060	467,123	512,527	536,185	533,862
Public safety - fire	-	-	-	-	-	-	220	2,000	2,000	2,000
Judicial	139,894	174,202	177,112	179,035	151,069	145,316	147,129	124,891	-	-
Public works	155,020	145,296	147,425	130,776	59,153	-	70,302	34,241	-	-
Community & economic development	11,056	-	-	-	-	-	-	-	-	-
Street	-	-	-	-	-	-	64,026	42,376	42,376	56,651
Interest and fees	4,944	8,548	12,028	23,671	-	-	-	-	-	-
Total governmental activities expense	<u>1,661,995</u>	<u>1,941,146</u>	<u>1,929,862</u>	<u>1,962,775</u>	<u>1,776,410</u>	<u>1,393,192</u>	<u>1,319,039</u>	<u>1,079,890</u>	<u>863,861</u>	<u>864,046</u>
Business-type activities:										
Water and sewer	<u>4,783,221</u>	<u>3,885,223</u>	<u>3,415,990</u>	<u>3,213,730</u>	<u>3,117,047</u>	<u>3,052,162</u>	<u>5,072,404</u>	<u>2,329,520</u>	<u>2,162,212</u>	<u>2,346,863</u>
Total primary government expenses	<u>6,445,216</u>	<u>5,826,369</u>	<u>5,345,852</u>	<u>5,176,505</u>	<u>4,893,457</u>	<u>4,445,354</u>	<u>6,391,443</u>	<u>3,409,410</u>	<u>3,026,073</u>	<u>3,210,909</u>
<b>Program Revenues</b>										
Governmental activities:										
Charges for services:										
General government	1,004,006	923,695	1,112,370	1,182,252	-	-	-	-	-	-
Public safety	32,853	54,081	64,797	72,173	68,824	70,287	71,843	78,577	80,375	108,651
Public works	4,513	3,995	2,200	4,068	-	-	-	-	-	-
Operating grants and contributions	-	-	-	50,000	-	-	-	-	-	-
Capital grants and contributions	-	-	-	-	-	-	-	-	-	-
Total governmental activities program revenue	<u>1,041,372</u>	<u>981,771</u>	<u>1,179,367</u>	<u>1,308,493</u>	<u>68,824</u>	<u>70,287</u>	<u>71,843</u>	<u>78,577</u>	<u>80,375</u>	<u>108,651</u>
Business-type activities:										
Charges for services:										
Water and sewer	4,266,947	4,456,722	3,881,666	4,635,703	3,554,848	2,525,514	2,391,936	2,219,575	2,172,796	2,378,366
Operating grants and contributions	-	-	-	-	606,046	407,145	-	-	66,608	-
Capital grants and contributions	1,387,905	2,375,133	1,092,571	3,453,446	-	-	-	-	-	-
Total business-type activities program revenue	<u>5,654,852</u>	<u>6,831,855</u>	<u>4,974,237</u>	<u>8,089,149</u>	<u>4,160,894</u>	<u>2,932,659</u>	<u>2,391,936</u>	<u>2,219,575</u>	<u>2,239,404</u>	<u>2,378,366</u>
Total primary government revenues	<u>6,696,224</u>	<u>7,813,626</u>	<u>6,153,604</u>	<u>9,397,642</u>	<u>4,229,718</u>	<u>3,002,946</u>	<u>2,463,779</u>	<u>2,298,152</u>	<u>2,319,779</u>	<u>2,487,017</u>
<b>Net (expense) revenue</b>										
Governmental activities	(620,623)	(959,375)	(750,495)	(654,282)	(1,707,586)	(1,322,905)	(1,247,196)	(1,001,313)	(783,486)	(755,395)
Business-type activities	871,631	2,946,632	1,558,247	4,875,419	1,043,847	(119,503)	(2,680,468)	(109,945)	77,192	31,503
Total primary government net revenue (expense)	<u>\$ 251,008</u>	<u>\$ 1,987,257</u>	<u>\$ 807,752</u>	<u>\$ 4,221,137</u>	<u>\$ (663,739)</u>	<u>\$ (1,442,408)</u>	<u>\$ (3,927,664)</u>	<u>\$ (1,111,258)</u>	<u>\$ (706,294)</u>	<u>\$ (723,892)</u>

(continued)

**TOWN OF CHAPIN, SOUTH CAROLINA  
CHANGES IN NET POSITION  
LAST TEN CALENDAR YEARS**

	2020	2019	2018	2017	2016*	2015	2014	2013	2012	2011
<b>General Revenues</b>										
Governmental activities:										
Taxes	\$ 981,847	\$ 484,007	\$ 483,042	\$ 377,153	\$ 1,243,383	\$ 1,130,135	\$ 1,066,479	\$ 996,960	\$ 891,153	\$ 799,195
Grants and contributions not restricted	34,259	33,852	32,635	40,063	201,829	146,505	147,789	116,884	123,988	135,043
Gain on sale of assets	-	5,935	9,010	-	-	-	-	-	-	-
Revenue from use of money and property	26,581	40,120	22,469	17,925	31,808	28,879	28,786	34,486	36,990	29,655
Interest	-	-	-	-	323	231	385	1,261	3,815	11,025
Miscellaneous	43,281	19,416	44,826	19,154	70,041	109,580	121,565	11,999	17,228	28,084
Transfers	56,400	56,400	56,400	56,400	-	-	-	-	-	-
Total governmental activities general revenue	<u>1,142,368</u>	<u>639,730</u>	<u>648,382</u>	<u>510,695</u>	<u>1,547,384</u>	<u>1,415,330</u>	<u>1,365,004</u>	<u>1,161,590</u>	<u>1,073,174</u>	<u>1,003,002</u>
Business-type activities:										
Revenue from use of money and property	19,404	41,947	38,388	12,149	4,570	4,069	-	-	-	7,734
Miscellaneous	16,035	4,421	2,948	4,932	-	-	-	-	-	-
Transfers	(56,400)	(56,400)	(56,400)	(56,400)	-	-	-	-	-	-
Total business-type activities general revenue	<u>(20,961)</u>	<u>(10,032)</u>	<u>(15,064)</u>	<u>(39,319)</u>	<u>4,570</u>	<u>4,069</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,734</u>
Total primary government	<u>1,121,407</u>	<u>629,698</u>	<u>633,318</u>	<u>471,376</u>	<u>1,551,954</u>	<u>1,419,399</u>	<u>1,365,004</u>	<u>1,161,590</u>	<u>1,073,174</u>	<u>1,010,736</u>
<b>Changes in Net Position</b>										
Prior period adjustment	-	-	-	-	279,366	-	384,630	-	-	-
Cumulative change in accounting principle	-	-	-	-	-	-	(677,725)	-	-	-
Governmental activities	521,745	(319,645)	(102,113)	(143,587)	(160,202)	92,425	117,808	160,277	289,688	247,607
Business-type activities	850,670	2,936,600	1,543,183	4,836,100	1,048,417	(115,434)	(2,680,468)	(109,945)	77,192	39,237
Total primary government	<u>\$ 1,372,415</u>	<u>\$ 2,616,955</u>	<u>\$ 1,441,070</u>	<u>\$ 4,692,513</u>	<u>\$ 1,167,581</u>	<u>\$ (23,009)</u>	<u>\$ (2,855,755)</u>	<u>\$ 50,332</u>	<u>\$ 366,880</u>	<u>\$ 286,844</u>

\* Net position of the Town's business-type activities has been restated to reflect the correction of an error in the December 31, 2016 report

**TOWN OF CHAPIN, SOUTH CAROLINA  
FUND BALANCES OF GOVERNMENTAL FUNDS  
LAST TEN CALENDAR YEARS**

	2020	2019	2018	2017	2016*	2015	2014	2013	2012	2011
General Fund										
Nonspendable	\$ 40,062	\$ 46,973	\$ 50,145	\$ 58,315	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	64,827	66,668	67,713	69,875	-	-	-	-	452,168	749,959
Unassigned	(861,657)	(1,064,658)	(1,061,891)	(1,300,840)	(1,352,901)	855,959	1,661,098	(1,542,805)	645,137	461,381
Total General Fund	<u>\$ (756,768)</u>	<u>\$ (951,017)</u>	<u>\$ (944,033)</u>	<u>\$ (1,172,650)</u>	<u>\$ (1,352,901)</u>	<u>\$ 855,959</u>	<u>\$ 1,661,098</u>	<u>\$ (1,542,805)</u>	<u>\$ 1,097,305</u>	<u>\$ 1,211,340</u>
Other Governmental Fund										
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	505,151	-	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	-	-	-
Total Other Governmental Fund	<u>\$ 505,151</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total All Governmental Funds	<u>\$ (251,617)</u>	<u>\$ (951,017)</u>	<u>\$ (944,033)</u>	<u>\$ (1,172,650)</u>	<u>\$ (1,352,901)</u>	<u>\$ 855,959</u>	<u>\$ 1,661,098</u>	<u>\$ (1,542,805)</u>	<u>\$ 1,097,305</u>	<u>\$ 1,211,340</u>

\* Fund balance of the Town's General Fund has been restated to reflect the correction of an error in the December 31, 2016 report.

**TOWN OF CHAPIN, SOUTH CAROLINA  
CHANGE IN FUND BALANCES OF GOVERNMENTAL FUNDS  
LAST TEN CALENDAR YEARS**

	2020	2019	2018	2017	2016*	2015	2014	2013	2012	2011
<b>Revenues</b>										
Licenses	\$ 1,256,072	\$ 1,169,173	\$ 1,327,923	\$ 1,313,198	\$ 1,243,383	\$ 1,130,135	\$ 1,066,479	\$ 996,960	\$ 891,153	\$ 799,195
Property taxes	175,627	212,752	220,093	195,599	201,829	146,505	147,789	116,884	123,988	135,043
Other taxes	515,803	-	-	-	-	-	-	-	-	-
Fines	32,853	54,081	64,797	72,173	68,824	70,287	71,843	78,577	80,375	108,651
Intergovernmental revenues	39,428	37,542	34,465	41,085	31,808	28,879	28,786	34,486	36,990	29,655
Interest	-	-	-	-	323	231	385	1,261	3,815	11,025
Miscellaneous	69,862	59,536	67,295	87,079	70,041	109,580	121,565	11,999	17,228	28,084
Charges for services	-	23,470	43,984	39,249	-	-	-	-	-	-
<b>Total Revenues</b>	<b>2,089,645</b>	<b>1,556,554</b>	<b>1,758,557</b>	<b>1,748,383</b>	<b>1,616,208</b>	<b>1,485,617</b>	<b>1,436,847</b>	<b>1,240,167</b>	<b>1,153,549</b>	<b>1,111,653</b>
<b>Expenditures</b>										
General administration	442,388	507,535	474,680	545,535	587,890	477,279	360,285	302,115	212,465	194,391
Mayor and council	54,642	62,401	59,792	62,470	59,344	40,476	40,416	39,803	42,839	65,020
Public safety	573,459	683,828	677,078	675,636	577,707	452,054	425,438	472,656	499,442	514,457
Municipal court	130,621	157,187	159,603	161,520	151,069	145,316	147,129	124,891	-	-
Public works	100,783	87,706	90,502	74,144	59,153	-	70,302	34,241	-	-
Community & economic development	11,056	-	-	-	-	-	-	-	-	-
Street department	-	-	-	-	-	-	21,650	42,376	-	21,055
Capital outlay	-	-	-	-	44,775	27,500	14,716	3,538,228	470,092	300,957
Debt service:										
Principal	126,615	123,073	119,651	118,141	77,770	75,148	72,623	70,174	67,798	-
Interest	7,081	10,623	14,044	15,554	19,531	20,396	22,931	25,380	27,746	-
<b>Total Expenditures</b>	<b>1,446,645</b>	<b>1,632,353</b>	<b>1,595,350</b>	<b>1,653,000</b>	<b>1,577,239</b>	<b>1,238,169</b>	<b>1,175,490</b>	<b>4,649,864</b>	<b>1,320,382</b>	<b>1,095,880</b>
Excess (deficiency) of revenues over (under) expenditures	643,000	(75,799)	163,207	95,383	38,969	247,448	261,357	(3,409,697)	(166,833)	15,773
<b>Other financing sources (uses)</b>										
Transfers in	56,400	56,400	56,400	56,400	-	-	-	-	-	-
Proceeds from sale of capital assets	-	12,415	9,010	-	-	-	-	-	-	-
Capital lease proceeds	-	-	-	28,468	-	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>56,400</b>	<b>68,815</b>	<b>65,410</b>	<b>84,868</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>699,400</b>	<b>(6,984)</b>	<b>228,617</b>	<b>180,251</b>	<b>38,969</b>	<b>247,448</b>	<b>261,357</b>	<b>(3,409,697)</b>	<b>(166,833)</b>	<b>15,773</b>
Fund balances, beginning	(951,017)	(944,033)	(1,172,650)	(1,352,901)	863,387	(1,661,098)	(1,542,805)	1,866,892	1,264,138	1,195,567
Prior period adjustments to noncurrent	-	-	-	-	(2,255,257)	-	(379,650)	-	-	-
Fund balances, ending	<u>\$ (251,617)</u>	<u>\$ (951,017)</u>	<u>\$ (944,033)</u>	<u>\$ (1,172,650)</u>	<u>\$ (1,352,901)</u>	<u>\$ 855,969</u>	<u>\$ (1,661,098)</u>	<u>\$ (1,542,805)</u>	<u>\$ 1,097,305</u>	<u>\$ 1,211,340</u>
Debt service as a percentage of noncapital expenditures	9.24%	8.40%	8.53% (1)	8.23%	6.35%	7.89%	8.23%	8.60%	11.24%	NA

\* Fund balance of the Town's General Fund has been restated to reflect the correction of an error in the December 31, 2016 report  
(1) Reflects \$27,933 being included in the "debt service as a percentage of noncapital expenditures" calculation for December 31, 2018

**TOWN OF CHAPIN, SOUTH CAROLINA  
GENERAL GOVERNMENTAL TAX REVENUES BY SOURCE  
LAST TEN CALENDAR YEARS**

<u>Calendar Year</u>	<u>Business Licenses Taxes</u>	<u>Franchise Taxes</u>	<u>Property Taxes</u>	<u>Total</u>
2020	\$ 1,004,006	\$ 247,554	\$ 212,771	\$ 1,464,331
2019	900,225	264,953	212,752	1,377,930
2018	1,068,385	257,338	220,093	1,545,816
2017	1,143,003	166,127	195,599	1,504,729
2016	1,119,830	152,497	154,132	1,426,459
2015	984,910	152,307	131,005	1,268,222
2014	930,868	132,483	130,778	1,194,129
2013	870,238	121,893	116,884	1,109,015
2012	772,703	118,450	123,988	1,015,141
2011	680,188	118,972	91,168	890,328

**TOWN OF CHAPIN, SOUTH CAROLINA  
 ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY  
 LAST TEN CALENDAR YEARS**

<u>Calendar Year End</u>	<u>Tax Year</u>	<u>Real Property Assessed Value</u>	<u>Personal Property Assessed Value</u>	<u>Total Taxable Assessed Value</u>	<u>Tax Millage</u>	<u>Estimated Actual Taxable Value</u>	<u>Assessed Value as a Percentage of Actual Value</u>
12/31/2020	2019	\$ 10,327,890	\$ 4,276,140	\$ 14,704,030	12.884	\$ 243,541,024	6.04%
12/31/2019	2018	9,791,370	4,677,600	14,468,970	12.884	238,338,162	6.07%
12/31/2018	2017	9,604,140	4,641,560	14,245,700	11.505	233,500,496	6.10%
12/31/2017	2016	8,794,550	3,878,220	12,672,770	11.505	215,772,376	5.87%
12/31/2016	2015	8,662,700	2,980,400	11,643,100	11.505	201,927,285	5.77%
12/31/2015	2014	8,234,010	2,744,360	10,978,370	11.505	191,718,735	5.73%
12/31/2014	2013	8,050,310	2,676,650	10,726,960	11.505	185,838,996	5.77%
12/31/2013	2012	7,705,780	3,278,910	10,984,690	11.505	183,871,337	5.97%
12/31/2012	2011	7,624,050	3,362,570	10,986,620	11.505	182,959,348	6.00%
12/31/2011	2010	7,573,900	3,309,050	10,882,950	11.505	180,913,710	6.02%

Note: The above data was provided by the Lexington County Tax Assessor and the Lexington County Auditor.

**TOWN OF CHAPIN, SOUTH CAROLINA  
PROPERTY TAX RATES DIRECT AND OVERLAPPING GOVERNMENTS  
LAST TEN CALENDAR YEARS**

Tax Year	Town of Chapin			Overlapping Rates						
	Operating Millage	Debt Service Millage	Total Town Millage	County			School District			
	Operating Millage	Debt Service Millage	Total Town Millage	Operating Millage	Debt Service Millage	Total County Millage	Operating Millage	Debt Service Millage	Total School Millage	Total Direct & Overlapping Rates
2020	12.884	0.000	13.070	110.015	11.750	121.765	246.100	75.400	321.500	456.335
2019	12.884	0.000	12.884	112.255	12.050	124.305	256.900	75.400	332.300	469.489
2018	12.884	0.000	12.884	112.255	11.950	124.205	256.900	54.800	311.700	448.789
2017	11.505	0.000	11.505	110.084	11.650	121.734	256.900	54.800	311.700	444.939
2016	11.505	0.000	11.505	109.668	12.350	122.018	251.500	54.800	306.300	439.823
2015	11.505	0.000	11.505	109.136	12.350	121.486	251.500	52.500	304.000	436.991
2014	11.505	0.000	11.505	109.117	13.000	122.117	235.800	52.500	288.300	421.922
2013	11.505	0.000	11.505	109.117	10.050	119.167	229.270	52.500	281.770	412.442
2012	11.505	0.000	11.505	106.080	9.450	115.530	221.970	52.500	274.470	401.505
2011	11.505	0.000	11.505	103.424	7.050	110.474	221.970	52.500	274.470	396.449

**TOWN OF CHAPIN, SOUTH CAROLINA  
PRINCIPAL PROPERTY TAXPAYERS  
CURRENT YEAR AND TEN YEARS AGO**

Taxpayer	2020			Taxpayer	2011		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value		Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Dominion Energy South Carolina	\$ 862,030	1	5.86%	F B Johnston Graphics Inc.	\$ 664,390	1	6.10%
Signode Industrial Group LLC	899,500	2	6.12%	South Carolina Electric & Gas	646,570	2	5.94%
Chapin & Lex LLC	641,980	3	4.37%	General Information Services	457,370	3	4.20%
Rayco Inc.	398,630	4	2.71%	Rayco Inc.	316,990	4	2.91%
Ellett Brothers, LLC	336,980	5	2.29%	Ellett Brothers Inc.	280,760	5	2.58%
General Information Services	328,140	6	2.23%	Chapin Center LLC	220,870	6	2.03%
Soley Chapin Center LLC	308,970	7	2.10%	Generations of Chapin Inc.	176,760	7	1.62%
DGK LLC	239,040	8	1.63%	S & W Land Co LLC	166,680	8	1.53%
Chapin Orthopedic Properties	214,530	9	1.46%	AT&T Mobility f/k/a Cingular	122,580	9	1.13%
S&W Land Co LLC	208,280	10	1.42%	Bellsouth Telecommunications	115,180	10	1.06%
	<u>\$ 4,438,080</u>		<u>30.18%</u>		<u>\$ 3,168,150</u>		<u>29.11%</u>

Source: Lexington County Auditor's Office

**TOWN OF CHAPIN, SOUTH CAROLINA  
PROPERTY TAX LEVIES AND COLLECTIONS  
LAST TEN CALENDAR YEARS**

<u>Tax Year</u>	<u>Total Tax Levy</u>	<u>Collections within the Levy Year</u>		<u>Collections in Subsequent Years</u>	<u>Total Collections to Date</u>	
		<u>Amount</u>	<u>Percentage of Levy</u>		<u>Amount</u>	<u>Percentage of Levy</u>
2011	\$ 126,281	\$ 121,677	96.35%	\$ 3,507	\$ 125,184	99.13%
2012	127,378	122,625	96.27%	4,205	126,830	99.57%
2013	127,307	124,279	97.62%	2,733	127,012	99.77%
2014	124,472	119,635	96.11%	4,054	123,689	99.37%
2015	127,335	123,458	96.96%	3,616	127,074	99.80%
2016	135,117	131,321	97.19%	3,796	135,117	100.00%
2017	148,852	144,959	97.38%	3,659	148,618	99.84%
2018	164,533	157,867	95.95%	6,666	164,232	99.82%
2019	184,842	179,702	97.22%	3,184	182,886	98.94%
2020	191,339	183,653	95.98%	2,189	185,842	97.13%

Source: Lexington County Auditor's Office

**TOWN OF CHAPIN, SOUTH CAROLINA  
RATIOS OF OUTSTANDING DEBT BY TYPE  
LAST TEN CALENDAR YEARS**

<u>Tax Year</u>	<u>Governmental Activities</u>			<u>Business-type</u>	<u>Total Primary</u>	<u>Percentage of</u>	<u>Per Capita</u>
	<u>General</u>	<u>Capital</u>	<u>Notes</u>	<u>State Revolving</u>			
	<u>Obligation</u>	<u>Lease</u>	<u>Payable</u>	<u>Fund Loan</u>	<u>Government</u>	<u>Personal</u>	<u>(1)</u>
	<u>Bonds</u>	<u>Obligations</u>				<u>Income (1)</u>	<u>(1)</u>
2011	\$ 795,000	\$ -	\$ -	\$ -	\$ 795,000	2.39%	\$ 599
2012	727,201	-	-	-	727,201	2.05%	495
2013	657,037	-	-	-	657,037	1.86%	479
2014	581,497	-	-	-	581,497	1.56%	399
2015	509,276	-	-	-	509,276	1.28%	328
2016	431,507	-	150,000	-	581,507	1.45%	369
2017	347,754	21,226	122,854	-	491,834	1.08%	307
2018	263,343	14,490	94,350	6,379,595	6,751,778	14.22%	4,147
2019	177,269	7,420	64,421	12,829,853	13,078,963	25.55%	8,009
2020	89,499	-	32,996	13,002,943	13,125,438	23.41%	7,888

Notes: Details regarding the Town's outstanding debt can be found in the notes to the financial statements.

(1) See the schedule of Demographic and Economic Statistics for personal income and population data

UNAUDITED

**TOWN OF CHAPIN, SOUTH CAROLINA  
RATIOS OF GENERAL BONDED DEBT OUTSTANDING  
LAST TEN CALENDAR YEARS**

<u>Tax Year</u>	<u>General Obligation Bonds</u>	<u>Percentage of Estimated Actual Taxable Value of Property(1)</u>	<u>Per Capita (1)</u>
2011	\$ 795,000	0.44%	599
2012	727,201	0.40%	495
2013	657,037	0.36%	479
2014	581,497	0.31%	399
2015	509,276	0.27%	328
2016	431,507	0.21%	274
2017	347,754	0.16%	217
2018	263,343	0.11%	162
2019	177,269	0.07%	109
2020	89,499	0.04%	54

Notes: Details regarding the Town's outstanding debt can be found in the notes to the financial statements.

(1) See the Schedule of Assessed Value and Estimated Actual Value of Taxable Property for property tax value data.

(2) See the schedule of Demographic and Economic Statistics for population data.

UNAUDITED

**TOWN OF CHAPIN, SOUTH CAROLINA  
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT  
CURRENT YEAR**

	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable (1)</u>	<u>Estimated Share of Overlapping Debt</u>
<b>Overlapping Debt:</b>			
Lexington County	\$ 24,810,000	1.16%	\$ 288,544
Lexington Richland School District 5	\$ 200,845,541	4.52%	\$ 9,082,141
<b>Direct Debt:</b>			
Town of Chapin Direct Debt	\$ 122,495	100.00%	\$ 122,495

Sources: Assessed value data used to estimate applicable percentages provided by Lexington Count and Lexington Richland School District 5. Debt outstanding provided by Lexington County and Lexington Richland School District 5.

(1) The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of the county's or school district's taxable assessed value that is within the Town's boundaries and dividing it by the county's or school district's total taxable assessed value.

**TOWN OF CHAPIN, SOUTH CAROLINA  
LEGAL DEBT MARGIN INFORMATION  
LAST TEN CALENDAR YEARS**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Debt Limit	\$ 1,176,322	\$ 1,157,518	\$ 1,139,656	\$ 1,013,822	\$ 931,448	\$ 878,270	\$ 858,157	\$ 878,775	\$ 878,930	\$ 870,636
Total Net Debt Applicable to Limit	<u>89,499</u>	<u>177,269</u>	<u>263,343</u>	<u>347,754</u>	<u>431,507</u>	<u>509,276</u>	<u>581,497</u>	<u>657,037</u>	<u>727,201</u>	<u>795,000</u>
Legal Debt Margin	<u>\$ 1,086,823</u>	<u>\$ 980,249</u>	<u>\$ 876,313</u>	<u>\$ 666,068</u>	<u>\$ 499,941</u>	<u>\$ 368,994</u>	<u>\$ 276,660</u>	<u>\$ 221,738</u>	<u>\$ 151,729</u>	<u>\$ 75,636</u>
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	7.61%	15.31%	23.11%	34.30%	46.33%	57.99%	67.76%	74.77%	82.74%	91.31%

**Legal Debt Margin Calculation for 2018**

Assessed Value	\$ 14,704,030
Debt Limit (8% of Total Assessed Value)	1,176,322
Debt Applicable to Limit: General Obligation Bonds	<u>89,499</u>
Legal Debt Margin	<u>\$ 1,086,823</u>

Note: Under state law, the Town's outstanding general obligation debt shall not exceed eight percent (8%) of total assessed property value unless approved by a majority vote of qualified electors of the political subdivision voting in a referendum authorized by law.

**TOWN OF CHAPIN, SOUTH CAROLINA  
DEMOGRAPHIC AND ECONOMIC STATISTICS  
LAST TEN CALENDAR YEARS**

<b>Calendar Year</b>	<b>Population (1)</b>	<b>Personal Income (2) (amounts expressed in thousands)</b>	<b>Per Capita Personal Income (2)</b>	<b>School Enrollment (3)</b>	<b>Unemployment Rate (4)</b>
2011	1,327	\$ 33,321	\$ 25,110	306	8.5%
2012	1,469	35,555	24,204	336	7.9%
2013	1,371	35,271	25,727	439	6.7%
2014	1,459	37,229	25,516	362	5.6%
2015	1,554	39,923	25,691	396	5.0%
2016	1,575	40,106	25,464	439	2.0%
2017	1,604	45,331	28,261	422	2.5%
2018	1,628	47,468	29,892	399	1.7%
2019	1,633	51,199	31,353	429	8.1%
2020	1,664	56,057	33,688	485	8.2%

## Data sources:

(1) 2019 Population Estimates (Table PEPANNRES - Annual Estimates of the Resident Population: April 1, 2010 to July 1, 2019)

(2) 2014-2018 American Community Survey 5-Year Estimates (Table S1101 - HOUSEHOLDS AND FAMILIES) and 2014-2018 American Community Survey 5-Year Estimates (Table S1901 - INCOME IN THE PAST 12 MONTHS (IN 2018 INFLATION-ADJUSTED DOLLARS))

(3) 2014-2018 American Community Survey 5-Year Estimates (Table S1401 - SCHOOL ENROLLMENT)

(4) 2014-2018 American Community Survey 5-Year Estimates (Table S2301 - EMPLOYMENT STATUS)

**TOWN OF CHAPIN, SOUTH CAROLINA  
PRINCIPAL EMPLOYERS  
CURRENT YEAR AND TEN YEARS AGO**

<u>Employer</u>	<u>2020</u>			<u>2011*</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total Town Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total Town Employment</u>
General Information Services	700	1	Unavailable	N/A	1	N/A
Lexington School District 5	160	2	Unavailable	N/A	2	N/A
Publix	140	3	Unavailable	N/A	3	N/A
Lowes Foods	75	4	Unavailable	N/A	4	N/A
Coldwell Banker	55	5	Unavailable	N/A	5	N/A
Generations of Chapin, Inc.	40	6	Unavailable	N/A	6	N/A
McDonalds	38	7	Unavailable	N/A	7	N/A
Chapin Concrete Contractors	32	8	Unavailable	N/A	8	N/A
Chapin Family Practice	30	8	Unavailable	N/A	8	N/A
Food Lion	23	10	Unavailable	N/A	10	N/A
	<u>1,293</u>		<u>0.00%</u>	<u>\$ -</u>		<u>0.00%</u>

\* Information for 2011 employment is not available.

Source: Finance Department

**TOWN OF CHAPIN, SOUTH CAROLINA  
FULL TIME EQUIVALENT TOWN GOVERNMENT EMPLOYEES BY FUNCTION  
LAST TEN CALENDAR YEARS**

<b>Function:</b>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
General Government										
Police	6	6	7	7	7	6	6	6	6	6
Communication and Economic Development	1	1	1	1	1	1	1	-	-	-
Zoning	1	1	1	1	1	1	-	-	-	-
Town Clerk	1	1	1	1	1	-	-	-	-	-
Finance	1	1	2	2	2	2	2	2	1	1
Municipal Court	1	1	1	1	1	1	1	1	1	1
Public Works	1	1	1	1	-	-	-	-	-	-
	<u>12</u>	<u>12</u>	<u>14</u>	<u>14</u>	<u>13</u>	<u>11</u>	<u>10</u>	<u>9</u>	<u>8</u>	<u>8</u>

**TOWN OF CHAPIN, SOUTH CAROLINA  
OPERATING INDICATORS BY FUNCTION/PROGRAM  
LAST TEN CALENDAR YEARS**

<b>Function:</b>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Police Department										
Calls for Service	3,442	N/A	N/A	3,738	3,378	N/A	N/A	N/A	N/A	N/A
Offenses Reported	550	592	590	420	358	N/A	N/A	N/A	N/A	N/A
Arrests	73	199	147	106	49	N/A	N/A	N/A	N/A	N/A
Driving Under the Influence	18	22	33	18	8	N/A	N/A	N/A	N/A	N/A
Drugs	24	34	51	48	19	N/A	N/A	N/A	N/A	N/A
Assaults	11	37	12	18	31	N/A	N/A	N/A	N/A	N/A
Larceny	45	93	98	57	74	N/A	N/A	N/A	N/A	N/A
Arrest Warrants	56	182	135	74	N/A	N/A	N/A	N/A	N/A	N/A
Tickets	328	497	744	1,030	917	N/A	N/A	N/A	N/A	N/A
Municipal Court										
Court Case Counts	380	559	813	992	944	917	N/A	N/A	N/A	N/A
Jury Trial Counts	-	3	4	3	1	1	N/A	N/A	N/A	N/A
General Government										
Business Licenses Issued	482	527	497	554	508	N/A	N/A	N/A	N/A	N/A
Zoning Permits Issued	24	28	16	33	N/A	N/A	N/A	N/A	N/A	N/A
Sign Permits Issued	9	27	16	28	N/A	N/A	N/A	N/A	N/A	N/A

N/A Information is not available. This schedule is a work in progress that will be updated the following year when information becomes available

**TOWN OF CHAPIN, SOUTH CAROLINA  
CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM  
LAST TEN CALENDAR YEARS**

<b>Function:</b>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Police Department										
Police Vehicles	8	8	8	9	7	6	6	6	6	6
Utility and Public Works Department										
Utility Trucks	12	11	11	9	8	N/A	N/A	N/A	N/A	N/A
Public Works Trucks	2	2	1	1	-	-	-	-	-	-

N/A Information is not available. This schedule is a work in progress that will be updated the following year when information becomes available

## **COMPLIANCE SECTION**

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS**

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**The Honorable Mayor and Members  
of the Town Council  
Chapin, South Carolina**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of the **Town of Chapin, South Carolina** (the "Town") as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements and have issued our report thereon dated June 9, 2021.

**Internal Control over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses, as item 2020-001 that we consider to be a significant deficiency.

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**Compliance and Other Matters**


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

**Town of Chapin, South Carolina's Response to Finding**

The Town's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Responses. The Town's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

**Purpose of this Report**

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



Columbia, South Carolina  
June 9, 2021

# TOWN OF CHAPIN, SOUTH CAROLINA

## SCHEDULE OF FINDINGS AND RESPONSES FOR THE YEAR ENDED DECEMBER 31, 2020

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### SECTION I SUMMARY OF AUDIT RESULTS

#### Financial Statements

Type of auditor's report issued Unmodified

Internal control over financial reporting:  
Material weaknesses identified? \_\_\_ Yes X No

Significant deficiencies identified not considered to be material weaknesses? X Yes \_\_\_ No

Noncompliance material to financial statements noted? \_\_\_ Yes X No

#### Federal Awards

There was not an audit of major federal award programs as of December 31, 2020 due to the total amount expended being less than \$750,000.

### SECTION II FINANCIAL STATEMENT FINDINGS AND RESPONSES

#### 2020-001. Segregation of Duties

**Criteria:** Internal controls should be in place to provide reasonable assurance that an individual cannot misappropriate funds without such actions being detected during the normal course of business.

**Condition:** Appropriate segregation of duties among the functions of payroll processing, maintaining personnel files, performing human resources functions and making personnel changes in the payroll system does not exist. Additionally, we noted that appropriate segregation of duties does not exist among recording, distribution, and reconciliation of cash accounts and other financial cycles in the various funds possessed by the Town. Several instances of overlapping duties were noted during interviews regarding internal control procedures.

**Context:** Several instances of overlapping duties were noted during interviews regarding internal control procedures.

**Effect:** Failure to properly segregate duties among the various financial cycles in the funds possessed by the Town can lead to misappropriation of funds that is not detected during the normal course of business.

**Cause:** The lack of segregation of duties is due to the limited number of individuals available to perform all of the duties as well as the lack of a properly developed integrated work plan with appropriate controls.

**Recommendation:** The duties among the various financial cycles associated with the various funds of the Town should be segregated among employees to eliminate various overlapping duties.

# TOWN OF CHAPIN, SOUTH CAROLINA

## SCHEDULE OF FINDINGS AND RESPONSES FOR THE YEAR ENDED DECEMBER 31, 2020

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### SECTION II FINANCIAL STATEMENT FINDINGS AND RESPONSES (CONTINUED)

#### 2020-001. Segregation of Duties (Continued)

**Views of Responsible Officials and Planned Corrective Action:** We concur. The Town is in the process of reviewing their respective systems to evaluate and determine the most efficient and effective solution to properly segregate duties among the financial cycles of the Town.

### SECTION III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

### SECTION IV SCHEDULE OF PRIOR YEAR FINDINGS FOR THE YEAR ENDED DECEMBER 31, 2020

#### 2019-001 Segregation of Duties

**Criteria:** Internal controls should be in place to provide reasonable assurance that an individual cannot misappropriate funds without such actions being detected during the normal course of business.

**Condition:** Appropriate segregation of duties among the functions of payroll processing, maintaining personnel files, performing human resources functions and making personnel changes in the payroll system does not exist. Additionally, we noted that appropriate segregation of duties does not exist among recording, distribution, and reconciliation of cash accounts and other financial cycles in the various funds possessed by the Town. Several instances of overlapping duties were noted during interviews regarding internal control procedures.

**Status:** Unresolved. See current year finding 2020-001.