

TOWN OF SWANSEA, SOUTH CAROLINA

AUDITED FINANCIAL STATEMENTS

JUNE 30, 2021

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INDEPENDENT AUDITOR'S REPORT

To the Mayor and
Town Council
Town of Swansea, South Carolina

We were engaged to audit 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 Swansea, South Carolina, as of and for the year ended June 30, 2021, and the related notes to the financial statements.

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. Because of the matters described in the Basis for Disclaimer of Opinion paragraphs, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for Disclaimer of Opinion

Some beginning balances were not posted to the Town's general ledger accounts. The beginning balances that were not posted included asset and liability accounts. Some of these balances are material to the financial statements. As a result, we were not able to agree prior year ending balances to the current year beginning balances, nor were we able to properly perform analytical review procedures. Additionally, the underlying accounting records do not support some of the financial information included in these financial statements. This represents a scope limitation.

The Town's underlying accounting records do not show any accounts receivable or accounts payable balances. Generally, most governmental entities have balances that should be reported as accounts receivable and accounts payable at year end. Because the Town did not report any of the receivable or payable balances at year end and did not provide any schedules to us in an effort to perform audit tests, we were not able to determine the adequacy of the balances reported in the attached financial statements. Additionally, an allowance for doubtful accounts receivable was not computed and recorded in the underlying accounting records. This represents a scope limitation and a possible known error.

Fixed asset balances or activity was not computed and reported in the trial balance or general ledger. This includes the actual asset balances by type, current year depreciation expense for any of the funds, the accumulated depreciation account not reflecting the current year's depreciation activity, construction in progress not being accounted for properly, and the net fixed asset balance not being adjusted properly. As a result, balances in the underlying accounting records related to fixed assets, for all funds, are understated by at least \$3,309,000 and is considered material. This financial reporting is not in accordance with accounting principles generally accepted in the United States of America.

Accounts were added to the general ledger that appear to be invalid accounts and appear to be improperly accounted for. Some of the invalid accounts identified, but may not be limited to, include: "Insurance payment received from retiree" (as an asset type account) totaling \$3,810, "Enter account from chart of accounts" (as a liability type account) totaling \$17,869, "Insurance paid to retirees" (as a liability type account) totaling \$5,351,

"Net wages" (as an expense account) totaling \$37,078, and "Inventory shrinkage" in the amount of \$300 for the police department." This condition represents possible errors and an uncertainty.

Compensated absences were not reported as a liability in the underlying accounting records. Compensated absences are required to be reported in financial statements. The compensated absences balance in the underlying financial records is understated by approximately \$4,092. This represents a known error.

The amount due to and received from the State Treasurer was not recorded in the Town's underlying accounting records. The Town did not record as income an amount totaling \$24,883 in the general fund. Additionally, the Town did not reduce the amount that is owed to the State Treasurer's Office by the \$24,883 that was credited to the Town, but not actually paid, and used as an off-set to reduce the liability owed by the Town to the State Treasurer's Office. This condition results in revenues being understated by \$24,883 and liabilities being overstated by the same amount and represents an accounting error.

Due to/due from accounts were not reconciled and do not balance. We were not able to obtain sufficient audit evidence that would allow us to determine the appropriateness of the due to/due from accounts in order to properly eliminate the balances in accordance with accounting reporting requirements. This represents a scope limitation and an accounting error.

The MASC debt set-off revenue account was improperly reduced by checks written for police department expenditures resulting in the MASC revenue reported being understated by approximately \$4,950. Additionally, police fines collected were posted to the MASC debt set-off revenue account as opposed to the police and court fines and fees revenue account. This resulted in the police and court fines and fees revenue account being understated and the MASC debt set-off account being overstated by the same amount.

Payroll tax transactions do not appear to have been accounted for properly. A review of the general ledger shows where payroll withholding amounts were posted to the payroll liability account after the first few payroll cycles. However, when remitting the employee's withheld payroll taxes to the taxing authorities, the payroll liability account was not reduced by the amount paid to the taxing authorities. This condition caused the payroll liabilities account to be overstated. The balance reported in this account by the Town is \$37,422. Additionally, it appears that the payroll taxes withheld from employee wages were posted to the employer payroll tax expense account which reported expenditures of \$136,989. Thereby double counting the employee portion of tax withholdings twice, once during the payroll cycle as a salary expense and again when remitting the withheld amounts to the taxing authorities as an employer tax expense. Finally, the employer payroll tax expense amounts were not properly allocated and posted to the appropriate departments within the Town. These conditions would cause the employer payroll tax expense account to be overstated by the amount of payroll taxes withheld from employee wages and the employer payroll tax expense to be overstated in some departments and understated in other departments. We were not able to adequately perform procedures to satisfy ourselves of the accuracy of payroll related transactions. This represents an unknown accounting error and an uncertainty.

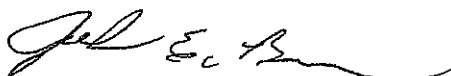
Accounts that should have debit balances had credit balances and accounts that should have credit balances had debit balances. The underlying accounting records show accounts that have balances that are not recorded properly. This condition appears to have occurred because the Town's accounting transactions were posted to certain accounts the wrong way or opposite to what should have occurred. This is considered an accounting error. We were not able to determine the materiality of errors this condition caused, resulting in a scope limitation.

Disclaimer of Opinion

Because of the significance of the matters described in the "Basis for Disclaimer of Opinion" section, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements, governmental activities, each major fund, and the aggregate remaining funds of the Town of Swansea, South Carolina. Accordingly, we do not express an opinion on these financial statements.

Other Matters

Prior period adjustments have been made to present the financial statements in accordance with applicable standards. Detail of such adjustments are presented in Note K to the financial statements.



February 28, 2022

STATEMENT OF NET POSITION
TOWN OF SWANSEA, SOUTH CAROLINA
June 30, 2021

| | Governmental Activities | Business- Type Activities | Total |
|--|----------------------------|---------------------------------|---------------------|
| ASSETS | | | |
| Current assets | | | |
| Cash | \$ 48,376 | \$ 25,124 | \$ 73,500 |
| Receivables | 28,312 | 63,658 | 91,970 |
| | <u>76,688</u> | <u>88,782</u> | <u>165,470</u> |
| Capital assets, net of accumulated depreciation | 92,012 | 3,216,916 | 3,308,928 |
| Other assets | | | |
| Unidentified difference | 7,932 | 60,232 | 68,164 |
| Cash - Restricted | -- | 171,903 | 171,903 |
| Total other assets | <u>7,932</u> | <u>232,135</u> | <u>240,067</u> |
| TOTAL ASSETS | <u>176,632</u> | <u>3,537,833</u> | <u>3,714,465</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Deferred pension charges | 436,152 | 178,146 | 614,298 |
| TOTAL DEFERRED OUTFLOWS OF RESOURCES | <u>436,152</u> | <u>178,146</u> | <u>614,298</u> |
| TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES | <u>612,784</u> | <u>3,715,979</u> | <u>4,328,763</u> |
| LIABILITIES | | | |
| Current liabilities | | | |
| Accounts payable--trade | 3,377 | 13,528 | 16,905 |
| Due to State treasurer | 41,100 | -- | 41,100 |
| Accrued expenses | 41,514 | 11,198 | 52,712 |
| Current Deposits | | 6,634 | 6,634 |
| Current maturities of long-term debt | 12,024 | 58,031 | 70,055 |
| | <u>98,015</u> | <u>89,391</u> | <u>187,406</u> |
| Long-term debt | | | |
| Revenue bonds and other debt | 12,723 | 2,407,731 | 2,420,454 |
| Net pension liability | 386,348 | 161,228 | 547,576 |
| | <u>399,071</u> | <u>2,568,959</u> | <u>2,968,030</u> |
| TOTAL LIABILITIES | <u>497,086</u> | <u>2,658,350</u> | <u>3,155,436</u> |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Deferred pension charges | 525,050 | 214,457 | 739,507 |
| Total deferred inflows of resources | <u>525,050</u> | <u>214,457</u> | <u>739,507</u> |
| TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES | <u>1,022,136</u> | <u>2,872,807</u> | <u>3,894,943</u> |
| NET POSITION | | | |
| Investment in capital assets, net of related debt | 67,265 | 751,154 | 818,419 |
| Restricted for: | | | |
| Debt service--revenue bonds callable in default | -- | -- | -- |
| Unrestricted and unassigned | (476,617) | 92,018 | (384,599) |
| TOTAL NET POSITION | <u>(409,352)</u> | <u>843,172</u> | <u>433,820</u> |
| TOTAL LIABILITIES AND NET POSITION | <u>\$ 612,784</u> | <u>\$ 3,715,979</u> | <u>\$ 4,328,763</u> |

See notes to financial statements.

STATEMENT OF ACTIVITIES
TOWN OF SWANSEA, SOUTH CAROLINA
Year Ended June 30, 2021

| Functions/Programs | Program Revenues | | Net (Expense) Revenue and Changes in Net Position | | |
|---|------------------|----------------------|---|-------------------------|--------------------------|
| | Expenses | Charges for Services | Operating Grants and Contributions | Governmental Activities | Business-Type Activities |
| Governmental activities | | | | | |
| General government | \$ 675,064 | \$ -- | \$ -- | \$ (675,064) | \$ (675,064) |
| Interest and fiscal charges | 1,609 | -- | -- | (1,609) | (1,609) |
| Total Governmental activities | 676,673 | -- | -- | (676,673) | (676,673) |
| Business-type activities | | | | | |
| Water and sewer | 860,991 | 644,021 | -- | | |
| Sanitation | -- | 27,400 | -- | | |
| Total Business-type activities | 860,991 | 671,421 | -- | \$ (216,970) | (216,970) |
| | | | | 27,400 | 27,400 |
| | | | | (189,570) | (189,570) |
| TOTAL PRIMARY GOVERNMENT | | | | | |
| General revenues | \$ 1,537,664 | \$ 644,021 | \$ -- | | (866,243) |
| Property taxes | | | | 170,421 | 170,421 |
| Homestead Exemption | | | | 12,958 | 12,958 |
| Business licenses | | | | 65,096 | 65,096 |
| Franchise fees | | | | 133,079 | 133,079 |
| State aid to subdivisions | | | | 19,606 | 19,606 |
| Fines and Fees | | | | 161,464 | 161,464 |
| Transfer from/to Funds | | | | (38,710) | -- |
| Miscellaneous | | | | 112,182 | 112,182 |
| Interest and other revenue | | | | 1 | 42 |
| Total general revenues | | | | 636,097 | 674,849 |
| CHANGE IN NET POSITION | | | | | |
| BEGINNING NET POSITION (as restated) | | | | (40,576) | (150,818) |
| | | | | (368,776) | 993,990 |
| ENDING NET POSITION | | | | \$ (409,352) | \$ 843,172 |
| | | | | | \$ 433,820 |

See notes to financial statements.

BALANCE SHEET
GOVERNMENTAL FUNDS
TOWN OF SWANSEA, SOUTH CAROLINA
June 30, 2021

| | | |
|--|---------|----------------|
| | General | |
| Assets | | |
| Cash | \$ | 48,376 |
| Receivables | | 28,312 |
| Prepaid Insurance | | <u>---</u> |
| | | |
| TOTAL ASSETS | \$ | <u>76,688</u> |
| Liabilities and fund deficit | | |
| Liabilities | | |
| Accounts payable--trade | \$ | 3,377 |
| Due to State Treasurer | | 41,100 |
| Accrued Expenses | | <u>41,514</u> |
| | | |
| TOTAL LIABILITIES | | 85,991 |
| Fund balance (deficit) | | |
| Nonspendable | | |
| Assigned | | <u>---</u> |
| Unassigned deficit | | <u>(9,303)</u> |
| | | |
| TOTAL FUND BALANCE (DEFICIT) | | <u>(9,303)</u> |
| | | |
| TOTAL LIABILITIES AND FUND BALANCE (DEFICIT) | \$ | <u>76,688</u> |

See notes to financial statements.

**RECONCILIATION THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
TOWN OF SWANSEA, SOUTH CAROLINA
June 30, 2021**

| | | |
|----------------------------------|----|---------|
| Fund balance--governmental funds | \$ | (9,303) |
|----------------------------------|----|---------|

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation

| | | | |
|---|----------------|--|--------|
| Capital assets of governmental activities | \$ 801,033 | | |
| Less accumulated depreciation on capital assets | <u>709,021</u> | | 92,012 |

The Town's proportionate shares of the net pension liability, deferred outflows of resources, and deferred inflows of resources related to its participation in the State pension plan are not recorded in the government funds but are recorded in the statement of net position. (475,246)

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds

| | | | |
|--|----------|--|-----------------|
| General obligation bonds and notes payable | (12,723) | | |
| Compensated absences | (4,092) | | |
| Accrued interest payable on long-term debt | -- | | |
| Capital lease obligations | -- | | |
| | | | <u>(16,815)</u> |

| | | |
|---|----|------------------|
| NET POSITION OF GOVERNMENTAL ACTIVITIES | \$ | <u>(409,352)</u> |
|---|----|------------------|

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
TOWN OF SWANSEA, SOUTH CAROLINA
Year Ended June 30, 2021

| | | |
|---|--------------------------|--|
| | General | |
| Revenues | | |
| Property taxes | \$ 170,421 | |
| Fines and Fees | 161,464 | |
| Victim services | -- | |
| Business licenses | 65,096 | |
| Franchise fees | 133,079 | |
| Other fees, taxes and permits | 112,182 | |
| State shared revenues | 32,564 | |
| Interest and other | <u>1</u> | |
| | | |
| TOTAL REVENUES | 674,807 | |
| Expenditures | | |
| Current | | |
| General government | 661,432 | |
| Debt service | | |
| Principal retirement | 12,023 | |
| Interest and fiscal charges | <u>1,609</u> | |
| | | |
| TOTAL EXPENDITURES | <u>675,064</u> | |
| EXCESS (DEFICENCY) OF REVENUES OVER EXPENDITURES | (257) | |
| | | |
| OTHER FINANCING SOURCES (USES) | | |
| Transfer from (to) Proprietary Fund | <u>(38,710)</u> | |
| TOTAL OTHER FINANCING SOURCES (USES) | (38,710) | |
| | | |
| NET CHANGE IN FUND BALANCE (DEFICIT) | (38,967) | |
| | | |
| Fund balance (deficit) at beginning of year (as restated) | <u>29,664</u> | |
| | | |
| FUND BALANCE (DEFICIT) AT END OF YEAR | <u><u>\$ (9,303)</u></u> | |

See notes to financial statements.

**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
TOWN OF SWANSEA, SOUTH CAROLINA
Year Ended June 30, 2021**

| | |
|--|-------------|
| Net change in fund balance--governmental funds | \$ (38,967) |
|--|-------------|

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the lives of the capital assets

| | |
|-------------------------------------|----------|
| Capital asset purchases capitalized | -- |
| Depreciation expense | (18,787) |

The issuance of long-term debt (bonds, leases, etc.) provides current financial resources to governmental funds, while repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position

| | |
|--|-------|
| Decrease (increase) in compensated absences recorded in the statement of activities but not in the governmental funds. | 7,245 |
|--|-------|

| | |
|-----------------------------------|--------|
| Long-term debt principal payments | 11,824 |
|-----------------------------------|--------|

Governmental funds report total proceeds from the sale of general-fixed assets as revenue in the governmental funds, while governmental activities report only the excess of gain (sales proceeds over the adjusted basis) on the sale of capital assets as income

| | |
|--|----|
| Proceeds from the sale of capital assets | -- |
| Gain on sale of capital assets | -- |

Bond issuance costs are reported as expenditures in the governmental funds. These costs, net of accumulated amortization, are recorded as other assets in the statement of net assets

(1,891)

| | |
|---|--------------------|
| CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES | \$ <u>(40,576)</u> |
|---|--------------------|

**STATEMENT OF NET POSITION
 PROPRIETARY FUND
 WATER AND SEWER SYSTEM
 TOWN OF SWANSEA, SOUTH CAROLINA
 June 30, 2021**

Assets

Current assets

| | |
|---|-----------|
| Cash | \$ 25,124 |
| Receivables--trade--net of allowance for uncollectible accounts | 63,658 |
| Unidentified difference | 60,232 |

149,014

| | |
|---|-----------|
| Capital assets, net of accumulated depreciation | 3,216,916 |
|---|-----------|

| | |
|-------------------|---------|
| Cash - restricted | 171,903 |
|-------------------|---------|

| | |
|---------------------|-------------------------|
| TOTAL ASSETS | <u><u>3,537,833</u></u> |
|---------------------|-------------------------|

DEFERRED OUTFLOWS OF RESOURCES

| | |
|--------------------------|---------|
| Deferred pension charges | 178,146 |
|--------------------------|---------|

| | |
|---|----------------|
| TOTAL DEFERRED OUTFLOWS OF RESOURCES | <u>178,146</u> |
|---|----------------|

| | |
|--|-------------------------|
| TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES | <u><u>3,715,979</u></u> |
|--|-------------------------|

Liabilities

Current liabilities

| | |
|----------------------------------|--------|
| Accounts payable | 13,528 |
| Accrued Expenses | 5,035 |
| Accrued interest payable | 6,163 |
| Customer Deposits | 6,634 |
| Unidentified difference | -- |
| Current portion of Notes Payable | 58,031 |

Long-term liabilities

| | |
|------------------------------------|------------------|
| Net pension liability | 161,228 |
| Long term portion of Notes Payable | 2,407,731 |
| Total long-term liabilities | <u>2,568,959</u> |

| | |
|--------------------------|------------------|
| TOTAL LIABILITIES | <u>2,658,350</u> |
|--------------------------|------------------|

DEFERRED INFLOWS OF RESOURCES

| | |
|--------------------------|---------|
| Deferred pension charges | 214,457 |
|--------------------------|---------|

| | |
|--|----------------|
| Total deferred inflows of resources | <u>214,457</u> |
|--|----------------|

Net position

| | |
|---|---------|
| Invested in capital assets, net of related debt | 751,154 |
|---|---------|

| | |
|--|----|
| Restricted for debt service of revenue bonds callable by default | -- |
|--|----|

| | |
|------------------------|--------|
| Unrestricted (deficit) | 92,018 |
|------------------------|--------|

843,172

| | |
|---|----------------------------|
| TOTAL LIABILITIES AND NET POSITION | <u><u>\$ 3,715,979</u></u> |
|---|----------------------------|

See notes to financial statements.

STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUND
WATER AND SEWER SYSTEM
TOWN OF SWANSEA, SOUTH CAROLINA
Year Ended June 30, 2021

| | | |
|--|-----------------------------|------------|
| Operating revenues | | |
| Water and sewer charges | \$ | 644,021 |
| Management fees | | - |
| Penalties and fees | | - |
| Sanitation | | 27,400 |
| Grant Revenue | | -- |
| | | <hr/> |
| | TOTAL REVENUE | 671,421 |
| Operating expenses | | |
| Salaries and Fringe | | 145,921 |
| Insurance | | 32,403 |
| Vehicle expenses | | 7,615 |
| Utilities and telephone | | 30,308 |
| Repairs and maintenance | | 66,667 |
| Membership and dues | | 165 |
| Office Supplies | | 18,241 |
| Professional services | | 268,524 |
| Job Supplies | | 45,348 |
| Bad debt expense | | -- |
| Depreciation | | 132,024 |
| Uniforms | | 302 |
| Fees | | 2,158 |
| Interest Expense | | 111,315 |
| | | <hr/> |
| | | 860,991 |
| | | <hr/> |
| | OPERATING INCOME (LOSS) | (189,570) |
| Non-operating revenues (expenses) | | |
| Interest Income | | 42 |
| | | <hr/> |
| | PROFIT BEFORE TRANSFERS | (189,528) |
| | | <hr/> |
| Transfer from (to) General Fund | | 38,710 |
| | | <hr/> |
| | CHANGE IN NET POSITION | (150,818) |
| Net Position at beginning of year, as restated | | 993,990 |
| | | <hr/> |
| | NET POSITION AT END OF YEAR | \$ 843,172 |
| | | <hr/> |

See notes to financial statements.

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
WATER AND SEWER SYSTEM
TOWN OF SWANSEA, SOUTH CAROLINA
Year Ended June 30, 2021

CASH FLOWS FROM OPERATING ACTIVITIES

| | |
|---|------------|
| Receipts from customers | \$ 652,310 |
| Other operating receipts | -- |
| Receipts from grants | -- |
| Payments to suppliers | (672,876) |
| Other unidentified payments | (23,463) |
| Payments to employees and benefit providers | (147,548) |

NET CASH PROVIDED BY OPERATING ACTIVITIES (191,577)

**CASH FLOWS FROM NONCAPITAL
FINANCING ACTIVITIES**

--

NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES --

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

| | |
|---|-----------|
| Purchases of capital assets | -- |
| Payments made on construction in progress | -- |
| Principal paid on capital debt | (69,425) |
| Interest paid on capital debt | (111,315) |

NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES (180,740)

CASH FLOWS FROM INVESTING ACTIVITIES

| | |
|-------------------------|----------------|
| Transfers | 38,710 |
| Unidentified difference | 202,908 |
| Interest received | 42 |
| | <u>241,660</u> |

NET INCREASE IN CASH AND CASH EQUIVALENTS (130,657)

Cash and cash equivalents at beginning of year

327,684

CASH AND CASH EQUIVALENTS AT END OF YEAR

\$ 197,027

**RECONCILIATION OF OPERATING INCOME TO
NET CASH PROVIDED BY OPERATING ACTIVITIES**

| | |
|--|--------------|
| Operating income (loss) | \$ (189,570) |
| Adjustments to reconcile operating income to net cash provided by operating activities | |
| Depreciation expense and amortization | 132,024 |
| Change in assets and liabilities | |
| (Increase) Decrease in accounts receivable | (738) |
| (Increase) Decrease in unidentified difference | (60,232) |
| (Increase) Decrease in pension related deferred outflows of resources | 114,530 |
| (Decrease) Increase in customer deposits | (18,373) |
| (Decrease) Increase in accounts payable | (8,889) |
| (Decrease) Increase in accrued liabilities and withholdings | (1,627) |
| (Decrease) Increase in net pension liability | (268,616) |
| (Decrease) Increase in pension related deferred inflows of resources | 109,914 |
| | -- |

NET CASH PROVIDED BY OPERATING ACTIVITIES \$ (191,577)

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS
TOWN OF SWANSEA, SOUTH CAROLINA
June 30, 2021

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Swansea, South Carolina (the Town) is authorized by its charter issued December 19, 1892 and amended on August 31, 1976 to operate as an incorporated municipality under a mayor-council form of government under the laws of the State of South Carolina. The Town has four Council members along with the Mayor. As authorized by its Code of Ordinances, the Town provides public works (streets and sanitation), water and sewer services, licensing and regulation and general administrative services to its constituents.

The Town follows accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units in the preparation and presentation of its financial statements. GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. GASB is the accepted standard setting body for establishing governmental accounting and financial reporting principles. In both 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 pronouncements are followed. FASB and APB are the accepted standard setting bodies for establishing financial and reporting principles for business-type or enterprise reporting principles.

Financial Reporting Entity

Using the criteria of GASB Statement No. 14, The Financial Reporting Entity, as amended by GASB No. 39, Determining Whether Certain Organizations are Component Units, the basic financial statements of the Town presents the reporting entity that consists of the primary government and those organizations for which the primary government is financially accountable and for which the nature and significance of their relationship with the primary government are such that exclusion could cause the Town's financial statements to be misleading or incomplete. Financial accountability is defined as appointment of a voting majority of the separate organization's board and either a) the ability to impose will by the primary government, or b) the possibility that the separate organization will provide a financial benefit to or impose a financial burden on the primary government. At June 30, 2021, there were no such material component units of the Town.

Basis of Presentation

Government-wide Financial Statements

The Statement of Net Assets and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, inter-governmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

Fund Financial Statements

Fund financial statements of the reporting entity 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 expenditure/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 or type; and
- b.) Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The funds of the financial reporting entity are described below:

Governmental Funds

General Fund

The General Fund is the primary operating fund of the Town and is always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

NOTES TO FINANCIAL STATEMENTS
TOWN OF SWANSEA, SOUTH CAROLINA
June 30, 2021

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--continued

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 net income measurement similar to the private sector. The reporting entity includes the Town of Swansea Water and Sewer System.

Fiduciary Funds (not included in government-wide statements)

Fiduciary fund reporting focuses on net assets and changes in net assets, and is used to report assets held in a trustee or agency capacity for others and, therefore, cannot be used to support the government's own programs. The Town currently has no fiduciary funds.

Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

Measurement Focus

On the government-wide Statement of Net Assets and the Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus as defined in Item b.) below. In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus is used as appropriate.

- a.) All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b.) The proprietary fund utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net assets.
- c.) Fiduciary 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 Assets 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 is 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 trust 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 60 days after year end. Expenditures (including capital outlays) are recorded when the related fund liability is incurred, except for 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.

NOTES TO FINANCIAL STATEMENTS
TOWN OF SWANSEA, SOUTH CAROLINA
June 30, 2021

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--continued

Assets, Liabilities and Net Position

Cash and Investments

For purpose of the Statement of Net Assets, "cash, including time deposits" includes all demand savings accounts, and certificates of deposits of the Town. For the purpose of the proprietary fund Statement of Cash Flows, "cash and cash equivalents" include all demand and savings accounts, and certificates of deposit or short-term investments with an original maturity of three months or less.

Investments are recorded at fair value in accordance with GASB Statement No. 72, Fair Value Measurement and Application. Accordingly, the change in fair value of investments is recognized as an increase or decrease to investment assets and investment income.

The Town is authorized by ordinance to invest in obligations to the U.S. Treasury and commercial paper. The Town's permanent fund investments consist of short-term money-market deposits and mutual fund investments with maturity date of one year or less at the time of purchase. These investments are carried at fair value. Permanent funds that are governed by testamentary trust agreements are bound by the terms of those agreements and are not subject to ordinance authorizations and restrictions.

Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods-and-services-type transactions are classified as "due to and from other funds." Short-term interfund loans are reported as "interfund receivables and payables." Long-term interfund loans (noncurrent portion) are reported as "advances from and to other funds." Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets.

Receivables

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

In the fund financial statements, material receivables in governmental funds include revenue accruals such as local option sales tax, property taxes, business licenses, grants and other similar intergovernmental revenues since they are usually both measurable and available. Nonexchange transactions collectible but not available are deferred in the fund financial statements in accordance with the modified accrual basis but not deferred in the government-wide financial statements in accordance with the accrual basis. In instances in which differences between the use of the full accrual method and the modified accrual method (i.e. 60 day rule) of revenue recognition is not considered to be material, the Town utilizes the modified-accrual basis for both government-wide and governmental fund financial reporting where both are reasonably expected to result in similar results.

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. Capital assets purchased or acquired with original costs of \$5,000 or more are reported at historical cost or estimated historical costs. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

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 recorded at their estimated fair value at the date of donation. The Town has not been able to produce capital asset ledgers in support of beginning capital asset balances at year end.

NOTES TO FINANCIAL STATEMENTS
TOWN OF SWANSEA, SOUTH CAROLINA
June 30, 2021

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--continued

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities (where determinable), with accumulated depreciation reflected in the Statement of Net Position. Estimated depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives of type of assets is as follows:

| | |
|-------------------------|---------------|
| Buildings | 25 - 50 years |
| Improvements | 10 - 50 years |
| Machinery and equipment | 3 - 20 years |
| Utility system | 25 - 50 years |
| Infrastructure | 25 - 50 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.

Restricted Assets

Restricted assets include cash and investments that are legally restricted as their use. The primary restricted assets are related to municipal court deposits within the general fund and testamentary trust deposits and investments within the permanent fund.

Long-Term Debt

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

All long-term debt to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term debt consists primarily of bonds payable, notes payable and obligations under capital lease agreements.

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.

Subsequent Events

Subsequent events are events or transactions that occur after the balance sheet date but before the financial statements are issued or are available to be issued. There are two types of subsequent events.

- a.) Recognized subsequent events are events or transactions that provide additional evidence about conditions that existed at the date of the balance sheet, including the estimates inherent in the process of preparing financial statements. Recognized subsequent events generally result in the retroactive adjustment of the related amounts recorded in the financial statements.
- b.) Non-recognized subsequent events, consists of events or transactions that provided evidence about conditions that did not exist at the date of the balance sheet but arose subsequent to that date. Non-recognized subsequent events do not generally result in changes in amounts recorded, but are disclosed in notes to the financial statements.

The financial statements are considered available to be issued when they are complete in a format that complies with GAAP and all approvals necessary for issuance have been obtained from management and others charged with governance. Management evaluates all subsequent events from the balance sheet date through the date that the financial statements are available to be issued.

NOTES TO FINANCIAL STATEMENTS
TOWN OF SWANSEA, SOUTH CAROLINA
June 30, 2021

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--continued

Equity Classifications

Government-wide Statements

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

- a.) Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b.) Restricted - Consists of assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or (2) law through constitutional provisions or enabling legislation, net of related liabilities payable from restricted liabilities.
- c.) Unrestricted - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Fund Statements

In the fund financial statements the following classifications describe the relative strength of the spending constraints:

- a.) Non-spendable fund balance - The portion of fund balance that cannot be spent because it is not in a spendable form (such as inventory), or is legally or contractually required to be maintained intact.
- b.) Restricted fund balance - The portion of fund balance constrained on being used for a specific purpose by external parties (such as grantors or bondholders), constitutional provisions or enabling legislation.
- c.) Committed fund balance - The portion of fund balance constrained for specific purposes through a signed resolution by the Town's highest level of decision-making authority, the Town council, prior to the end of the current fiscal year. The constraint may be removed or changed only through an additional resolution of the Town council.
- d.) Assigned fund balance - The portion of fund balance set aside for planned or intended purposes. An intended use of any amount may be expressed by the Town council and recorded in the minutes of an executive meeting. This classification is necessary to indicate that those funds are, at a minimum, intended to be used for the purpose for which they are assigned.
- e.) Unassigned fund balance - The residual portion of fund balance that does not meet any of the above criteria.

If both restricted and unrestricted amounts of fund balances are available for use when an expenditure is incurred, it is the Town's policy to use restricted amounts first. Unrestricted fund balance will be used in the following order: committed, assigned and unassigned.

Revenues, Expenditures and Expenses

In the government-wide financial statements, expenses are classified by function for both governmental and business-type activities.

In the fund financial statements, expenditures are classified as follows:

Governmental Funds--by character

Current (further classified by function)

Debt service

Capital outlay

Proprietary Fund--by operating and nonoperating

NOTES TO FINANCIAL STATEMENTS
TOWN OF SWANSEA, SOUTH CAROLINA
June 30, 2021

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--continued

In the fund financial statements, governmental funds report expenditures of financial resources. Proprietary funds report expenses relating to use of economic resources. In instances in which a procurement outlay can be defrayed from both unrestricted and restricted resources, the Town customarily follows a practice of first applying restricted resources toward acquisition followed, secondarily, by restricted resources.

Budgets

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for the general and proprietary funds. All annual appropriations lapse at the fiscal year end. Project length financial plans are adopted for all capital projects funds whenever such projects are in force.

Encumbrances

The Town does not record encumbrances. Normally, encumbrances represent executory contracts including purchase orders that are outstanding commitments of the Town and are reported as a reservation of the respective fund balance of the Governmental Funds and an appropriation of retained earnings of the Proprietary Fund. They do not constitute an expenditure (expense) or liability under such until such time the goods are received or the service rendered, but are an extension of formal budgetary integration of the Governmental Funds and a commitment of the Proprietary Fund.

Compensated Absences

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported by the governmental fund that will pay it as an expenditure and a fund liability. Vested or accumulated vacation leave of proprietary funds is recorded as an expense and liability of those funds as the benefits accrue to employees. No liability is recorded for nonvesting accumulating rights to receive sick pay benefits. However, a liability is recognized for that portion of accumulated sick leave benefits that is estimated will be taken as "terminal leave" prior to retirement, where applicable.

Interfund Transfers

Permanent reallocation of resources between funds of the reporting entity are classified as interfund transfers. For the purposes of the Statement of Activities, all interfund transfers between individual governmental funds have been eliminated.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the Town's financial position and results of operations and disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

Implementation of New Accounting Pronouncements

Beginning in fiscal year ended June 30, 2015, the Town implemented the following statements issued by the Governmental Accounting Standards Board (GASB):

- a.) GASB Statement 72, "Fair Value Measurement and Application, in February 2015"—which provides guidance for determining a fair value measurement for financial reporting purposes, and also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. See Note C for more details.

NOTE B - COMPLIANCE AND ACCOUNTABILITY

By its nature as a local governmental unit, the Town and its component units are subject to various federal, state and local laws and contractual requirements. The Town's compliance with significant laws and regulations and demonstration of its stewardship over the Town's resources follows:

NOTES TO FINANCIAL STATEMENTS
TOWN OF SWANSEA, SOUTH CAROLINA
June 30, 2021

NOTE B - COMPLIANCE AND ACCOUNTABILITY--continued

Legal Compliance - Budgets

During May and June of each fiscal year, the Town Council Develops and approves a budget for the Town's upcoming fiscal year. The budget is prepared by fund, function and activity, and includes information on the current year estimates and requested appropriations for the next fiscal year. A proposed budget is formulated and presented to Town Council for review and revision. The revised budget is submitted and exposed for debate during formal budget hearings open to the public. Changes to the budget resulting from these hearings must be within the revenues and reserves estimated as available by original availability estimates, or either the estimated revenues must be changed by an affirmative vote of majority of the Town Council. The budget for each upcoming fiscal year is usually adopted before the end of the prior fiscal year.

Expenditures may not legally exceed budgeted appropriations at the program level. During the year no supplementary appropriations were necessary.

Deposits and Investments - Laws and Regulations

In accordance with South Carolina State law the Town is authorized to invest in the following types of investments:

- a.) Direct obligations of the U.S. Government or its agencies or instrumentalities to which the full faith and credit of the U.S. Government is pledged
- b.) General obligations of the State of South Carolina or any of its political units.
- c.) Savings and loan associations to the extent they are secured by the Federal Deposit Insurance Corporation.
- d.) Certificates of deposit where the certificates are collaterally secured by securities of the type described in (a) and (b) above held by a third party as escrow agent or custodian, with a market value not less than the amount of the certificate of deposit so secured, including interest.

Property Taxes

Real property and all personal property taxes, other than automobile property taxes, attach as an enforceable lien on January 1st of each year. Real property taxes are levied in September of each year and are payable before January 15th of the subsequent year. Automobile property taxes attach a lien and are levied throughout the year depending on when the vehicle's license tag expires. These taxes are assessed and collected by Richland County, South Carolina under a joint billing and collection agreement. Other personal property taxes are levied in September of each year and are payable by January 15th of the subsequent year.

In the fund financial statements, property taxes are recorded as revenue in the period in which they are levied and become due and available within the current period or expected to be collected soon enough thereafter (within 60 days of each year end) to be used to pay liabilities of the current period. Additional amounts due to be collected after the 60-day period are considered immaterial in total and no additional accrual in the government-wide financial statements is recorded.

General Obligation Debt

The State of South Carolina limits the amount of outstanding general obligation bonded debt of the Town for non-utility or non-street purposes to no more than 8 percent of net assessed property valuation. For the year ended June 30, 2020 the Town had no outstanding general obligation bonded debt.

Revenue Bonds Payable

Water and sewer revenue is restricted by revenue bond indentures to the extent necessary to retire outstanding bond obligations. In addition to principal and interest payments, the town is required to fund and maintain certain restricted cash reserves as follows:

- a.) Cushion Fund - an amount estimated to be needed for the cost of operating and maintaining the water and sewer system to the Operation and Maintenance Fund.
- b.) Depreciation Fund - 1/12th of the amount budgeted for the year for replacing or restoring obsolete capital-asset items of the water and sewer system.
- c.) Contingency Fund - 1/12th of the amount budgeted for the year for improvements, betterments, and extensions of the water and sewer system.

NOTES TO FINANCIAL STATEMENTS
TOWN OF SWANSEA, SOUTH CAROLINA
June 30, 2021

NOTE B - COMPLIANCE AND ACCOUNTABILITY--continued

Deficit Prohibition

South Carolina State Law prohibits the creation of a deficit fund balance in any individual fund of the Town's primary government. The Town does not have a deficit fund balance in any individual fund at year end.

NOTE C - DEPOSITS AND INVESTMENTS

At June 30, 2021 the Town's cash deposits were \$233,591 and the bank balance was \$300,711. The bank balances and investments were classified into three categories of custody risk assumed by the Town based upon how its deposits and investments were insured or secured with collateral at June 30, 2021. The categories of credit risk are defined as follows:

Interest rate risk:

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Town has no specific policy for interest rate risk. In accordance with its investment policy, the Town manages its exposure to declines in fair values by generally limiting direct investments to securities with maturities of less than two (2) years.

The Town did not have any investments at year end.

Credit risk:

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State statute and Town policy limit the Town's investments to obligations of the United States and agencies thereof; general obligations of the State of South Carolina or any of its political units provided such obligations are rated as an "A" or better by Moody's Investors Service, Inc. and Standard and Poor's Corporation or their respective successors; interest bearing accounts in savings and loan associations to the extent that the same are insured by an agency of the Federal government; certificates of deposit where the certificates are collaterally secured by securities of the types described above, held by a third party as escrow agent or custodian, of a fair value not less than the amount of the certificates of deposit so secured, including interest, provided, however, such collateral shall not be required to the extent the same are insured by an agency of the United States Government; or deposit accounts with banking institutions insured and secured in the same manner.

Statutes also allow the State Treasurer to assist local governments in investing funds. The State treasurer also provides oversight for the State Treasurer's Local Government Investment Pool (LGIP), of which, the fair value of the Town's investments are the same as the value of the pooled shares. Permitted investments for the LGIP are (1) obligations of the United States, its agencies and instrumentalities; (2) obligations of corporations, states, and political subdivisions which bear an investment grade rating at a minimum of two rating agencies; (3) certificates of deposit, if the certificates are secured collaterally by securities of the types described in (1) and (2) of this paragraph and held by a third party as escrow agent or custodian and are of a market value not less than the amount of the certificates of deposit so secured, including interest; except that this collateral is not required to the extent the certificates of deposit are insured by an agency of the federal government; (4) obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development, the African Development Bank, and the Asian Development Bank; (5) repurchase agreements, if collateralized by securities of the types described in items (1) and (2) of this paragraph and held by a third party as escrow agent or custodian and of a market value not less than the amount of the repurchase agreement so collateralized, including interest; and (6) guaranteed investment contracts issued by a domestic or foreign insurance company or other financial institution, whose long-term unsecured debt rating bears the two highest ratings of at least two nationally recognized rating services.

The statutes provide that all authorized investments shall have maturities consistent with the time or times when the invested monies will be needed in cash. The Town is under no contractual agreements which further restrict investment alternatives.

Concentration of credit risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Town currently does not have a policy regarding the concentration of credit risk.

NOTES TO FINANCIAL STATEMENTS
TOWN OF SWANSEA, SOUTH CAROLINA
June 30, 2021

NOTE C - DEPOSITS AND INVESTMENTS-- continued

Custodial credit risk --deposits:

In the case of deposits, custodial credit risk is the risk that, in the event of bank failure, the Town's deposits may not be returned to it. The Town does not have a deposit policy for custodial credit risk.

Custodial credit risk --investments:

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Town does not have a formal policy for custodial credit risk. The Town did not have any investments at year end.

Fair Value of Investments

The Town measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy, as follows:

- *Level 1:* Quoted prices for identical investments in active markets;
- *Level 2:* Observable inputs other than quoted market prices; and,
- *Level 3:* Unobservable inputs.

Category 1 - Insured by FDIC or collateralized with securities held by the Town (or public trust) or by its agent in its name.

Category 2 - Uninsured but collateralized with securities held by the pledging financial institution's trust department or agent in the Town's or its custodial trusts' (for permanent trust funds) name.

Category 3 - Uninsured and uncollateralized; or collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the Town's name; or collateralized with no written or approved collateral agreement.

| | Category | | | Bank Balance |
|--|-------------------|--------------|--------------|-------------------|
| | 1 | 2 | 3 | |
| Demand deposits | \$ 245,403 | \$ -- | \$ -- | \$ 245,403 |
| Investments | -- | -- | -- | -- |
| | <u>\$ 245,403</u> | <u>\$ --</u> | <u>\$ --</u> | <u>\$ 245,403</u> |
| Carrying value on Government-wide Statement of Net Assets: | | | | |
| Unrestricted cash, including time deposits | | | | \$ 73,500 |
| Restricted cash, including time deposits | | | | <u>171,903</u> |
| | | | | <u>\$ 245,403</u> |

NOTE D - RECEIVABLES

Receivables at June 30, 2021 consisted of the following:

| | Governmental Activities | Business type Activities | Total |
|-----------------------------------|----------------------------|-----------------------------|------------------|
| Property taxes | \$ 6,529 | \$ -- | \$ 6,529 |
| Service customers | -- | 63,658 | 63,658 |
| Intergovernmental--state revenues | -- | -- | -- |
| Other | 21,783 | -- | 21,783 |
| | <u>28,312</u> | <u>63,658</u> | <u>91,970</u> |
| Less allowance for uncollectibles | -- | -- | -- |
| | <u>\$ 28,312</u> | <u>\$ 63,658</u> | <u>\$ 91,970</u> |

NOTES TO FINANCIAL STATEMENTS
TOWN OF SWANSEA, SOUTH CAROLINA
June 30, 2021

NOTE E - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2021 was as follows:

| | Balance at December 31, 2020 | Additions | Disposals | Balance at June 30, 2021 |
|--|------------------------------------|--------------------|--------------|--------------------------------|
| Governmental activities | | | | |
| Cost or other basis | | | | |
| Land | \$ 5,000 | \$ -- | \$ -- | \$ 5,000 |
| Buildings and improvements | 195,000 | -- | -- | 195,000 |
| Furniture and equipment | 393,022 | -- | -- | 393,022 |
| Transportation equipment | 208,011 | -- | -- | 208,011 |
| Infrastructure (sidewalks) | | | | -- |
| | <u>801,033</u> | <u>--</u> | <u>--</u> | <u>801,033</u> |
| Less accumulated depreciation | <u>(690,234)</u> | <u>(18,787)</u> | <u>--</u> | <u>(709,021)</u> |
| Governmental activities capital assets, net | <u>\$ 110,799</u> | <u>\$ (18,787)</u> | <u>\$ --</u> | <u>\$ 92,012</u> |

Depreciation expense by activity
General government
Public works

--
\$ --

| | Balance at June 30 2020 | Additions | Disposals | Balance at June 30 2021 |
|---|-------------------------------|-------------------|--------------|-------------------------------|
| Business-type activities | | | | |
| Cost or other basis | | | | |
| Land | \$ 3,087 | \$ -- | \$ -- | \$ 3,087 |
| Building | 20,000 | -- | -- | 20,000 |
| Water System | 4,443,847 | -- | -- | 4,443,847 |
| Equipment | 362,134 | -- | -- | 362,134 |
| Construction In Progress | 739,771 | -- | -- | 739,771 |
| | <u>5,568,839</u> | <u>--</u> | <u>--</u> | <u>5,568,839</u> |
| Less accumulated depreciation | <u>(2,219,899)</u> | <u>(132,024)</u> | <u>--</u> | <u>(2,351,923)</u> |
| Business-type activities capital assets, net | <u>\$ 3,348,940</u> | <u>\$ 132,024</u> | <u>\$ --</u> | <u>\$ 3,216,916</u> |

NOTE F - REVENUE BONDS and OTHER DEBT PAYABLE

Revenue bonds were issued to acquire or construct proprietary fund assets and the revenue derived from these assets are pledged to repay the related bond principal and interest. All revenue bond transactions are accounted for as business-type activities. Accordingly, all amounts including outstanding principal and accrued interest at June 30, 2021 are immediately due and payable and appropriately classified as current liabilities.

The following bond issues comprise revenue bonds payable as of June 30, 2021:

Sewer Loan Payable

The Town is in a long-term debt agreement to pay the United States of America, acting through the United States Department of Agriculture (USDA) or its registered assigns, the principal sum of \$2,628,000 plus interest on this principal amount at the rate of 4.25% per annum, which shall be payable in monthly installments of principal and interest of \$11,406 each on the 7th day of each month commencing February 7, 2011 and ending on December 7, 2050. This debt is collateralized by a revenue bond.

\$ 2,319,335

NOTES TO FINANCIAL STATEMENTS
TOWN OF SWANSEA, SOUTH CAROLINA
June 30, 2021

NOTE F - REVENUE BONDS and OTHER DEBT PAYABLE--continued

Waterworks and Sewer System Improvement Revenue Bond

The Town received an \$800,000 grant to provide improvements to its utility system. The grant requires that the Town provide a match of \$200,000. As a result, on April 13, 2019 the Town issued revenue bonds through BB&T, a local banking institution in the amount of \$200,000 to meet the matching requirement of the \$600,000 being provided by the USDA. The effective date is April 13, 2019, with an interest rate of 3.760% and matures on May 1, 2029. The loan is secured by the utility systems of the Town. The loan is to be repaid monthly in installments of \$2,006.13 on the 1st of each month for 120 months. This debt is collateralized by the revenues of the system.

\$ 146,427

Auto Loan Payable

The Town took out a loan in the amount of \$60,272 on July 1, 2018 for the purchase of two 2019 Dodge Chargers. The loan is with the Kansas City State Bank and is secured by the vehicles. The loan is for a five year term beginning July 1, 2018 and ending July 1, 2022 with five annual installments totaling \$13,632 each with an imputed interest rate of 6.5%.

\$ 24,747

\$ 2,490,509

The following is a summary of debt transactions for the 12 months ended June 30, 2021:

| | | |
|---|----|------------------|
| Revenues bonds payable at June 30, 2020 | \$ | 2,559,934 |
| Add newly issued debt | | |
| Less revenue bonds retired | | (69,425) |
| Revenues bonds payable at June 30, 2021 | \$ | <u>2,490,509</u> |

The original annual debt-service requirements to amortize outstanding revenue bonds and other Notes Payable as of June 30, 2021 including interest payments were as follows:

| June 30, | Principal | Interest | Total |
|-------------|---------------------|---------------------|---------------------|
| 2022 | 70,055 | 104,523 | \$ 174,578 |
| 2023 | 73,176 | 101,402 | \$ 174,578 |
| 2024 | 62,977 | 111,601 | \$ 174,578 |
| 2025 | 65,607 | 95,339 | \$ 160,946 |
| 2026 | 68,346 | 92,600 | \$ 160,946 |
| 2027 - 2031 | 334,933 | 445,721 | \$ 780,654 |
| 2032 - 2036 | 331,984 | 352,376 | \$ 684,360 |
| 2037 - 2041 | 410,433 | 273,927 | \$ 684,360 |
| 2042 - 2046 | 507,419 | 176,941 | \$ 684,360 |
| Thereafter | 565,579 | 118,781 | \$ 684,360 |
| | | | -- |
| | <u>\$ 2,490,509</u> | <u>\$ 1,873,209</u> | <u>\$ 4,363,718</u> |

NOTES TO FINANCIAL STATEMENTS
TOWN OF SWANSEA, SOUTH CAROLINA
June 30, 2021

NOTE G - PENSION PLAN(S)

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

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

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

Plan Descriptions

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

The State Optional Retirement Program (State ORP) is a defined contribution plan that is offered as an alternative to SCRS to certain newly hired employees of state agencies, institutions of higher education, public school districts and individuals first elected to the S.C. General Assembly at or after the general election in November 2012. State ORP participants direct the investment of their funds into an account administered by one of four third party service providers. PEBA assumes no liability for State ORP benefits. Rather, the benefits are the liability of the four third party service providers. For this reason, State ORP assets are not part of the retirement system's trust funds for financial statement purposes.

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

In addition to the plans described above, PEBA also administers three single employer defined benefit pension plans, which are not covered in this report. They are the Retirement System for Members of the General Assembly of the State of South Carolina (GARS), the Retirement System for Judges and Solicitors of the State of South Carolina (JSRS), and the South Carolina National Guard Supplemental Retirement Plan (SCNG).

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.

NOTE G - PENSION PLAN(S)--continued

State ORP - As an alternative to membership in SCRS, newly hired state, public school, and higher education employees and individuals newly elected to the S.C. General Assembly at or after the November 2012 general election have the option to participate in the State ORP. Contributions to the State ORP are at the same rates as SCRS. A direct remittance is required from the employers to the members account with the ORP service provider for the employee contribution and a portion of the employer contribution (5 percent). A direct remittance is also required to SCRS for the remaining portion of the employer contribution and an incidental death benefit contribution, if applicable, which is retained by SCRS.

PORS - To be eligible for PORS membership, an employee must be required by the terms of his employment, by election or appointment, to preserve public order, protect life and property, and detect crimes in the state; to prevent and control property destruction by fire; be a coroner in a full-time permanent position; or be a peace officer employed by the Department of Corrections, the Department of Juvenile Justice, or the Department of Mental Health. Probate judges and coroners may elect membership in PORS. Magistrates are required to participate in PORS for service as a magistrate. PORS members, other than magistrates and probate judges, must also earn at least \$2,000 per year and devote at least 1,600 hours per year to this work, unless exempted by statute. An employee member of the system with an effective date of membership prior to July 1, 2012, is a Class Two member. An employee member of the system with an effective date of membership on or after July 1, 2012, is a Class Three member.

Plan Benefits

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

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

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

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

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.

NOTE G - PENSION PLAN(S)--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 in accordance with state statute. However, the General Assembly postponed the one percent increase in the SCRS and PORS employer contribution rates that was scheduled to go into effect beginning July 1, 2020. If the scheduled contributions are not sufficient to meet the funding periods set in state statute, the board shall increase the employer contribution rates as necessary to meet the funding periods set for the applicable year. 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, the board, effective on the following July 1, 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 the 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 equal to or greater than 85 percent.

Required Contribution rates are as follows:

Required employee contribution rates* are as follows:

| | <u>Fiscal Year 2021*</u> | <u>Fiscal Year 2020*</u> |
|----------------------|--------------------------|--------------------------|
| SCRS | | |
| Employee Class Two | 9.00% | 9.00% |
| Employee Class Three | 9.00% | 9.00% |
| State ORP | | |
| Employee | 9.00% | 9.00% |
| PORS | | |
| Employee Class Two | 9.75% | 9.75% |
| Employee Class Three | 9.75% | 9.75% |

Required employer contribution rates* are as follows:

| | <u>Fiscal Year 2021*</u> | <u>Fiscal Year 2020*</u> |
|-----------------------------------|--------------------------|--------------------------|
| SCRS | | |
| Employer Class Two | 15.41% | 15.41% |
| Employer Class Three | 15.41% | 15.41% |
| Employer Incidental Death Benefit | 0.15% | 0.15% |
| State ORP | | |
| Employer Contribution** | 15.41% | 15.41% |
| Employer Incidental Death Benefit | 0.15% | 0.15% |
| PORS | | |
| Employer Class Two | 17.84% | 17.84% |
| Employer Class Three | 17.84% | 17.84% |
| Employer Incidental Death Benefit | 0.20% | 0.20% |
| Employer Accidental Death Program | 0.20% | 0.20% |

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

**Of this employer contribution, 5% of earnable compensation must be remitted by the employer directly to the ORP vendor to be allocated to the member's account with the remainder of the employer contribution remitted to the SCRS.

NOTES TO FINANCIAL STATEMENTS
TOWN OF SWANSEA, SOUTH CAROLINA
June 30, 2021

NOTE G - PENSION PLAN(S)--continued

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

| | | SCRS Rates | | |
|----------------|--------------------------------|------------|--------|--------|
| | | 2019 | 2020 | 2021 |
| Employer Rate: | | | | |
| | Retirement | 14.41% | 15.41% | 15.41% |
| | Incidental Death Benefit | 0.15% | 0.15% | 0.15% |
| | Accidental Death Contributions | 0.20% | 0.20% | 0.20% |
| Employee Rate | | 9.00% | 9.00% | 9.00% |

The required contributions and percentages of amounts contributed by the Town to the Plan for the past three years were as follows:

| | | PORS Rates | | |
|----------------|--------------------------------|------------|--------|--------|
| | | 2019 | 2020 | 2021 |
| Employer Rate: | | | | |
| | Retirement | 16.84% | 17.84% | 17.84% |
| | Incidental Death Benefit | 0.20% | 0.20% | 0.20% |
| | Accidental Death Contributions | 0.20% | 0.20% | 0.20% |
| Employee Rate | | 9.75% | 9.75% | 9.75% |

The required contributions and percentages of amounts contributed by the Town to the Plan for the past three years were as follows:

| Year Ended June 30, | SCRS Contributions | | PORS Contributions | |
|------------------------|--------------------|---------------|--------------------|-------------|
| | Required | % Contributed | Required | Contributed |
| 2021 | \$ 27,999 | 100% | \$ 35,995 | 100% |
| 2020 | \$ 31,959 | 100% | \$ 18,421 | 100% |
| 2019 | \$ 38,041 | 100% | \$ 18,012 | 100% |

Eligible payrolls of the Town covered under the Plans for the past three years were as follows:

| Year Ended June 30, | SCRS :Payroll | PORS Payroll |
|------------------------|---------------|--------------|
| 2021 | \$ 179,944 | \$ 87,697 |
| 2020 | \$ 205,393 | \$ 100,991 |
| 2019 | \$ 263,989 | \$ 106,962 |

Actuarial Assumptions and Methods

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

The June 30, 2019, total pension liability (TPL), net pension liability (NPL), and sensitivity information shown in this report were determined by the consulting actuary, Gabriel, Roeder, Smith and Company (GRS) and are based on an actuarial valuation performed as of July 1, 2019. The total pension liability was rolled-forward from the valuation date to the plans' fiscal year end, June 30, 2020, using generally accepted actuarial principles.

NOTES TO FINANCIAL STATEMENTS
TOWN OF SWANSEA, SOUTH CAROLINA
June 30, 2021

NOTE G - PENSION PLAN(S)--continued

The following table provides a summary of the actuarial assumptions and methods used to calculate the TPL as of June 30, 2020 for SCRS.

| | SCRS | PORS |
|---|-----------------------------------|----------------------------------|
| Actuarial Cost Method | Entry Age Normal | Entry Age Normal |
| Investment Rate of Return <i>(includes)</i> | 7.25% | 7.25% |
| Projected Salary Increases | 3.0% to 12.5% (varies by service) | 3.5% to 9.5% (varies by service) |
| Benefit Adjustments | Lesser of 1% or \$500 | Lesser of 1% or \$500 annually |

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

Assumptions used in the determination of the June 30, 2020, 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, 2020 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 | \$ 51,844,187,763 | \$26,292,418,682 | \$ 25,551,769,081 | 50.7% |
| PORS | \$ 8,046,386,629 | \$ 4,730,174,642 | \$ 3,316,211,987 | 58.8% |

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.

At June 30, 2021, the Town reported liabilities of approximately \$335,185 for its proportionate share of the net pension liabilities for the SCRS Plan and \$212,391 for PORS. The net pension liabilities were measured as of June 30, 2020, and the total pension liabilities for the Plan used to calculate the net pension liabilities were determined based on the most recent actuarial valuation report as of July 1, 2020 that was projected forward to the measurement date.

The Town's proportions of the net pension liabilities were based on a projection of the Town's long-term share of contributions to the Plans relative to the projected contributions of all participating South Carolina state and local governmental employers, actuarially determined. At June 30, 2021 the Town's SCRS proportion was .001312 percent for SCRS and .006405 for PORS, which was equal to its proportion measured as of June 30, 2020.

For the year ended June 30, 2021, the Town recognized pension expense of approximately \$22,772 for the SCRS and \$17,647 for PORS. At June 30, 2021, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

NOTES TO FINANCIAL STATEMENTS
TOWN OF SWANSEA, SOUTH CAROLINA
June 30, 2021

NOTE G - PENSION PLAN(S)---continued

| Description | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|-----------------------------------|----------------------------------|
| SCRS | | |
| Differences Between Expected and Actual Experience | \$ 394,457 | |
| Net Difference Between Projected and Actual Earnings on Pension Plan Investments | | 551,962 |
| Changes in proportionate share, plus difference in proportionate share of employer Contributions | | |
| Town's Contributions Subsequent to the Measurement Date | 27,999 | - |
| Total SCRS | <u>\$ 422,456</u> | <u>\$ 551,962</u> |

| Description | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|-----------------------------------|----------------------------------|
| PORS | | |
| Differences Between Expected and Actual Experience | \$ 175,847 | |
| Net Difference Between Projected and Actual Earnings on Pension Plan Investments | | 187,545 |
| Changes in proportionate share, plus difference in proportionate share of employer Contributions | | |
| Town's Contributions Subsequent to the Measurement Date | 15,995 | - |
| Total SCRS | <u>\$ 191,842</u> | <u>\$ 187,545</u> |

Approximately \$27,999 and \$15,995 that were reported as deferred outflows of resources, which represent the Town's contributions subsequent to the measurement date to the SCRS and PORS, respectively, will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the SCRS will be recognized as pension expense as follows:

| Year Ended June 30, | SCRS | PORS |
|------------------------|---------------------|-------------------|
| 2022 | \$ 26,526 | \$ 17,752 |
| 2023 | (137,725) | (22,297) |
| 2024 | 6,292 | (2,025) |
| 2025 | - | - |
| 2026 | - | - |
| Total | <u>\$ (104,907)</u> | <u>\$ (6,570)</u> |

Long-term Expected Rate of Return

The long-term expected rate of return on pension plan investments, is based upon 32 year capital market assumptions. The long-term expected rate of returns represent assumptions developed using an arithmetic building block approach primarily based on consensus expectations and market based inputs. Expected returns are net of investment fees.

The expected returns, along with the expected inflation rate, form the basis for the target asset allocation as adopted at the beginning of the 2020 fiscal year. The long-term expected rate of return is produced by weighting the expected future real rates of 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.

NOTES TO FINANCIAL STATEMENTS
TOWN OF SWANSEA, SOUTH CAROLINA
June 30, 2021

NOTE G - PENSION PLAN(S)--continued

| Asset Class | Policy Target | Expected Arithmetic Real Rate of Return | Long Term Expected Portfolio Real Rate of Return |
|---|----------------------|--|---|
| Global Equity | 51.0% | | |
| Global Public Equity | 35.0% | 7.81% | 2.73% |
| Private Equity | 9.0% | 8.91% | 0.80% |
| Equity Options Strategies | 7.0% | 5.09% | 0.36% |
| Real Assets | 12.0% | | |
| Real Estate (Private) | 8.0% | 5.55% | 0.44% |
| Real Estate (REITs) | 1.0% | 7.78% | 0.08% |
| Infrastructure (Private) | 2.0% | 4.88% | 0.10% |
| Infrastructure (Public) | 1.0% | 7.05% | 0.07% |
| Opportunistic | 8.0% | | |
| Global Tactical Asset Allocation | 7.0% | 3.56% | 0.25% |
| Other Opportunistic Strategies | 1.0% | 4.41% | 0.04% |
| Credit | 15.0% | | |
| High Yield Bonds/ Bank Loans | 4.0% | 4.21% | 0.17% |
| Emerging Markets Debt | 4.0% | 3.44% | 0.14% |
| Private Debt | 7.0% | 5.79% | 0.40% |
| Rate Sensitive | 14.0% | | |
| Core Fixed Income | 13.0% | 1.60% | 0.21% |
| Cash and Short Duration (Net) | 1.0% | 0.56% | 0.01% |
| Total Expected Real Return | 100.0% | | 5.80% |
| Inflation for Actuarial Purposes | | | 2.25% |
| Total Expected Nominal Return | | | 8.05% |

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

Sensitivity Analysis

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

| Sensitivity of the Net Pension Liability to Changes in the Discount Rate | | | | |
|---|-------------------------------|---|-------------------------------|--|
| System | 1% Decrease (6.5%) | Current Discount Rate (7.5%) | 1% Increase (8.5%) | |
| SCRS | \$ 31,668,284,640 | \$ 25,551,769,081 | \$ 20,444,404,902 | |
| PORS | \$ 4,390,106,406 | \$ 3,316,211,987 | \$ 2,453,943,826 | |

Additional Financial and Actuarial Information

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, 2020, and the accounting valuation report as of June 30, 2020. 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.

Deferred Compensation Plans

Several optional deferred compensation plans are available to state employees and employers of its political subdivisions. Certain employees of the Town have elected to participate. The multiple-employer plans, created under Internal Revenue Sections 457, 401(k), and 403(b), are administered by third parties and are not included in the Comprehensive Annual Financial Report of the State of South Carolina. Compensation deferred under the plans is placed in trust for the contributing employee. The State has no liability for losses under the plans. Employees may withdraw the current value of their contributions when they terminate state employment. Employees may also withdraw contributions prior to termination if they meet requirements specified by the applicable plan.

NOTE H - RISK MANAGEMENT AND CONTINGENCIES

The Town is exposed to various risks of losses related to torts, thefts, damage and destruction of assets, errors and omissions, injuries to employees, and natural disaster. The Town manages risk through employee educational and prevention programs and through the purchase of casualty and liability insurance. Expenditures and claims are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. In determining claims the Town considers all events that might give rise to possible claims both reported and unreported.

In the normal course of operations, the Town participates in various federal or state grant/loan programs from year to year. The grant/loan programs are often subject to additional audits by agents of the granting or loaning agency, the purpose of which is to ensure compliance with the specific conditions of the grant or loan. Any liability for reimbursement that may arise as a result of these audits cannot be reasonably determined at this time, although it is believed the amount, if any, would not be material.

NOTE I - COMMITMENTS

The Town has no commitments that are required to be disclosed in these financial statements.

NOTE J - SUBSEQUENT EVENTS

The Town has evaluated subsequent events through February 28, 2022 and management has determined there are no events to report.

NOTE K - PRIOR PERIOD ADJUSTMENTS

The Town has identified prior period adjustments as follows:

| | Government-Wide Type | | Fund Type | |
|---|-------------------------|--------------------------|-------------------------|--------------------------|
| | Governmental Activities | Business-type Activities | Governmental Activities | Business-type Activities |
| Net assets, as previously reported | (443,637) | 936,773 | (14,816) | 936,773 |
| GASB 68 Adjustments | - | - | - | - |
| Prior period adjustment to correct unknown errors | 74,861 | 57,217 | 44,480 | 57,217 |
| Net assets, as restated | <u>(368,776)</u> | <u>993,990</u> | <u>29,664</u> | <u>993,990</u> |

TOWN OF SWANSEA, SOUTH CAROLINA
Schedule of the Town's Proportionate Share of the Net Pension Liability
South Carolina Retirement Systems
June 30, 2021
Last Eight Fiscal Years

| | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|------------|------------|------------|------------|------------|------------|------------|------------|
| SCRS | | | | | | | | |
| Town's proportion of the net pension liability (asset) | 0.131200% | 0.004050% | 0.000666% | 0.228600% | 0.002721% | 0.273200% | 0.002420% | 0.002420% |
| Town's proportionate share of the net pension liability (asset) | \$ 335,185 | \$ 924,765 | \$ 149,138 | \$ 514,615 | \$ 581,202 | \$ 518,137 | \$ 416,844 | \$ 434,062 |
| Town's covered-employee payroll | \$ 179,944 | \$ 205,393 | \$ 263,989 | \$ 247,131 | \$ 230,635 | \$ 252,531 | \$ 252,531 | \$ 247,705 |
| Town's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll | 186.27% | 450.24% | 56.49% | 208.24% | 252.00% | 205.18% | 164.99% | 175.23% |
| Plan fiduciary net position as a percentage of the total pension liability | 50.70% | 54.40% | 54.10% | 53.30% | 52.90% | 56.99% | 59.90% | 56.39% |
| PORS | | | | | | | | |
| Town's proportion of the net pension liability (asset) | 0.640500% | 0.013175% | 0.002210% | 0.007940% | 0.007940% | 0.002721% | 0.002420% | 0.009600% |
| Town's proportionate share of the net pension liability (asset) | \$ 212,391 | \$ 377,598 | \$ 62,624 | \$ 217,412 | \$ 240,128 | \$ 205,919 | \$ 183,804 | \$ 199,026 |
| Town's covered-employee payroll | \$ 87,697 | \$ 100,991 | \$ 106,962 | \$ 119,914 | \$ 106,875 | \$ 108,843 | \$ 117,535 | \$ 115,433 |
| Town's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll | 242.19% | 373.89% | 58.55% | 181.31% | 224.68% | 189.19% | 156.38% | 172.42% |
| Plan fiduciary net position as a percentage of the total pension liability | 58.80% | 62.70% | 61.70% | 60.90% | 60.40% | 60.40% | 67.50% | 67.50% |

Notes to the schedule:

Only eight years of information is presented as only eight years of data were available.

TOWN OF SWANSEA SOUTH CAROLINA
Schedule of Town Contributions
South Carolina Retirement System (SCRS)
Years Ended June 30,

| | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|--|------------|------------|------------|------------|------------|------------|------------|------------|
| Contractually required contribution | \$ 27,999 | \$ 31,959 | \$ 38,041 | \$ 33,511 | \$ 26,661 | \$ 28,144 | \$27,854 | \$ 26,276 |
| Contributions in relation to the contractually required contribution | \$ 27,999 | \$ 31,959 | \$ 38,041 | \$ 33,511 | \$ 26,661 | \$ 28,144 | \$ 27,854 | \$ 26,276 |
| Contribution deficiency (excess) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Town's covered employee payroll | \$ 179,944 | \$ 205,393 | \$ 263,989 | \$ 247,131 | \$ 230,635 | \$ 252,531 | \$ 255,317 | \$ 247,705 |
| Contributions as a percentage of covered-employee payroll | 15.56% | 15.56% | 14.41% | 13.56% | 11.56% | 11.14% | 10.91% | 10.61% |

Police Officer's Retirement System (PORS)
Years Ended June 30

| | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|--|-----------|------------|------------|------------|------------|------------|------------|------------|
| Contractually required contribution | \$ 35,995 | \$ 18,421 | \$ 18,012 | \$ 19,474 | \$ 15,219 | \$ 14,753 | \$15,484 | \$ 14,690 |
| Contributions in relation to the contractually required contribution | \$ 35,995 | \$ 18,421 | \$ 18,012 | \$ 19,474 | \$ 15,219 | \$ 14,753 | \$ 15,484 | \$ 14,690 |
| Contribution deficiency (excess) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Town's covered employee payroll | \$ 87,697 | \$ 100,991 | \$ 106,962 | \$ 119,914 | \$ 106,875 | \$ 108,843 | \$ 117,535 | \$ 115,433 |
| Contributions as a percentage of covered-employee payroll | 41.04% | 18.24% | 16.84% | 16.24% | 14.24% | 13.55% | 13.17% | 12.73% |

Notes to the schedule:

Only eight years of information is presented because only eight years of data were available.

**BUDGET (GAAP) AND ACTUAL
GENERAL FUND
TOWN OF SWANSEA, SOUTH CAROLINA
Year Ended June 30, 2021**

| | Budgeted Amounts | | Actual | Variance |
|---|-------------------|-------------------|-------------------|----------------------------|
| | Original | Final | Amounts | Favorable (Unfavorable) |
| Revenues | | | | |
| Local sources | | | | |
| Property taxes | \$ 164,425 | \$ 164,425 | \$ 170,421 | \$ 5,996 |
| Fines and Fees | 107,000 | 107,000 | 161,464 | 54,464 |
| Victim services | 3,780 | 3,780 | -- | (3,780) |
| Business licenses | 45,659 | 45,659 | 65,096 | 19,437 |
| Franchise fees | 145,832 | 145,832 | 133,079 | (12,753) |
| Other fees, taxes and permits | 1,925 | 1,925 | 112,182 | 110,257 |
| | 468,621 | 468,621 | 642,242 | 173,621 |
| State sources | | | | |
| State aid to subdivisions | 21,500 | 21,500 | 19,606 | (1,894) |
| Local option sales tax | -- | -- | -- | -- |
| Homestead exemption | 15,836 | 15,836 | 12,958 | (2,878) |
| | 37,336 | 37,336 | 32,564 | (4,772) |
| Other sources | | | | |
| Interest and other | -- | -- | 1 | 1 |
| TOTAL REVENUES | 505,957 | 505,957 | 674,807 | 168,850 |
| Expenditures | | | | |
| General government | | | | |
| Mayor and council | 37,073 | 37,073 | 19,210 | 17,863 |
| Administrative and general | 35,835 | 35,835 | 303,371 | (267,536) |
| Legal | 15,800 | 15,800 | 21,965 | (6,165) |
| Public safety | 324,188 | 324,188 | 276,609 | 47,579 |
| Street | 93,061 | 93,061 | 40,277 | 52,784 |
| Total departmental expenditures | 505,957 | 505,957 | 661,432 | (155,475) |
| Debt service | | | | |
| Principal retirement | -- | -- | 12,023 | (12,023) |
| Interest and fiscal charges | -- | -- | 1,609 | (1,609) |
| Total debt service | -- | -- | 13,632 | (13,632) |
| Total expenditures | 505,957 | 505,957 | 675,064 | (169,107) |
| EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES | 505,957 | 505,957 | (257) | 168,850 |
| Other Financing sources (uses) | | | | |
| Transfer from/ (To) proprietary fund | -- | -- | (38,710) | 38,710 |
| Total other financing sources (uses) | -- | -- | (38,710) | 38,710 |
| NET CHANGE IN FUND BALANCE | 505,957 | 505,957 | (38,967) | 544,924 |
| Fund balance at beginning of year (as restated) | -- | -- | \$ 29,664 | 29,664 |
| FUND BALANCE AT END OF YEAR | \$ 505,957 | \$ 505,957 | \$ (9,303) | \$ 574,588 |

Statement of Fines Assessments and Surcharges
Town of Swansea, South Carolina
For the Year Ended June 30, 2021

| | Total | State Portion |
|-----------------------------|----------------|---------------|
| Municipal Assessments | \$ 121,885 | \$ 38,760 |
| Municipal Surcharges | - | - |
| Municipal Other Assessments | <u>-</u> | <u>-</u> |
| Totals | \$ 121,885 | 38,760 |

Victim Services

| | |
|---|-----------------------------|
| Assessments and Surcharges | 7,869 |
| Expenditures | <u>-</u> |
| Increase in Fund Balance | 7,869 |
| Assigned Fund Balance - June 30, 2020 | <u>82,271</u> |
| Assigned Fund Balance - June 30, 2021 | <u><u>\$ 90,140</u></u> |