

**TOWN OF MCBEE, SOUTH CAROLINA**

**ANNUAL FINANCIAL REPORT**  
**Fiscal Year Ended June 30, 2020**

**TOWN OF MCBEE, SOUTH CAROLINA  
ANNUAL FINANCIAL REPORT  
For the Fiscal Year Ended June 30, 2020**

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## INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Town Council  
Town of McBee  
McBee, South Carolina

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information, of the Town of McBee, South Carolina, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Town of McBee, South Carolina'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.

## **Opinions**

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

## **Other Matters**

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the budgetary comparison information, the schedule of the Town's proportionate share of the net pension liability, and the schedule of Town contributions on pages 41-43 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 assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of McBee, South Carolina's financial statements as a whole. The combining and individual non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 21, 2020, on our consideration of the Town of McBee, South Carolina's internal control over financial reporting and on our test of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of McBee, South Carolina's internal control over financial reporting and compliance.

*Sheheen, Hancock & Godwin, LLP*

Sheheen, Hancock and Godwin, LLP  
Camden, South Carolina

**TOWN OF McBEE, SOUTH CAROLINA**  
**STATEMENT OF NET POSITION**  
**June 30, 2020**

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Cash and Cash Equivalents	\$ 660,591	\$ 96,279	\$ 756,870
Receivables			
Property Taxes, Net	5,834	-	5,834
Vehicle Taxes	11,134	-	11,134
Other	11,996	-	11,996
Intergovernmental	51,082	-	51,082
Franchise Fee	5,291	-	5,291
Water Fees	-	58,789	58,789
Internal Balances	(4,828)	4,828	-
Restricted Cash - Non-Current	-	112,173	112,173
Capital Assets:			
Land	95,954	11,600	107,554
Buildings and Improvements	787,534	-	787,534
Equipment	155,653	-	155,653
Vehicles	16,105	-	16,105
Infrastructure	924,392	-	924,392
Idle Property	-	286,400	286,400
Water System	-	3,635,013	3,635,013
Less: Accumulated Depreciation	(834,531)	(1,343,277)	(2,177,808)
Total Capital Assets, Net of Depreciation	<u>1,145,107</u>	<u>2,589,736</u>	<u>3,734,843</u>
<b>Deferred Outflows of Resources</b>			
Prepaid Pension Cost	<u>21,964</u>	<u>12,786</u>	<u>34,750</u>
<b>Total Assets and Deferred Outflows of Resources</b>	<u>1,908,171</u>	<u>2,874,591</u>	<u>4,782,762</u>
<b>Liabilities</b>			
Accounts Payable and Accrued Liabilities	18,381	200,741	219,122
Customer Deposits	-	19,970	19,970
Due to Other Governments - State Assessment	106,064	-	106,064
Long-Term Liabilities:			
Due Within One Year:			
Bonds	-	31,370	31,370
Due in More Than One Year:			
Due to Customer	-	44,977	44,977
Net Pension Liability	104,047	34,065	138,112
Bonds	<u>-</u>	<u>1,348,530</u>	<u>1,348,530</u>
<b>Total Liabilities</b>	<u>228,492</u>	<u>1,679,653</u>	<u>1,908,145</u>
<b>Deferred Inflows of Resources</b>			
Unavailable Revenue -Pension	<u>47,222</u>	<u>13,779</u>	<u>61,001</u>
<b>Total Deferred Inflows of Resources</b>	<u>47,222</u>	<u>13,779</u>	<u>61,001</u>
<b>Net Position</b>			
Net Investment in Capital Assets	1,145,107	1,209,836	2,354,943
Restricted for:			
Bond Cushion Fund	-	93,289	93,289
Depreciation and Contingency Fund	-	18,884	18,884
Unrestricted	<u>487,350</u>	<u>(140,850)</u>	<u>346,500</u>
<b>Total Net Position</b>	<u>\$ 1,632,457</u>	<u>\$ 1,181,159</u>	<u>\$ 2,813,616</u>

The notes to the financial statements are an integral part of these statements.

**TOWN OF McBEE, SOUTH CAROLINA  
STATEMENT OF ACTIVITIES  
For the Fiscal Year Ended June 30, 2020**

<u>Function/Programs</u>	<u>Expenses</u>	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Governmental Activities							
General Government	\$ 230,229	\$ 11,358	\$ -	\$ 37,533	\$ (181,338)	\$ -	\$ (181,338)
Public Safety	159,677	52,200	-	-	(107,477)	-	(107,477)
Recreation	67,803	11,154	-	-	(56,649)	-	(56,649)
Streets and Sanitation	143,252	67,020	-	-	(76,232)	-	(76,232)
Scout Hut	1,872	-	-	-	(1,872)	-	(1,872)
Capital Outlay	19,756	-	-	-	(19,756)	-	(19,756)
Loss on Sale of Asset	179,167	-	-	-	(179,167)	-	(179,167)
<b>Total Governmental Activities</b>	<b>801,756</b>	<b>141,732</b>	<b>-</b>	<b>37,533</b>	<b>(622,491)</b>	<b>-</b>	<b>(622,491)</b>
Business-Type Activities							
Utility Fund	415,626	248,615	-	-	-	(167,011)	(167,011)
<b>Total Business-Type Activities</b>	<b>415,626</b>	<b>248,615</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(167,011)</b>	<b>(167,011)</b>
<b>Total</b>	<b>\$ 1,217,382</b>	<b>\$ 390,347</b>	<b>\$ -</b>	<b>\$ 37,533</b>	<b>(622,491)</b>	<b>(167,011)</b>	<b>(789,502)</b>
General Revenues:							
Taxes					295,300	-	295,300
Intergovernmental					25,092	-	25,092
Franchise Fees					65,193	-	65,193
Interest Income					2	394	396
Miscellaneous					2,401	13,823	16,224
Transfers - Utility Fund					-	-	-
<b>Total General Revenues</b>					<b>387,988</b>	<b>14,217</b>	<b>402,205</b>
<b>Change in Net Position</b>					<b>(234,503)</b>	<b>(152,794)</b>	<b>(387,297)</b>
<b>Net Position, Beginning of Year, as Restated</b>					<b>1,866,960</b>	<b>1,333,953</b>	<b>3,200,913</b>
<b>Net Position, End of Year</b>					<b>\$ 1,632,457</b>	<b>\$ 1,181,159</b>	<b>\$ 2,813,616</b>

The notes to the financial statements are an integral part of these statements.

**TOWN OF McBEE, SOUTH CAROLINA**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**June 30, 2020**

	General	Recreation Department	Total Governmental Funds
<b>Assets</b>			
Cash and Cash Equivalents	\$ 635,685	\$ 24,909	\$ 660,594
Receivables:			
Property Taxes, Net	5,834	-	5,834
Vehicle Taxes	11,134	-	11,134
Intergovernmental	51,082	-	51,082
Franchise Fee Receivable	5,291	-	5,291
Other Receivable	11,996	-	11,996
<b>Total Assets</b>	<b>\$ 721,022</b>	<b>\$ 24,909</b>	<b>\$ 745,931</b>
<b>Liabilities</b>			
Accounts Payable and Accrued Liabilities	\$ 18,381	\$ -	\$ 18,381
Due to General Fund	4,828	-	4,828
Due to Other Governments	106,064	-	106,064
<b>Total Liabilities</b>	<b>129,273</b>	<b>-</b>	<b>129,273</b>
<b>Deferred Inflows of Resources</b>			
Unavailable Revenues - Property Taxes	4,981	-	4,981
<b>Total Deferred Inflows of Resources</b>	<b>4,981</b>	<b>-</b>	<b>4,981</b>
<b>Fund Balances</b>			
Committed for Recreation Complex	-	24,909	24,909
Unassigned	586,768	-	586,768
<b>Total Fund Balances</b>	<b>586,768</b>	<b>24,909</b>	<b>611,677</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 721,022</b>	<b>\$ 24,909</b>	<b>\$ 745,931</b>

The notes to the financial statements are an integral part of these statements.

**TOWN OF McBEE, SOUTH CAROLINA  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO  
THE STATEMENT OF NET POSITION  
June 30, 2020**

<b>Total Fund Balances - Governmental Funds (Exhibit C)</b>	\$ 611,677
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>	
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. The cost of the assets is \$1,979,638, and the accumulated depreciation is \$834,531.</p>	1,145,107
<p>Receivables will be collected this year, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds:</p> <p style="padding-left: 20px;">Property Taxes</p>	4,978
<p>Some liabilities, including net pension obligations, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.</p> <p style="padding-left: 20px;">Pension liability</p>	(104,047)
<p>Deferred outflows and inflows or resources related to pension are applicable to future periods and therefore, are not reported in the funds</p> <p style="padding-left: 20px;">Deferred outflows of resources related to pension (from pension schedule)</p> <p style="padding-left: 20px;">Deferred inflows of resources related to pensions (from pension schedule)</p>	<p>21,964</p> <p><u>(47,222)</u></p>
<b>Total Net Position - Governmental Activities (Exhibit A)</b>	<b><u>\$ 1,632,457</u></b>

The notes to the financial statements are an integral part of these statements.

**TOWN OF McBEE, SOUTH CAROLINA**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**For the Fiscal Year Ended June 30, 2020**

	General	Recreation Department	Total Governmental Funds
<b>Revenues</b>			
Taxes	\$ 292,771	\$ -	\$ 292,771
Fines, Fees, Licenses and Permits	206,925	-	206,925
Intergovernmental	25,092	-	25,092
Grants	37,533	-	37,533
Other	2,402	-	2,402
 Total Revenues	 564,723	 -	 564,723
<b>Expenditures</b>			
Current:			
General Government	211,920	-	211,920
Public Safety	140,089	-	140,089
Recreation	59,386	100	59,486
Streets and Sanitation	125,427	-	125,427
Scout Hut	1,872	-	1,872
Capital Outlay	19,780	-	19,780
 Total Expenditures	 558,474	 100	 558,574
 <b>Excess of Revenues over Expenditures</b>	 6,249	 (100)	 6,149
<b>Other Financing Sources (Uses)</b>			
Proceeds from Sale of Assets	35,000	-	35,000
 <b>Other Financing Sources (Uses)</b>	 35,000	 -	 35,000
 <b>Net Change in Fund Balances</b>	 41,249	 (100)	 41,149
 <b>Fund Balances, Beginning of Year</b>	 545,519	 25,009	 570,528
 <b>Fund Balances, End of Year</b>	 \$ 586,768	 \$ 24,909	 \$ 611,677

The notes to the financial statements are an integral part of these statements.

**TOWN OF McBEE, SOUTH CAROLINA  
RECONCILIATION OF THE  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
For the Fiscal Year Ended June 30, 2020**

**Total Net Change In Fund Balances - Governmental Funds (Exhibit E)** \$ 41,149

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

Capital outlays are reported in the governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense. This is the amount by which depreciation of \$75,342 exceeds capital outlay expense for the period. (75,342)

The loss on disposal of assets has been included in the Statement of Activities, whereas in the governmental funds, proceeds from disposal of assets increases financial resources. Thus, the change in net position differs from the change in fund balance by the carrying amount of the assets disposed. (214,167)

Some revenues in the statement of activities do not provide current financial resources and, therefore, are not reported as revenues in governmental funds:  
Property taxes 2,531

Governmental funds report town pension contributions as expenditures. However in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.

Town pension contributions	\$ 16,188	
Cost of benefits earned net of employee contributions (pension expense from benefit schedule)	(4,862)	11,326

**Change in Net Position of Governmental Activities (Exhibit B)** \$ (234,503)

The notes to the financial statements are an integral part of these statements.

**TOWN OF McBEE, SOUTH CAROLINA**  
**STATEMENT OF NET POSITION – PROPRIETARY FUND**  
**June 30, 2020**

	<b>Enterprise Fund</b> <b><u>Utility</u></b>
<b>Assets</b>	
Current Assets:	
Cash and Cash Equivalents	\$ 96,279
Accounts Receivable-Water	<u>58,789</u>
Total Current Assets	<u>155,068</u>
Non-Current Assets:	
Restricted Cash	112,173
Due From General Fund	4,828
Capital Assets	
Land	11,600
Water System	3,635,013
Idle Property	286,400
Less: Accumulated Depreciation	<u>(1,343,277)</u>
Total Non-Current Assets	<u>2,706,737</u>
<b>Deferred Outflows of Resources</b>	
Prepaid Pension Cost	<u>12,786</u>
<b>Total Assets and Deferred Outflows of Resources</b>	<b><u>\$ 2,874,591</u></b>

The notes to the financial statements are an integral part of these statements.

**TOWN OF McBEE, SOUTH CAROLINA**  
**STATEMENT OF NET POSITION – PROPRIETARY FUND**  
**June 30, 2020**  
**(Continued)**

**Liabilities**

## Current Liabilities:

Accounts Payable and Accrued Liabilities	\$ 200,741
Current Portion of Revenue Bonds	31,370
Customer Deposits	<u>19,970</u>
 Total Current Liabilities	 <u>252,081</u>

## Non-Current Liabilities:

Net Pension Liability	34,065
Due to Customer	44,977
Revenue Bonds	<u>1,348,530</u>
 Total Non-Current Liabilities	 <u>1,427,572</u>

## Total Liabilities

1,679,653

**Deferred Inflows of Resources**

Unavailable Revenue - Pension	<u>13,779</u>
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**Net Position**

Net Investment in Capital Assets	1,209,836
Restricted for:	
Bond Cushion Fund	93,289
Depreciation and Contingency Fund	18,884
Unrestricted	<u>(140,850)</u>
 <b>Total Net Position</b>	 <b>\$ <u>1,181,159</u></b>

The notes to the financial statements are an integral part of these statements.

**TOWN OF McBEE, SOUTH CAROLINA**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**PROPRIETARY FUND**  
**For the Fiscal Year Ended June 30, 2020**

	<b>Enterprise Fund</b> <b><u>Utility</u></b>
<b>Operating Revenues</b>	
Water Charges	\$ 243,073
Penalties	3,492
Taps and Reconnections	1,975
Other	<u>75</u>
 Total Operating Revenues	 <u>248,615</u>
 <b>Operating Expenses</b>	
Advertising - Public Notices	334
Bad Debt	502
Bank Charges	3,810
Computer Software	6,856
Contractor Service	63,991
Depreciation	97,403
Insurance	1,917
Miscellaneous Expense	380
Meter Repairs and Installation	18,084
Office Supplies	46
Payroll Taxes	1,838
Postage	1,383
Professional Fees	30,756
Repairs and Maintenance	8,938
Retirement Expense	2,091
Salaries and Wages	21,826
Tools and Equipment	897
Utilities	9,025
Water Purchases	81,558
Water Testing Fees	<u>1,335</u>
 Total Operating Expenses	 <u>352,970</u>
 <b>Operating Income (Loss)</b>	 <u>(104,355)</u>
 <b>Non-Operating Revenues (Expenses)</b>	
Interest Revenue	394
Interest Expense	(62,656)
Insurance Reimbursement	<u>13,823</u>
 Total Non-Operating Revenues (Expenses)	 <u>(48,439)</u>
 <b>Change in Net Position</b>	 <u>(152,794)</u>
 <b>Total Net Position, Beginning of Year</b>	 <u>1,333,953</u>
 <b>Total Net Position, End of Year</b>	 <u>\$ 1,181,159</u>

The notes to the financial statements are an integral part of these statements.

**TOWN OF McBEE, SOUTH CAROLINA**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUND**  
**For the Fiscal Year Ended June 30, 2020**

	<b>Enterprise Fund</b> <b><u>Utility</u></b>
<b>Cash Flows From Operating Activities:</b>	
Cash Received From Customers	\$ 247,874
Cash Paid to Suppliers for Goods and Services	(259,911)
Cash Paid to Employees for Services	(21,826)
Increase/(Decrease) Customer Deposits Received	<u>350</u>
Net Cash (Used) By Operating Activities	<u>(33,513)</u>
<b>Cash Flows From Non-Capital Financing Activities:</b>	
Insurance Proceeds	<u>13,823</u>
Net Cash Provided By Non-Capital Financing Activities	<u>13,823</u>
<b>Cash Flows From Capital and Related Financing Activities:</b>	
Purchase of Capital Assets	(2,472)
Payments on Due to Customer	(675)
Principal Payments on Revenue Bonds	(29,996)
Interest Payments on Revenue Bonds	(62,656)
Transfer to General Fund	<u>(4,828)</u>
Net Cash (Used) By Capital and Related Financing Activities	<u>(100,627)</u>
<b>Cash Flows From Investing Activities:</b>	
Interest Received	<u>394</u>
Net Cash Provided by Investing Activities	<u>394</u>
<b>Net Decrease in Cash</b>	(119,923)
Cash and Cash Equivalents, Beginning of Year	<u>328,375</u>
Cash and Cash Equivalents, End of Year	<u>\$ 208,452</u>

The notes to the financial statements are an integral part of these statements.

**TOWN OF McBEE, SOUTH CAROLINA  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
For the Fiscal Year Ended June 30, 2020  
(Continued)**

**RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY  
OPERATING ACTIVITIES**

Operating Income (Loss)	\$ <u>(104,355)</u>
Adjustments to Reconcile Operating Income to Net Cash (Used) by Operating Activities:	
Depreciation	97,403
(Increase) in Receivables	(741)
Decrease in Deferred Outflows	3,057
Decrease in Accounts Payable and Accrued Expenses	(25,714)
Increase in Customer Deposits	350
Decrease in Net Pension Liability	(2,113)
Decrease in Deferred Inflows	<u>(1,400)</u>
Net Adjustments	<u>70,842</u>
Net Cash (Used) by Operating Activities	\$ <u><u>(33,513)</u></u>

**RECONCILIATION OF TOTAL CASH AND CASH EQUIVALENTS**

Current Assets - Cash and Cash Equivalents	\$ 96,279
Noncurrent Assets - Restricted Cash	<u>112,173</u>
Total Cash and Cash Equivalents	\$ <u><u>208,452</u></u>

The notes to the financial statements are an integral part of these statements.

**TOWN OF McBEE, SOUTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2020**

**Note 1. Summary of Significant Accounting Policies**

The Town of McBee is a municipal corporation of the State of South Carolina located in Chesterfield County, and as such, possesses all the general powers granted by the Constitution and laws of South Carolina to municipal corporations.

The financial statements of the Town of McBee have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. Following are the more significant of the Town's accounting policies.

**A. Reporting Entity**

The Town's basic financial statements include the accounts of all Town operations. The criteria for including organizations as component units within the Town's reporting entity, as set forth in Section 2100 of GASB's *Codification of Governmental Accounting and Financial Reporting Standards*, include whether:

- the organization is legally separate (can sue and be sued in their own name)
- the Town holds the corporate powers of the organization
- the Town appoints voting majority of the organization's board
- the Town is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the Town
- there is a fiscal dependency by the organization on the Town

Based on the aforementioned criteria, the Town of McBee has no component units.

**B. Basis of Presentation**

The Town's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

*Government-wide Financial Statements:*

The statement of net position and the statement of activities display information about the Town as a whole. These statements include the financial activities of the Town, except for fiduciary funds. The statements distinguish between those activities of the Town that are governmental in nature and those that are considered business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Program revenues include charges paid by the recipients of goods or services offered by the program and grant and contributions

**TOWN OF McBEE, SOUTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2020**

**Note 1. Summary of Significant Accounting Policies (continued)**

**B. Basis of Presentation (continued)**

that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues. Business-type activities are financed in whole or in part by fees charged to the external parties for goods or services.

The statement of activities presents a comparison between direct and program revenues for the different business-type activities of the Town and for each function of the Town's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The Town does not allocate indirect cost.

*Fund Financial Statements:*

Fund financial statements of the Town are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the Town or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category of type; and
- b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The funds of the Town are described below:

**Governmental Funds**

Governmental funds are those through which most governmental functions of the Town are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balances. The General Fund and Recreation Department Capital Project Fund are the Town's only major governmental funds.

*General Fund*

The General Fund is used to account for all financial resources except those required to be accounted for in another fund. All general tax revenues and other receipts that are not

**TOWN OF McBEE, SOUTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2020**

**Note 1. Summary of Significant Accounting Policies (continued)**

**B. Basis of Presentation (continued)**

allocated by law or contractual agreement to other funds are accounted for in the General Fund. Operational expenditures for general administration and the traditional services provided by the Town are paid through the General Fund.

*Capital Project Funds*

Capital Project Funds account for the acquisition of fixed assets or construction of major capital projects not being financed by the Town's proprietary fund. Capital grants restricted for capital acquisitions or construction, other than those associated with proprietary funds, are also accounted for in a capital projects fund. The Town has one capital projects fund, which is being financed with a capital grant.

**Proprietary Fund**

Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position and cash flows. The following is the Town's proprietary fund:

*Enterprise Fund*

Enterprise funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on the net income measurement similar to the private sector. The Utility Fund is the Town's only enterprise fund and is used to account for the financial transactions related to the water service provided to the residents of the Town.

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

*Measurement Focus*

*Government-Wide Financial Statements*

The government-wide financial statements are prepared using a flow of economic resources measurement focus. All assets and liabilities associated with the operation of the Town are included on the statement of net position.

*Fund Financial Statements*

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reflects the sources (i.e., revenues and other

**TOWN OF McBEE, SOUTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2020**

**Note 1. Summary of Significant Accounting Policies (continued)**

**C. Measurement Focus and Basis of Accounting (continued)**

financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the fund financial statements for governmental funds.

Like the government-wide financial statements, the proprietary fund is accounted for using a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of this fund are included on the statement of net position. The statement of revenues, expenses and changes in net position presents increases and decreases in total net position. The statement of cash flows reflects how the Town finances and meets the cash flow of its proprietary fund.

Agency funds are not involved in the measurement of results of operations; therefore, measurement focus is not applicable to them.

***Basis of Accounting***

In the government-wide statement of net position and statement of activities, both governmental and business-like activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds and agency funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when “measurable and available.” Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year end. Items such as franchise fees, business licenses, grants, garbage fees and intergovernmental revenues are considered to be susceptible to accrual. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for the general obligation bond principal and interest which are reported when due.

All proprietary funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

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

**TOWN OF McBEE, SOUTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2020**

**Note 1. Summary of Significant Accounting Policies (continued)**

**D. Cash, Cash Equivalents, and Investments**

*Cash and Cash Equivalents*

Cash and cash equivalents include cash on hand, amounts in demand deposits, restricted cash and certificates of deposits.

*Investments*

Any investments held by the Town are stated at fair value in accordance with *GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for Investment Pools*. Investment policies of the Town must operate within existing state statutes of the State of South Carolina, which authorizes what the Town may and may not invest in. The Town did not have any investments at June 30, 2020.

**E. Receivables**

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible taxes receivable are based upon historical trends and the aging of taxes receivable. Major receivable balances for the governmental activities include property taxes, vehicle taxes, garbage fees, grants and intergovernmental revenues. Business-type activities report water service revenues as their major receivables.

In the fund financial statements, material receivables in governmental funds include revenue accruals for Federal and State revenue if they are both measurable and available. Non-exchange transactions collectible but not available are deferred in the fund financial statements in accordance with modified accrual, but not deferred in the government wide financial statements in accordance with the accrual basis. Proprietary fund material receivables consist of all revenues earned at year-end and not yet received. Water service receivables compose the majority of proprietary fund receivables.

**F. Short-term Inter-Fund Receivables/Payable**

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the fund financial balance sheet. Inter-fund balances within governmental activities and within business-type activities are eliminated on the government-wide statement of net position.

**G. Capital Assets**

The accounting treatment over property, plant and equipment (fixed assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

**TOWN OF McBEE, SOUTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2020**

**Note 1. Summary of Significant Accounting Policies (continued)**

**G. Capital Assets (continued)**

*Government-Wide Statements*

In the government-wide financial statements, fixed assets are accounted for as capital assets. All fixed assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated fixed assets, which are reported at their estimated fair value at the date of donation. Estimated historical cost was used to value many of the assets acquired prior to July 1, 2004. The Town maintains a capitalization policy of \$500 for its capital assets. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

Infrastructure assets have not been retroactively reported. However, the financial statements include infrastructure fixed assets beginning with the implementation of GASB Statement 34.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the statement of activities, with accumulated depreciation reflected in the statement of net position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation.

The range of estimated useful lives by type of asset is as follows:

Infrastructure	10-30 years
Buildings	10-40 years
Land Improvements	15 years
Water Lines and System	10-50 years
Machinery and Equipment	5-10 years
Water Wells	25 years

*Fund Financial Statements*

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Fixed assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

**H. Compensated Absences**

The Town reports compensated absences in accordance with the provisions of *GASB Statement No. 16 Accounting for Compensated Absences*. The Town's policies regarding vacation and sick leave permit employees to accumulate earned but unused vacation but do not accumulate unused sick leave. The maximum amount of unused vacation leave that may be carried over to the next fiscal year is forty hours. Employees, upon termination of employment or retirement, receive compensation for accumulated unused vacation up to the forty hour maximum, but do not receive compensation for accumulated sick leave.

**TOWN OF McBEE, SOUTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2020**

**Note 1. Summary of Significant Accounting Policies (continued)**

**H. Compensated Absences (continued)**

A compensated absence liability is reported on the government-wide financial statements. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources. For the proprietary fund, the entire amount of compensated absences is reported as a fund liability.

At June 30, 2020, there was not any unused vacation leave and, therefore, no compensated absence liability is included in the financial statements.

**I. Equity Classifications**

*Government-Wide Statements*

Equity is classified as net position and displayed in three components:

- a. Net Investment in Capital Assets. This consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, capital leases or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.
- b. Restricted net position. This consists of net position with constraints placed on the use by either external groups such as creditors, grantors, contributors, laws or regulations of other governments or law through constitutional provisions or enabling legislation.
- c. Unrestricted net position. All other net position that does not meet the definition of “restricted” or “net investment in capital assets.”

*Fund Statements*

In the governmental fund financial statements, fund balances are classified as follows:

- Non-spendable—Amounts that cannot be spent either because they are in a non-spendable form or because they are legally or contractually required to be maintained intact.
- Restricted—Amounts that can be spent only for specific purposes because of the Town Charter, the Town Code, state or federal laws, or externally imposed conditions by grantors or creditors.
- Committed—Amounts that can be used only for specific purposes determined by a formal action by Town Council ordinance or resolution.
- Assigned—Amounts that are designated by the Mayor for a particular purpose but are not spendable until a budget ordinance is passed or there is a majority vote approval (for capital projects or debt service) by Town Council.

**TOWN OF McBEE, SOUTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2020**

**Note 1. Summary of Significant Accounting Policies (continued)**

**I. Equity Classifications (continued)**

- Unassigned—All amounts not included in other spendable classifications.

Proprietary fund equity is classified the same as in the government-wide statements.

**J. Inter-fund Transactions**

Transactions between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as inter-fund transfers. Inter-fund transfers are reported as other financing sources/uses in the governmental funds and non-operating revenues/expenses in the utility fund. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

**K. Operating and Non-operating Revenues**

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those, which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

**L. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of management and are either unusual in nature or infrequent in occurrence. Neither of these types of transactions occurred during the fiscal year.

**M. Long-term Obligations**

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debts to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. The accounting for proprietary fund is the same in the fund statements as it is in the government-wide statements.

**TOWN OF McBEE, SOUTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2020**

**Note 1. Summary of Significant Accounting Policies (continued)**

**N. Capital Contributions**

Contributions of capital on the General and Utility Fund financial statements arise from outside contributions of capital assets, contributions from other funds, grants or outside contributions of resources restricted to capital acquisition and construction.

**O. Restricted Assets**

Assets are reported as restricted when limitations on their use change the nature of normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, laws of other governments, or imposed by enabling legislation.

**P. Use of Estimates**

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

**Q. Statement of Cash Flows**

For the purpose of the statement of cash flows, the Town's proprietary fund considers cash, restricted cash and cash equivalents. Cash equivalents are defined as short-term, highly liquid investments that are readily convertible to known amounts of cash and are so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. Cash equivalents include certificates of deposits.

**R. Deferred Inflows/Outflows of Resources**

In addition to assets, The Town reports deferred outflows of resources in a separate section of its government wide and proprietary fund statements. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period. The Town only has one item that qualified for reporting in this category. It is prepaid cost related to the GASB 68 pension liability.

In addition to liabilities, The Town reports deferred inflows of resources in a separate section of its government wide, governmental and proprietary fund statements. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period. The Town has two types of items which occur because governmental fund revenues are not recognized until available (collected no later than 60 days after the end of the Town's fiscal year) under the modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, deferred property taxes and grant revenue are reported in the governmental fund balance sheet. The second item is future pension revenues related to the GASB 68 pension liability.

**TOWN OF McBEE, SOUTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2020**

**Note 1. Summary of Significant Accounting Policies (continued)**

**S. 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 additions to/deductions from SCRS's fiduciary net position have been determined on the same basis as they are reported by SCRS. 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.

**Note 2. Property Taxes**

Real property taxes are levied on October 1 on the assessed valuations of property located in Chesterfield County as of the preceding January 1, and are due and payable at that time. All unpaid taxes levied October 1 become delinquent January 15 of the following year, and property taxes attach as an enforceable lien if not paid by March 16 of the following year. Penalties are added to taxes depending on the date paid as follows:

January 16-February 1	3% of tax
February 2 – March 16	10% of tax
March 17 and thereafter	15% of tax plus collection costs

Motor vehicle taxes are levied on the first day of the month in which the motor vehicle license expires and is due by the end of the month. Property taxes are billed and collected by Chesterfield County. Property tax revenue is recognized when collected by the County Treasurer's Office. Assessed values for real estate are established annually by the Chesterfield County Tax Assessor at 4% of market value for legal residence and 6% of market value for rental and other real property.

Based on information provided by the Chesterfield County Treasurer's Office, the Town has recorded uncollected property taxes at June 30, 2020, of \$5,834 (net of allowance for uncollectible portion of \$2,789) for the General Fund. Delinquent property taxes of \$853 have been recognized as revenue at June 30, 2020, and the remaining amount of \$4,981 has been recorded as deferred inflows of resources on the governmental fund basic financial statements because it was not collected within 60 days of year end.

**Note 3. Deposits – Custodial Credit Risk**

Custodial credit risk 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 deposit policy for custodial credit risk. As of June 30, 2020, \$628,720 of the Town's bank balance of \$878,720, which has a carrying value of \$868,647, was exposed to custodial credit risk.

Uninsured by FDIC, but collateral held by pledging bank in the Town's name	<u>\$628,720</u>
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**TOWN OF McBEE, SOUTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2020**

**Note 4. Other Receivables**

Other governmental receivables at June 30, 2020, consist of intergovernmental revenues, business licenses, grants and garbage fees. Garbage fees receivable shown in the General Fund consist of garbage services rendered as of June but not collected.

Governmental funds defer revenue recognition in connection with resources that have been received, but not yet earned.

**Note 5. Capital Assets**

Capital asset activity for the year ended June 30, 2020, was as follows:

	<u>Beginning</u>	<u>Additions</u>	<u>Disposals &amp; Transfers</u>	<u>Ending</u>
<b>Governmental Activities</b>				
<i>Capital Assets, Non-Depreciable:</i>				
Land	\$ 95,954	\$ -	\$ -	\$ 95,954
Idle Property	400,000	-	(400,000)	-
<i>Capital Assets, Depreciable:</i>				
Buildings and Improvements	787,534	-	-	787,534
Infrastructure	924,392	-	-	924,392
Equipment	155,653	-	-	155,653
Vehicles	16,105	-	-	16,105
Totals	<u>2,379,638</u>	<u>-</u>	<u>(400,000)</u>	<u>1,979,638</u>
Less Accumulated Depreciation				
Buildings	(625,611)	(30,517)	185,833	(470,295)
Infrastructure	(156,272)	(41,982)	-	(198,254)
Equipment	(147,034)	(2,842)	-	(149,876)
Vehicles	(16,106)	-	-	(16,106)
Totals	<u>(945,023)</u>	<u>(75,341)</u>	<u>185,833</u>	<u>(834,531)</u>
Governmental Activities Capital Assets, Net	<u>\$ 965,666</u>	<u>\$ (75,341)</u>	<u>\$ (214,167)</u>	<u>\$ 1,145,107</u>
<b>Business - type Activities</b>				
<i>Capital Assets, Non-Depreciable:</i>				
Land	\$ 11,600	\$ -	\$ -	\$ 11,600
Idle Property	286,400	-	-	286,400
<i>Capital Assets, Depreciable:</i>				
Water System and Equipment	<u>3,632,541</u>	<u>2,472</u>	<u>-</u>	<u>3,635,013</u>
Totals	<u>3,930,541</u>	<u>2,472</u>	<u>-</u>	<u>3,933,013</u>
Less Accumulated Depreciation				
Water System and Equipment	<u>(1,245,874)</u>	<u>(97,403)</u>	<u>-</u>	<u>(1,343,277)</u>
Business - type Activities Capital Assets, Net	<u>\$ 2,640,556</u>	<u>\$ (94,931)</u>	<u>\$ -</u>	<u>\$ 2,589,736</u>

**TOWN OF McBEE, SOUTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2020**

**Note 5. Capital Assets (continued)**

Depreciation expense was charged to functions as follows:

General Government	\$	29,633
Public Safety		19,588
Recreation		8,318
Streets and Sanitation		17,803
Total	<u>\$</u>	<u>75,342</u>

The water tank and pump were idle as of June 30, 2020, with a net book value of \$286,400.

**Note 6. Long-Term Debt**

*Business-type Activity Revenue Bonds*

On February 10, 2005, the Town issued \$1,456,800 in Water Revenue Bonds Series 2005A. The bonds range in maturity dates from 2006 to 2045. The interest rate on the bonds is 4.50 percent. The balance owed on the principal amount of these bonds on June 30, 2020, was \$1,179,428. The bonds, which were purchased by the United States Department of Agriculture, are secured with liens on the revenue of the Utility Fund.

On February 10, 2005, the Town issued \$172,200 in Water Revenue Bonds Series 2005B. The bonds range in maturity dates from 2006 to 2045. The interest rate on the bonds is 4.375 percent. The balance owed on the principal amount of these bonds on June 30, 2020, was \$138,508. The bonds, which were purchased by the United States Department of Agriculture, are secured with liens on the revenue of the Utility Fund.

On August 24, 2006, the Town issued \$75,000 in Water Revenue Bonds Series 2006. The bonds range in maturity dates from 2007 to 2046. The interest rate on the bonds is 4.50 percent. The balance owed on the principal amount of these bonds on June 30, 2020, was \$61,964. The bonds, which were purchased by the United States Department of Agriculture, are secured with liens on the revenue of the Utility Fund.

**TOWN OF McBEE, SOUTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2020**

**Note 6. Long-Term Debt (continued)**

The following is a schedule showing the annual debt service requirements to maturity for the long-term debt.

Fiscal Year Ending June 30	Principal	Interest	Total
2021	\$ 31,368	\$ 61,283	\$ 92,651
2022	32,806	59,846	92,652
2023	34,309	58,343	92,652
2024	35,881	56,771	92,652
2025	37,524	55,128	92,652
2026-2030	215,034	248,226	463,260
2031-2035	269,008	194,252	463,260
2036-2040	336,531	126,729	463,260
2041-2046	<u>387,437</u>	<u>42,610</u>	<u>430,047</u>
Total	<u>\$ 1,379,898</u>	<u>\$ 903,188</u>	<u>\$ 2,283,086</u>

**Note 7. Changes in Long-Term Liabilities**

During the fiscal year ended June 30, 2020, the following changes occurred in long-term liabilities:

	Balance June 30, 2019	Additions	Deductions	Balance June 30, 2020	Due Within One Year
<i>Business-type Activities</i>					
Series 2005A Bond	\$ 1,205,092	\$ -	\$ 25,664	1,179,428	\$ 26,843
Series 2005B Bond	141,603		3,094	138,509	3,233
Series 2006 Bond	<u>63,201</u>	<u>-</u>	<u>1,238</u>	<u>61,963</u>	<u>1,294</u>
	<u>\$ 1,409,896</u>	<u>\$ -</u>	<u>\$ 29,996</u>	<u>\$ 1,379,900</u>	<u>\$ 31,370</u>

**Note 8. Debt Service and Cushion Fund**

The 2005A, 2005B and 2006 Series Bond Resolutions require the establishment of a debt service fund to facilitate the payment of the bonds when they become due. Each month, the Town is required to deposit an amount that would be sufficient to pay the monthly interest and principal on the bonds.

The 2005A, 2005B and 2006 Series Bond Resolutions require the establishment of cushion funds to facilitate a reserve equal to the highest annual principal and interest requirements on the bonds. Each month, the Town is required to deposit 1/10 of the monthly principal and interest payments until the account is equal to the highest annual principal and interest requirement on the bonds.

**TOWN OF McBEE, SOUTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2020**

**Note 8. Debt Service and Cushion Fund (continued)**

On June 30, 2020, all Debt Service and Cushion Funds totaled \$93,289. The Town is in compliance with the Debt Service and Cushion Fund requirements.

**Note 9. Depreciation and Contingency Fund**

The 2005A, 2005B and 2006 Series Bond Resolutions require the establishment of a depreciation and contingency fund to facilitate the payment of replacement and improvement costs. The Town is not required to maintain a minimum balance in these accounts. On June 30, 2020, the Depreciation and Contingency Funds totaled \$18,884. The Town is in compliance with the Depreciation and Contingency Fund requirements.

**Note 10. Employee Retirement Systems**

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

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

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

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

PORS - To be eligible for PORS membership, an employee must be required by the terms of his employment, by election or appointment, to preserve public order, protect life and property, and detect crimes in the state; to prevent and control property destruction by fire; 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

**TOWN OF McBEE, SOUTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2020**

**Note 10. Employee Retirement Systems (continued)**

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.

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

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

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

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

**TOWN OF McBEE, SOUTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2020**

**Note 10. Employee Retirement Systems (continued)**

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

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

Required employee contribution rates are as follows:

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

**TOWN OF McBEE, SOUTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2020**

**Note 10. Employee Retirement Systems (continued)**

Required employer contributions are as follows:

<b>SCRS</b>	<b><u>Fiscal Year 2020</u></b>	<b><u>Fiscal Year 2019</u></b>
Employer Class Two	15.41%	14.41%
Employer Class Three	15.41%	14.41%
Employer Incidental Death Benefit	0.15%	0.15%

<b>PORS</b>	<b><u>Fiscal Year 2020</u></b>	<b><u>Fiscal Year 2019</u></b>
Employer Class Two	17.84%	16.84%
Employer Class Three	17.84%	16.84%
Employer Incidental Death Benefit	0.20%	0.20%
Employer Accidental Death Program	0.20%	0.20%

*Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions-* At June 30, 2020, the Town reported a liability of \$137,148 for the SCRS and \$964 for the PORS for a total of \$138,112 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating state entities, actuarially determined. At June 30, 2019, the Town's proportion was 0.0006010 percent for the SCRS, which is a decrease of .000058% from its proportion measured as of June 30, 2018. At June 30, 2019, the Town's proportion was .0000340 percent for the PORS, which is a decrease of .000003% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the Town recognized pension expense of \$15,414. At June 30, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b><u>Deferred Outflows of Resources</u></b>	<b><u>Deferred Inflows of Resources</u></b>
Differences between expected and actual experience	\$ 114	\$ 992
Differences between projected and actual investment earnings	1,226	-
Changes of assumptions	2,802	-
Net difference between projected and actual earnings on pension plan investments	-	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	15,194	60,009
Town contributions subsequent to measurement date	15,414	-
Total	<u>\$ 34,750</u>	<u>\$ 61,001</u>

**TOWN OF McBEE, SOUTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2020**

**Note 10. Employee Retirement Systems (continued)**

The Town's contributions subsequent to the measurement date of \$15,414 are reported as deferred outflows of resources related to pensions and will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows related to pensions will be recognized in the pension expense as follows:

Year Ended June 30:	<u>SCRS</u>	<u>PORS</u>	<u>Combined</u>
2020	\$ (5,354)	\$ (5,604)	\$ (10,958)
2021	(19,841)	(4,768)	(24,609)
2022	(4,285)	(2,198)	(6,483)
2023	386	-	386
Total	<u>\$ (29,094)</u>	<u>\$ (12,570)</u>	<u>\$ (41,664)</u>

*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, 2015.

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

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

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

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

**TOWN OF McBEE, SOUTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2020**

**Note 10. Employee Retirement Systems (continued)**

Assumptions used in the determination of the June 30, 2019, TPL are as follows.

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

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

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

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

*Long-term expected rate of return* – The long-term expected rate of return on pension plan investments is based upon 20-year capital market assumptions. The long-term expected rates of return represent assumptions developed using an arithmetic building block approach primarily based on consensus expectations and market-based inputs. Expected returns are net of investment fees.

The expected returns, along with the expected inflation rate, form the basis for the target asset allocation adopted at the beginning of the 2019 fiscal year. The long-term expected rate of return is produced by weighting the expected future real rates of return by the target allocation percentage and adding expected inflation and is summarized in the table below. For actuarial purposes, the 7.25 percent assumed annual investment rate of return used in the calculation of the TPL includes a 5.00 percent real rate of return and a 2.25 percent inflation component.

**TOWN OF McBEE, SOUTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2020**

**Note 10. Employee Retirement Systems (continued)**

Allocation / Exposure	Policy Target	Expected Arithmetic Real Rate of Return	Long Term Expected Portfolio Real Rate of Return
<b>Global Equity</b>	<b>51.0%</b>		
Global Public Equity <sup>1,2</sup>	35.0%	7.29%	2.55%
Private Equity <sup>2,3</sup>	9.0%	7.67%	0.69%
Equity Options Strategies <sup>1</sup>	7.0%	5.23%	0.37%
<b>Real Assets</b>	<b>12.0%</b>		
Real Estate (Private) <sup>2,3</sup>	8.0%	5.59%	0.45%
Real Estate (REITs) <sup>2</sup>	1.0%	8.16%	0.08%
Infrastructure (Private) <sup>2,3</sup>	2.0%	5.03%	0.10%
Infrastructure (Public) <sup>2</sup>	1.0%	6.12%	0.06%
<b>Opportunistic</b>	<b>8.0%</b>		
Global Tactical Asset Allocation <sup>1</sup>	7.0%	3.09%	0.22%
Other Opportunistic Strategies	1.0%	3.82%	0.04%
<b>Credit</b>	<b>15.0%</b>		
High Yield Bonds/ Bank Loans <sup>1,2</sup>	4.0%	3.14%	0.13%
Emerging Markets Debt	4.0%	3.31%	0.13%
Private Debt <sup>2,3</sup>	7.0%	5.49%	0.38%
<b>Rate Sensitive</b>	<b>14.0%</b>		
Core Fixed Income <sup>1</sup>	13.0%	1.62%	0.21%
Cash and Short Duration (Net)	1.0%	0.31%	0.00%
<b>Total Expected Return<sup>4</sup></b>	<b>100.0%</b>		<b>5.41%</b>
Inflation for Actuarial Purposes			2.25%
			<b>7.66%</b>

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

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

	<u>6.25%</u>	<u>7.25%</u>	<u>8.25%</u>
<b>System</b>			
<b>SCRS</b>	\$ 172,778	\$ 137,148	\$ 107,413
<b>PORS</b>	\$ 1,306	\$ 964	\$ 683

*Pension Plan Fiduciary Net Position-* Information contained in these Notes to the Schedules of Employer and Nonemployer Allocations and Schedules of Pension Amounts by Employer (Schedules) was compiled from the Systems’ audited financial statements for the fiscal year ended June 30, 2019, and the accounting valuation report as of June 30, 2019. Additional financial information supporting the preparation of the Schedules (including the unmodified audit opinion on the financial statements and required supplementary information) is available in the Systems’ CAFR.

**TOWN OF McBEE, SOUTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2020**

**Note 11. Commitments and Contingencies**

The Town participates in a number of assisted grant programs. These programs are subject to program compliance audits by the grantor or their representatives. The amount of program expenditures which may be disallowed by the granting agencies cannot be predicted, although the Town expects such amounts, if any, to be immaterial.

The Town purchases all of the water resold in its Utility Fund from Alligator Rural Water & Sewer Co., Inc. For the year ending June 30, 2020, the Town spent \$81,558 on water purchases.

The Town and Alligator Rural Water & Sewer Co., Inc., have been involved in litigation for the last four years regarding the Town's water system. The Town is seeking to allow its water system to be operational for the citizens and customers of the Town, and Alligator Rural Water & Sewer Co., Inc., is opposing that. Litigation is still pending at this time and there is no known possible expense to the Town.

**Note 12. Insurance and Risk Management**

The Town is exposed to various risk of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. The Town has joined together with other municipalities in the state to form the South Carolina Municipal Insurance and Risk Financing Fund ("SCMIRF"), which is a public entity risk pool currently operating as a common risk management and insurance program.

The Town has also joined together with other municipalities in the state to form the South Carolina Municipal Insurance Trust ("SCMIT"), a public entity risk pool operating as a common risk management and insurance program for worker's compensation. The Trust uses reinsurance agreements to reduce its exposure to large workers' compensation losses.

The Town also participates in a self-insurance medical program along with various other municipalities. The program is run by the South Carolina Local Government Assurance Group ("SCLGAG"). All funds of the Town participate in the program and make payments to the program based on actuarial estimates of the amounts needed to pay prior and current year claims and to establish a reserve for catastrophe losses.

There were no significant reductions in coverage in the past fiscal years, and there were no settlements exceeding insurance coverage in the past three fiscal years.

**Note 13. Deferred Compensation Plan**

The Town offers its employees the option to participate in the South Carolina 401(k) Deferred Compensation Plan ("401(k) Plan"), a defined contribution plan. The 401 (k) Deferred Compensation Plan is administered by the South Carolina Deferred Compensation Commission ("Commission"). All amounts of compensation contributed under the 401 (k) Plan, all income, and rights attributable to such amounts remain the sole property of the participating employee. The Town did not have any employees participating in the 401 (k) Plan as of June 30, 2020.

**TOWN OF McBEE, SOUTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2020**

**Note 14. Intergovernmental Revenues**

The Town receives funds from both the State of South Carolina and the federal government for various grants and projects. In addition, the Town receives state shared revenue from the State of South Carolina including local option sales tax.

**Note 15. Inter-fund Receivables and Payables**

Inter-fund balances at June 30, 2020, (all of which are expected to be received or paid within one year), consisted of the following fund receivables and payables:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Utility Fund	General Fund	\$ 4,828

The General Fund payable is a result of the General Fund receiving funds due to the Utility Fund.

**Note 16. Concentration of Revenue**

The Town is dependent on one rather larger customer for a substantial portion of its operating revenue in the Utility Fund. At June 30, 2020, this customer accounted for approximately 36 % of the Town's total water revenue.

**Note 17. Related Party Transactions**

The Town purchases all of the water resold in its Utility Fund from related party, Alligator Rural Water & Sewer Co., Inc. For the year ending June 30, 2020, the Town spent \$81,558 on water purchases. Town councilman Glen Odom is also the chief executive officer of Alligator Rural Water & Sewer Co., Inc.

**Note 18. Subsequent Events**

The Town has evaluated subsequent events through October 22, 2020, which is the date the financial statements were available to be issued.

## **General Fund**

The General Fund is the major operating fund of the Town and is used to account for resources traditionally associated with government which are not required legally or by sound financial management to be accounted for in another fund.

**TOWN OF McBEE, SOUTH CAROLINA  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2020**

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>				
<b>Taxes</b>				
Vehicle / Motor Carrier	\$ 41,000	\$ 41,000	\$ 32,086	\$ (8,914)
Local Option Sales Tax	116,000	116,000	122,770	6,770
Real Estate Taxes	25,200	25,200	19,989	(5,211)
Homestead Exemption	7,800	7,800	8,626	826
Taxes Collected - MASC	79,700	79,700	87,286	7,586
Hospitality Tax	<u>38,000</u>	<u>38,000</u>	<u>22,014</u>	<u>(15,986)</u>
Subtotal	<u>307,700</u>	<u>307,700</u>	<u>292,771</u>	<u>(14,929)</u>
<b>Fines, Fees, Licenses and Permits</b>				
Police Fines	105,245	105,245	52,200	(53,045)
Business Licenses	11,090	11,090	11,058	(32)
Franchise Fees	61,000	61,000	65,193	4,193
Garbage Fees	63,570	63,570	67,020	3,450
Cemetery Fees	215	215	300	85
Recreation Fees	<u>9,500</u>	<u>9,500</u>	<u>11,154</u>	<u>1,654</u>
Subtotal	<u>250,620</u>	<u>250,620</u>	<u>206,925</u>	<u>(43,695)</u>
<b>Intergovernmental Revenues</b>				
Accommodations Tax	3,000	3,000	3,023	23
Inventory tax	500	500	331	(169)
Aid to Subdivisions	<u>20,000</u>	<u>20,000</u>	<u>21,738</u>	<u>1,738</u>
Subtotal	<u>23,500</u>	<u>23,500</u>	<u>25,092</u>	<u>1,592</u>
<b>Other</b>				
Grants	-	-	37,533	37,533
Interest	3	3	2	(1)
Miscellaneous	<u>4,650</u>	<u>4,650</u>	<u>2,401</u>	<u>(2,249)</u>
Subtotal	<u>4,653</u>	<u>4,653</u>	<u>39,936</u>	<u>35,283</u>
<b>Total Revenues</b>	<u>586,473</u>	<u>586,473</u>	<u>564,724</u>	<u>(21,749)</u>

**TOWN OF McBEE, SOUTH CAROLINA**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**For the Fiscal Year Ended June 30, 2020**  
**(Continued)**

<b>Expenditures</b>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>General Government</b>				
Advertising	\$ 1,573	\$ 1,573	\$ 2,182	\$ (609)
Bank Charges	1,200	1,200	1,617	(417)
Capital Outlay	51,100	51,100	19,756	31,344
Community Service	1,840	1,840	1,901	(61)
Computer Software	5,680	5,680	6,250	(570)
Contingency	12,375	12,375	-	12,375
Contractor Services	2,400	2,400	2,394	6
Council Expense	3,200	3,200	3,200	-
Donations	350	350	400	(50)
Dues and Subscriptions	835	835	636	199
Insurance	14,667	14,667	16,869	(2,202)
Licenses and Permits	35	35	25	10
Medical	80	80	60	20
Miscellaneous	2,600	2,600	539	2,061
Office Supplies	1,800	1,800	2,824	(1,024)
Payroll Tax Expense	7,223	7,223	6,357	866
Postage	1,000	1,000	577	423
Printing	75	75	-	75
Professional Fees	44,800	44,800	56,698	(11,898)
Rental Equipment	400	400	410	(10)
Repairs and Maintenance	1,000	1,000	3,280	(2,280)
Retirement Expense	15,000	15,000	12,484	2,516
Salaries and Wages	63,310	63,310	54,737	8,573
Supplies	500	500	510	(10)
Telephone	4,665	4,665	4,893	(228)
Travel and Meetings	3,035	3,035	2,838	197
Utilities	25,602	25,602	30,239	(4,637)
<b>Total General Government</b>	<u>266,345</u>	<u>266,345</u>	<u>231,676</u>	<u>34,669</u>

**TOWN OF McBEE, SOUTH CAROLINA  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
For the Fiscal Year Ended June 30, 2020  
(Continued)**

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
<b>Public Safety</b>				
Bank Fees	\$ 1,200	\$ 1,200	\$ 957	\$ 243
Boarding Prisoners	350	350	120	230
Computer Software	2,178	2,178	2,178	-
Contractor Services	115,000	115,000	115,000	-
Professional Fees	17,458	17,458	15,824	1,634
Repairs and Maintenance	75	75	(228)	303
Supplies	800	800	82	718
Telephone	900	900	899	1
Victim Rights Assessments	<u>7,610</u>	<u>7,610</u>	<u>5,257</u>	<u>2,353</u>
<b>Total Public Safety</b>	<u>145,571</u>	<u>145,571</u>	<u>140,089</u>	<u>5,482</u>
<b>Recreation</b>				
Bank Fees	-	-	27	27
Franchise Fee	500	500	500	-
Insurance	7,061	7,061	6,564	497
Repairs and Maintenance	400	400	972	(572)
Salaries	31,500	31,500	31,896	(396)
Supplies	7,400	7,400	11,785	(4,385)
Umpires	5,000	5,000	4,262	738
Utilities	2,150	2,150	1,871	279
Miscellaneous	<u>30</u>	<u>30</u>	<u>1,509</u>	<u>(1,479)</u>
<b>Total Recreation</b>	<u>54,041</u>	<u>54,041</u>	<u>59,386</u>	<u>(5,345)</u>

**TOWN OF McBEE, SOUTH CAROLINA**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**For the Fiscal Year Ended June 30, 2020**  
**(Continued)**

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
<b>Streets and Sanitation</b>				
Capital Outlay	\$ 475	\$ 475	\$ 24	\$ 451
Contractor Services	29,200	29,200	34,311	(5,111)
Disposal Service	4,000	4,000	6,009	(2,009)
Gas	2,000	2,000	2,455	(455)
Insurance	2,619	2,619	2,621	(2)
Repairs and Maintenance	2,500	2,500	2,680	(180)
Supplies	5,000	5,000	6,908	(1,908)
Uniforms	400	400	(127)	527
Waste Collection / Dumpster	<u>72,422</u>	<u>72,422</u>	<u>70,570</u>	<u>1,852</u>
<b>Total Streets and Sanitation</b>	<u>118,616</u>	<u>118,616</u>	<u>125,451</u>	<u>(6,835)</u>
<b>Scout Hut</b>				
Supplies and Maintenance	<u>1,900</u>	<u>1,900</u>	<u>1,872</u>	<u>28</u>
<b>Total Expenditures</b>	<u>586,473</u>	<u>586,473</u>	<u>558,474</u>	<u>27,999</u>
<b>Excess of Revenues Over Expenditures</b>	<u>-</u>	<u>-</u>	<u>6,250</u>	<u>6,250</u>
<b>Other Financing Sources (Uses)</b>				
Sale of Assets	<u>-</u>	<u>-</u>	<u>35,000</u>	<u>35,000</u>
<b>Total Other Financing Sources (Uses)</b>	<u>-</u>	<u>-</u>	<u>35,000</u>	<u>35,000</u>
<b>Net Change in Fund Balance</b>	<u>\$ -</u>	<u>\$ -</u>	41,250	<u>\$ 41,250</u>
<b>Fund Balance, Beginning of Year</b>			<u>545,519</u>	
<b>Fund Balance, End of Year</b>			<u>\$ 586,769</u>	

**TOWN OF McBEE, SOUTH CAROLINA**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**June 30, 2020**

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
<b>Revenues</b>				
Taxes	\$ 307,700	\$ 307,700	\$ 292,771	\$ (14,929)
Fines, Fees, Licenses and Permits	250,620	250,620	206,925	(43,695)
Intergovernmental	23,500	23,500	25,092	1,592
Other	<u>4,653</u>	<u>4,653</u>	<u>39,936</u>	<u>35,283</u>
 Total Revenues	 <u>586,473</u>	 <u>586,473</u>	 <u>564,724</u>	 <u>(21,749)</u>
<b>Expenditures</b>				
Current:				
General Government	215,245	215,245	211,920	3,325
Public Safety	145,571	145,571	140,089	5,482
Recreation	54,041	54,041	59,386	(5,345)
Streets and Sanitation	118,141	118,141	125,427	(7,286)
Scout Hut	1,900	1,900	1,872	28
Capital Outlay	<u>51,575</u>	<u>51,575</u>	<u>19,780</u>	<u>31,795</u>
 Total Expenditures	 <u>586,473</u>	 <u>586,473</u>	 <u>558,474</u>	 <u>27,999</u>
 <b>Excess of Revenues Over Expenditures</b>	 <u>-</u>	 <u>-</u>	 <u>6,250</u>	 <u>6,250</u>
<b>Other Financing Sources (Uses)</b>				
Transfer to Utility Fund	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
 Total Other Financing Sources (Uses)	 <u>-</u>	 <u>-</u>	 <u>-</u>	 <u>-</u>
 <b>Net Change in Fund Balance</b>	 <u>-</u>	 <u>-</u>	 <u>6,250</u>	 <u>6,250</u>
 <b>Fund Balance, Beginning of Year</b>	 <u>545,519</u>	 <u>545,519</u>	 <u>545,519</u>	 <u>-</u>
 <b>Fund Balance, End of Year</b>	 <u>\$ 545,519</u>	 <u>\$ 545,519</u>	 <u>\$ 551,769</u>	 <u>\$ 6,250</u>

**TOWN OF McBEE, SOUTH CAROLINA**  
**SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE**  
**OF THE NET PENSION LIABILITY**  
**June 30, 2020**

<b>SCRS</b>	<u><b>2020</b></u>	<u><b>2019</b></u>	<u><b>2018</b></u>	<u><b>2017</b></u>	<u><b>2016</b></u>	<u><b>2015</b></u>
Town's proportion of the net pension liability (asset)	0.0006010%	0.0006590%	0.0009830%	0.0007850%	0.0006170%	0.0006350%
Town's proportionate share of the net pension liability (asset)	\$ 137,148	\$ 147,645	\$ 221,289	\$ 167,675	\$ 117,017	\$ 109,326
Town's covered employee payroll	\$ 108,439	\$ 67,376	\$ 68,283	\$ 99,180	\$ 75,997	\$ 57,891
Town's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	126.47%	219.14%	324.08%	169.06%	153.98%	188.85%
Plan fiduciary net position as a percentage of total pension liability	54.22%	54.10%	0.00%	0.00%	0.00%	0.00%
 <b>PORS</b>	 <u><b>2020</b></u>	 <u><b>2019</b></u>	 <u><b>2018</b></u>	 <u><b>2017</b></u>	 <u><b>2016</b></u>	 <u><b>2015</b></u>
Town's proportion of the net pension liability (asset)	0.0000340%	0.0000370%	0.0011900%	0.000630%	0.013200%	0.002160%
Town's proportionate share of the net pension liability (asset)	\$ 964	\$ 1,060	\$ 32,656	\$ 16,031	\$ 28,857	\$ 41,275
Town's covered employee payroll	\$ -	\$ -	\$ -	\$ 16,275	\$ 8,178	\$ 16,651
Town's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	0.00%	0.00%	0.00%	98.50%	352.86%	247.88%
Plan fiduciary net position as a percentage of total pension liability	62.69%	61.73%	0.00%	0.00%	0.00%	0.00%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10- year trend is compiled, governments should present information for those years for which information is available

**TOWN OF McBEE, SOUTH CAROLINA**  
**SCHEDULE OF THE TOWN'S CONTRIBUTIONS**  
**June 30, 2020**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	16,188	9,235	9,157	\$ 13,750	\$ 9,512	\$ 8,389	\$ 9,302
Contributions in relation to contractually required contribution	<u>(16,188)</u>	<u>(9,235)</u>	<u>(9,157)</u>	<u>(13,750)</u>	<u>(9,512)</u>	<u>(8,389)</u>	<u>(9,302)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's covered-employee payroll	\$ 108,439	\$ 67,376	\$ 68,283	\$ 115,455	\$ 84,175	\$ 74,542	\$ 76,226
Contributions as a percentage of covered-employee payroll	14.93%	13.71%	13.41%	11.91%	11.30%	11.25%	12.20%

<p>This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10- year trend is compiled, governments should present information for those years for which information is available</p>
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**TOWN OF McBEE, SOUTH CAROLINA**  
**NOTES TO REQUIRED SUPPLEMENTAL INFORMATION**  
**June 30, 2020**

**NOTE 1. BUDGETS AND BUDGETARY ACCOUNTING**

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. The accounting system provides for appropriate budgetary control. Budgetary comparisons are included in the supplemental schedules for the General Fund and the Utility Fund. All annual appropriations lapse at fiscal year-end.

The Town does not use encumbrance accounting due to the size of operations involved.

**NOTE 2. LEGAL COMPLIANCE - BUDGETS**

The Town Council prepares the annual operating budget. The budget includes proposed expenditures and the means for financing them. The budget is prepared by fund, object and activity. Public meetings are held to obtain additional comments from interested individual taxpayers. The fiscal year of the Town begins each July 1, and the Council adopts the tentative budget for the coming year. The budget is legally adopted after majority approval by Town Council in two consecutive readings.

Expenditures may not legally exceed budgeted appropriations at the object class level. Recreation expenditures were in excess of budgeted appropriations at year-end by \$5,345, Streets and Sanitation was in excess of budgeted expenditures at year-end by \$7,286.

## **Capital Projects Fund**

Capital Project Funds account for the acquisition of fixed assets or construction of major capital projects not being financed by the Town's proprietary fund. Capital grants restricted for capital acquisitions, or construction other than those associated with proprietary funds, are also accounted for in a capital projects fund. The Town utilizes the following capital projects funds listed below:

### ***Recreation Grant***

**TOWN OF McBEE, SOUTH CAROLINA  
CAPITAL PROJECTS FUND  
BALANCE SHEET  
June 30, 2020**

	<u>Recreation Department</u>
<b>Assets</b>	
Cash	\$ 24,909
<b>Total Assets</b>	<u>\$ 24,909</u>
<b>Liabilities</b>	<u>\$ -</u>
<b>Deferred Inflows of Resources</b>	
Grants	<u>-</u>
<b>Fund Balance</b>	
Committed for Recreation Complex	<u>24,909</u>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<u>\$ 24,909</u>

**TOWN OF McBEE, SOUTH CAROLINA  
CAPITAL PROJECTS FUND  
SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE  
For the Fiscal Year Ended June 30, 2020**

	<u>Recreation Department</u>
<b>Revenues</b>	
Grants	\$ -
Contributions	<u>-</u>
<b>Total Revenues</b>	<u>-</u>
<b>Expenditures</b>	
Capital Outlay	\$ -
Other	<u>100</u>
Total Expenditures	<u>100</u>
<b>Other Financing (Uses)</b>	
Transfer from General Fund	<u>-</u>
<b>Net Change in Fund Balances</b>	(100)
<b>Fund Balance, Beginning of Year</b>	<u>25,009</u>
<b>Fund Balance, End of Year</b>	<u>\$ 24,909</u>

## **Enterprise Fund**

Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost of providing goods or services to the general public be financed or recovered primarily through user charges. The Town of McBee has one Enterprise Fund described below:

*Utility Fund* - This fund is used to account for all financial resources associated with furnishing water service to its citizens and areas adjacent to the town limits.

**TOWN OF McBEE, SOUTH CAROLINA**  
**ENTERPRISE FUND**  
**SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**BUDGET AND ACTUAL**  
**June 30, 2020**

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
<b>Operating Revenues</b>				
Water Charges	\$ 324,000	\$ 324,000	\$ 243,073	\$ (80,927)
Penalties	3,650	3,650	3,492	(158)
Taps and Reconnections	3,000	3,000	1,975	(1,025)
Other	15,200	15,200	75	(15,125)
	<u>345,850</u>	<u>345,850</u>	<u>248,615</u>	<u>(97,235)</u>
<b>Total Operating Revenues</b>				
<b>Operating Expenses</b>				
Advertising - Public Notices	100	100	334	(234)
Bad Debt	500	500	502	(2)
Bank Charges	1,565	1,565	3,810	(2,245)
Computer Software	4,600	4,600	6,856	(2,256)
Contingency	91,403	91,403	-	91,403
Contractor Services	78,000	78,000	63,991	14,009
Depreciation	-	-	97,403	(97,403)
Insurance	5,198	5,198	1,917	3,281
Miscellaneous	500	500	380	120
Meter Repairs and Installation	4,000	4,000	18,084	(14,084)
Office Supplies	150	150	46	104
Payroll Taxes	1,671	1,671	1,838	(167)
Postage	1,490	1,490	1,383	107
Professional Fees	21,125	21,125	30,756	(9,631)
Repairs and Maintenance	5,256	5,256	8,938	(3,682)
Tools and Equipment	565	565	897	(332)
Salaries and Wages	21,840	21,840	21,826	14
Retirement Expense	2,530	2,530	2,091	439
Utilities	7,425	7,425	9,025	(1,600)
Water Purchases	85,000	85,000	81,558	3,442
Water Testing Fees	5,525	5,525	1,335	4,190
	<u>338,443</u>	<u>338,443</u>	<u>352,970</u>	<u>(14,527)</u>
<b>Total Operating Expenses</b>				
<b>Operating Income (Loss)</b>	<u>7,407</u>	<u>7,407</u>	<u>(104,355)</u>	<u>(111,762)</u>
<b>Non-Operating Revenues (Expenses)</b>				
Interest Revenue	215	215	394	179
Interest Expense	-	-	(62,656)	(62,656)
Insurance Reimbursement	-	-	13,823	13,823
Transfer from General Fund	(7,622)	(7,622)	-	7,622
	<u>(7,407)</u>	<u>(7,407)</u>	<u>(48,439)</u>	<u>(41,032)</u>
<b>Total Non-Operating Revenues (Expenses)</b>				
<b>Change in Net Position</b>	-	-	(152,794)	(152,794)
<b>Total Net Position, Beginning of Year</b>	<u>1,333,953</u>	<u>1,333,953</u>	<u>1,333,953</u>	<u>-</u>
<b>Total Net Position, End of Year</b>	<u>\$ 1,333,953</u>	<u>\$ 1,333,953</u>	<u>\$ 1,181,159</u>	<u>\$ (152,794)</u>

**TOWN OF McBEE, SOUTH CAROLINA**  
**UNIFORM SCHEDULE OF COURT FINES, ASSESSMENTS AND**  
**SURCHARGES (per ACT 96)**  
**For the Year Ended June 30, 2020**

COUNTY / MUNICIPAL FUNDS COLLECTED BY CLERK OF COURT	General Sessions	Magistrate Court	Municipal Court	Total
<b>Court Fines and Assessments:</b>				
Court fines and assessments collected	-	-	83,928	83,928
Court fines and assessments remitted to State Treasurer	-	-	(51,998)	(51,998)
<b>Total Court Fines and Assessments retained</b>	-	-	31,930	31,930
<b>Surcharges and Assessments retained for victim services:</b>				
Surcharges collected and retained	-	-	404	404
Assessments retained	-	-	4,852	4,852
<b>Total Surcharges and Assessments retained for victim services</b>	-	-	5,256	5,256

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

<u>VICTIM SERVICE FUNDS COLLECTED</u>	Municipal	County	Total
<b>Carryforward from Previous Year – Beginning Balance</b>			
<b>Victim Service Revenue:</b>			
Victim Service Fines Retained by City/County Treasurer	-	-	-
Victim Service Assessments Retained by City/County Treasurer	4,852	-	4,852
Victim Service Surcharges Retained by City/County Treasurer	404	-	404
Interest Earned	-	-	-
Grant Funds Received			
Grant from:	-	-	-
General Funds Transferred to Victim Service Fund			
(1) Town of	-	-	-
(2) Town of	-	-	-
(3) City of	-	-	-
<b>Total Funds Allocated to Victim Service Fund + Beginning Balance (A)</b>	5,256	-	5,256
<b>Expenditures for Victim Service Program:</b>	Municipal	County	Total
Salaries and Benefits	-	-	-
Operating Expenditures	-	-	-
<b>Victim Service Contract(s):</b>			
(1) Chesterfield County Sheriff Department	(5,256)	-	(5,256)
(2) Entity's Name	-	-	-
<b>Victim Service Donation(s):</b>			
(1) Domestic Violence Shelter:	-	-	-
(2) Rape Crisis Center:	-	-	-
(3) Other local direct crime victims service agency:	-	-	-
Transferred to General Fund	-	-	-
<b>Total Expenditures from Victim Service Fund/Program (B)</b>	(5,256)	-	(5,256)
Total Victim Service Funds Retained by Municipal/County Treasurer (A-B)	-	-	-
<b>Less: Prior Year Fund Deficit Repayment</b>	-	-	-
<b>Carryforward Funds – End of Year</b>	-	-	-

**SHEHEEN, HANCOCK & GODWIN, LLP**

CERTIFIED PUBLIC ACCOUNTANTS

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October 22, 2020

**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**

The Honorable Mayor and Town Council  
Town of McBee  
McBee, South Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of McBee, South Carolina, (Town of McBee, South Carolina) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Town of McBee, South Carolina's basic financial statements and have issued our report thereon dated October 22, 2020.

**Internal Control Over Financial Reporting**

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

A *deficiency in internal control* exist 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 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 weakness or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as 20-1 and 20-2 that we consider to be significant deficiencies.

### **Compliance and Other Matters**

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

### **Town of McBee, South Carolina's Response to Findings**

Town of McBee, South Carolina's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. We did not audit Town of McBee, South Carolina's response and, accordingly, we express no opinion on it.

### **Purpose of this Report**

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

*Sheheen, Hancock & Godwin, LLP*

Sheheen, Hancock and Godwin, LLP  
Camden, South Carolina

**TOWN OF McBEE, SOUTH CAROLINA**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**For the Fiscal Year Ended June 30, 2020**  
**(Continued)**

20-1

*Lack of Expertise in the Preparation of Financial Statements*

**Condition:**

As is common in small municipalities, the Town does not have anyone on staff with sufficient knowledge to prepare complete year-end financial statements including related footnote disclosures in accordance with accounting principles generally accepted in the United States of America. As such, Town officials requested us to assist in identifying adjustments to the accounting records and prepare the financial statements, including the related footnote disclosures. The outsourcing of these services is not unusual in municipalities of the Town's size and is a cost benefit decision to rely on our accounting expertise rather than incurring the internal resource cost.

**Criteria:**

The Town should have a system of internal controls that would enable Town officials to conclude that the financial statements and the related disclosures are complete and presented in accordance with accounting principles generally accepted in the United States of America.

**Questioned Cost:**

Unknown

**Recommendations:**

We recommend that the Town provide continuing education and training to its employees in order to develop a financial reporting internal control system that would allow Town officials to conclude the financial statements and related disclosures are complete and presented in accordance with accounting principles generally accepted in the United States of America.

**View of Responsible Official and Planned Corrective Action:**

Town officials agree with this finding but recognizes that the outsourcing of certain financial reporting services may remain as a cost benefit decision for the Town given its size and the cost of internal resources.

**TOWN OF McBEE, SOUTH CAROLINA**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**For the Fiscal Year Ended June 30, 2020**  
**(Continued)**

20-2

*Lack of Segregation of Duties*

**Condition:**

There is a lack of segregation of duties over the collection and recording of cash receipts, receiving invoices, processing checks and reconciling the bank accounts. The same employee is responsible for the recording of cash receipts in the Town's general ledger and has custody of cash, processing checks, receiving invoices and reconciling the bank accounts.

**Criteria:**

A separation of duties between the recording of cash receipts and the custody of cash, processing checks and invoices, and reconciling bank statements should be maintained or adequate oversight or review procedures should be in place.

**Questioned Cost:**

Unknown

**Recommendations:**

We realize due to the Town's size; an ideal separation of duties is not possible. Therefore, we recommend that the Mayor and Council continue to monitor and review operations on a regular basis to provide some level of control.

**View of Responsible Official and Planned Corrective Action:**

Town officials agree with this finding.