

**TOWN OF SWANSEA,
SOUTH CAROLINA**

FINANCIAL STATEMENTS

JUNE 30, 2022

TOWN OF SWANSEA, SOUTH CAROLINA
STATEMENT OF NET POSITION
JUNE 30, 2022

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash	\$ 165,166	\$ 25,791	\$ 190,957
Restricted cash	837	137,057	137,894
Receivables, net of allowance			
Accounts receivable	-	61,942	61,942
Property taxes	24,953	-	24,953
Capital assets			
Non-depreciable capital assets	5,000	742,858	747,858
Depreciable capital assets, net	88,158	2,362,406	2,450,564
Total assets	<u>284,114</u>	<u>3,330,054</u>	<u>3,614,168</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred pension charges	<u>278,997</u>	<u>116,430</u>	<u>395,427</u>
Total deferred outflows of resources	<u>278,997</u>	<u>116,430</u>	<u>395,427</u>
LIABILITIES			
Accounts payable	22,885	49,154	72,039
Other accrued liabilities	75,164	-	75,164
Customer deposits	-	41,488	41,488
Noncurrent liabilities			
Net pension liability	350,101	146,101	496,202
Due within one year	12,724	60,815	73,539
Due in more than one year	-	2,337,652	2,337,652
Total liabilities	<u>460,874</u>	<u>2,635,210</u>	<u>3,096,084</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred pension charges	<u>355,439</u>	<u>148,330</u>	<u>503,769</u>
Total deferred inflows of resources	<u>355,439</u>	<u>148,330</u>	<u>503,769</u>
NET POSITION			
Net investment in capital assets	80,434	767,612	848,046
Restricted	837	137,057	137,894
Unrestricted	<u>(334,473)</u>	<u>(241,725)</u>	<u>(576,198)</u>
Total net position	<u>\$ (253,202)</u>	<u>\$ 662,944</u>	<u>\$ 409,742</u>

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

TOWN OF SWANSEA, SOUTH CAROLINA
STATEMENT OF ACTIVITIES
YEAR END JUNE 30, 2022

	Program Revenues			Net (Expense) Revenue and Changes In Primary Government		
	Expenses	Charges for Services	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
PRIMARY GOVERNMENT						
Governmental activities						
General government	\$ 259,885	\$ 153,287	-	\$ (106,598)	\$ -	\$ (106,598)
Police department	319,245	73,692	1,500	(244,053)	-	(244,053)
Interest on long-term debt	213	-	-	(213)	-	(213)
Total governmental activities	579,343	226,979	1,500	(350,864)	-	(350,864)
Business-type activities						
Water and sewer	742,096	643,262	-	-	(98,834)	(98,834)
Sanitation	38,484	26,197	-	-	(12,287)	(12,287)
Interest on long-term debt	102,793	-	-	-	(102,793)	(102,793)
Total business-type activities	883,373	669,459	-	-	(213,914)	(213,914)
Total primary government	\$ 1,462,716	\$ 896,438	\$ 1,500	(350,864)	(213,914)	(564,778)
GENERAL REVENUES						
Property taxes				161,324	-	161,324
Other fees, taxes and permits				131,987	-	131,987
ARP funds				170,321	-	170,321
Miscellaneous				15,796	-	15,796
Total general revenues				479,428	-	479,428
Change in net position				128,564	(213,914)	(85,350)
Net position, beginning of year, as restated				(381,766)	876,858	495,092
Net position, end of year				\$ (253,202)	\$ 662,944	\$ 409,742

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

**TOWN OF SWANSEA, SOUTH CAROLINA
BALANCE SHEET - GOVERNMENTAL FUND
JUNE 30, 2022**

ASSETS

Cash and cash equivalents	\$ 165,166
Restricted cash	837
Property taxes	<u>24,953</u>
Total assets	<u><u>\$ 190,956</u></u>

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES

LIABILITIES

Accounts payable	\$ 22,885
Other accrued liabilities	4,771
Deferred revenue	<u>70,393</u>
Total liabilities	<u>98,049</u>

DEFERRED INFLOWS

Property taxes	<u>21,299</u>
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FUND BALANCES

Restricted for:	
Victims assistance fund	837
Unassigned	<u>70,771</u>
Total fund balances	<u>71,608</u>
Total liabilities, deferred inflows of resources, and fund balances	<u><u>\$ 190,956</u></u>

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

**TOWN OF SWANSEA, SOUTH CAROLINA
RECONCILIATION OF THE BALANCE SHEET OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
JUNE 30, 2022**

Total fund balance	\$	71,608
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the capital assets was \$824,033 and the accumulated depreciation was \$730,875		93,158
The Town's proportionate share of the net pension liability, deferred outflows of resources, and deferred inflows of resources related to its participation in the State Retirement Plan are not recorded in the governmental funds but are recorded in the statement of net position		(426,543)
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the governmental fund balance sheet. Long-term liabilities consist of the following:		
Note payable		<u>(12,724)</u>
Total net position	\$	<u><u>(274,501)</u></u>

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

**TOWN OF SWANSEA, SOUTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE -
GOVERNMENTAL FUND
YEAR ENDED JUNE 30, 2022**

REVENUES

Property taxes	\$	161,324
Franchise fees		94,071
Business licenses		59,216
Fines and fees		73,692
State shared revenues		17,255
Other fees, taxes and permits		131,987
Miscellaneous		31,240
Grants		170,321
Interest		41
		739,147
Total revenues		739,147

EXPENDITURES

General governmental		286,734
Public safety		342,245
Capital Outlay		23,000
Debt service		33,641
		685,620
Total expenditures		685,620
Net change in fund balances		53,527
Fund balances, beginning of year, as restated		18,081
Fund balances, end of year	\$	71,608

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

TOWN OF SWANSEA, SOUTH CAROLINA
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE OF GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2022

Net change in fund balance		\$ 53,527
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period.		
Capital asset additions	23,000	
Depreciation expense	<u>(21,854)</u>	1,146
Principal payments on notes payable and capital leases are expenditures in the governmental fund, but they reduce long-term liabilities in the Statement of Net Position and do not affect the Statement of Activities.		
		12,023
Changes in the Town's proportionate share of net pension liability, deferred outflows of resources, and deferred inflows of resources related to the State Retirement Plan for the current year are not reported in the governmental funds but are reported in the statement of activities.		
		48,703
Revenues in the statement of revenues, expenses, and net assets that were unavailable in the prior year because they did not provide current financial resources		
		4,355
In the statement of activities, compensated absences are reported by the amounts earned during the year. In the governmental fund, however, expenditures are measured by the amount of financial resources used.		
		<u>8,810</u>
Change in net position		<u>\$ 128,564</u>

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

TOWN OF SWANSEA, SOUTH CAROLINA
STATEMENT OF NET POSITION - PROPRIETARY FUND
JUNE 30, 2022

ASSETS

Current Assets	
Cash	\$ 25,791
Restricted cash	137,057
Account receivables	61,942
Total current assets	224,790
Noncurrent assets	
Land and constructions in progress	742,858
Capital assets, net	2,362,406
Total noncurrent assets	3,105,264
Total assets	3,330,054

DEFERRED OUTFLOWS OF RESOURCES

Deferred pension charges	116,430
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LIABILITIES

Current liabilities	
Accounts payable and accrued liabilities	49,154
Customer deposits	41,488
Notes payable - current portion	60,815
Total current liabilities	151,457
Noncurrent liabilities	
Compensated absences - net of current portion	
Obligations under capital lease - net of current portion	
Notes payable - net of current portion	2,337,652
Net pension liability	146,101
Total noncurrent liabilities	2,483,753
Total liabilities	2,635,210

DEFERRED INFLOWS OF RESOURCES

Deferred pension charges	148,330
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NET POSITION

Net investment in capital assets	767,612
Restricted	137,057
Unrestricted	(241,725)
Total net position	\$ 662,944

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

TOWN OF SWANSEA, SOUTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN NET POSITION -
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2022

OPERATING REVENUES

Water and sewer service fees	\$ 643,262
Sanitation fees	<u>26,197</u>
Total operating revenues	<u>669,459</u>

OPERATING EXPENDITURES

Sewer and water charges	188,657
Trash service	38,484
Salaries and employee benefits	146,911
Depreciation	132,708
Office supplies	11,595
Repairs and maintenance	130,480
Miscellaneous	6,973
Other professional fees	14,050
Utilities	33,357
Insurance	18,914
Materials and supplies	24,893
Vehicle expenses	14,928
Bad debts	<u>18,630</u>
Total operating expenditures	<u>780,580</u>

Operating loss (111,121)

NONOPERATING REVENUE (EXPENSES)

Interest expense	<u>(102,793)</u>
Total nonoperating revenue (expense)	<u>(102,793)</u>

Change in net position (213,914)

Net position balances, beginning of year, as restated 876,858

Net position balances, end of year \$ 662,944

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

**TOWN OF SWANSEA, SOUTH CAROLINA
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
YEAR ENDED JUNE 30, 2022**

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from customers	\$ 644,978
Payments to employees	(146,911)
Payments to suppliers	(408,396)
	<u>89,671</u>
Net cash provided by operating activities	<u>89,671</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Purchase of capital assets	(21,057)
Interest expense	(102,793)
	<u>(123,850)</u>
Net cash used in capital and related financing activities	<u>(123,850)</u>

Net decrease in cash	(34,179)
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CASH, CASH EQUIVALENTS AND RESTRICTED CASH, BEGINNING OF YEAR

197,027

CASH, CASH EQUIVALENTS AND RESTRICTED CASH, END OF YEAR

\$ 162,848

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES

Operating loss	\$ (111,121)
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation	132,708
Change in assets and liabilities	
Accounts receivable	1,716
Accounts payable	35,626
Customer deposits	34,854
Other accruals	(4,112)
	<u>(4,112)</u>
Net cash provided by operating activities	<u>\$ 89,671</u>

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

TOWN OF SWANSEA, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 – 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 untied 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 contract GASB pronouncements, in which case, GASB pronouncements are followed. FASB and APB are the accepted standard setting bodies for establishing financial and reporting principles.

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 consist 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. On June 30, 2022, there were no such material component units of the Town.

Basis of presentation

The government-wide financial statement of net position and the statement of activities report information about the Town as a whole. They include all funds of the reporting entity except for fiduciary funds. These statements distinguish between the governmental and business-type activities of the Town. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. Likewise, the primary government is reported separately from the legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program.

Program revenues include 1) fees, fines, and charges paid by the recipients of goods or services offered by the programs and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

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TOWN OF SWANSEA, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Fund Financial Statements: The Town segregates transactions related to certain functions or activities into separate funds in order to aid financial management and demonstrate legal compliance. Separate statements are presented for each fund category – *governmental, proprietary, and fiduciary.*

The Town reports the following major governmental funds:

The General Fund is the operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund.

Additionally, the Town reports the following major enterprise fund:

The Water and Sewer Fund, accounts for the financial activity of the enterprise fund. The purpose of this business-type is to account for the collection of the gross revenues of the system and to provide for the payment of all expenses incurred in connection with the administration and operation of the system. The combined system includes the activity of the water and sewer.

Measurement Focus and Basis of Accounting

Measurement focus refers to what is being measured. Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting is related to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net position and the operating statements present increases (revenues) and decreases (expenses) in net total position.

Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period.

For this purpose, the Town considers revenues to be available if they are collected within sixty (60) days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, sales taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered measurable and available only when cash is received by the Town.

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TOWN OF SWANSEA, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

New Accounting Pronouncements

GASB Statement No. 87, Leases, requires recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows of resources or outflows of resources. This statement establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The requirements of this statement were effective for fiscal years beginning after June 15, 2021, and all reporting periods thereafter. The Town's adoption of this standard does not have a material impact on the financial statements.

In May 2019, the AICPA Auditing Standards Board (ASB) issued, Statement on Auditing Standards (SAS) No. 134, Auditor Reporting and Amendments, including amendments addressing disclosures in the audit of financial statements as a final standard. SAS 134 has enhanced the auditors reporting related to going concern, expanded the description of the auditor's responsibility, and put an emphasis on key audit matters (if applicable). The pronouncement amends AU-C section 570 and AU-C section 260 relating to the auditor's consideration of an entity's ability to continue as going concern and the auditors' communication with those charged with governance. SAS 134 is effective for engagements performed in accordance with SAS for period ending on or after December 15, 2021. The Town's adoption of this standard does not have a material impact on the financial statements.

Budgetary Control

The Town Council adopts a budget ordinance at the outset of each fiscal year, establishing revenue anticipated on a line-item basis and appropriations on a departmental basis. The Town Council has the authority to amend the approved budget during the fiscal year as necessary as recommended by management. It is always adopted prior to the beginning of the fiscal year on July 1.

Cash and Investments

For purposes of the statement of cash flows, the Town considers all highly liquid investments with a maturity when purchased of three months or less to be cash equivalents.

Restricted Cash

The Town has a cash account that is restricted by state laws for use of victim assistance, volunteer fire department and customer deposits. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are expenses as incurred.

Deposit and Investments

Cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments. For purposes of the proprietary fund's statement of cash flows, all short-term highly liquid investments with original maturities of three months or less from the date of acquisition are considered to be cash equivalents.

Cash deposits are reported at carrying amount, which reasonably estimates fair value.

Interfund Receivables and Payables

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

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TOWN OF SWANSEA, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Accounts Receivable

In the government-wide statements, receivables consist of all revenues earned at year end and not yet received. Allowances for uncollectible taxes receivable are based upon historical trends and the aging of taxes receivable.

Nonexchange transactions collectible but not available such as property taxes are deferred in the fund financial statements in accordance with modified accrual, but not deferred in the government-wide financial statements in accordance with the accrual basis.

Capital Assets

Fund Financial Statements

Property and equipment are accounted for as capital outlay expenditures in the governmental funds upon acquisition.

Government-wide Statements

Property and equipment having a useful life of more than one year and a historical cost greater than \$1,000 are accounted for as capital assets in the government-wide statements. All capital assets are valued at historical cost, estimated historical cost if actual cost is unavailable, or estimated fair market value for donated assets.

Depreciation of all exhaustible capital assets is recorded as an expense in the Statement of Activities, with capital assets shown net of accumulated depreciation in the statement of net assets. Depreciation is provided over the assets' estimated useful lives using straight-line depreciation. The range of estimated useful lives by type of asset is as follows:

Type of Asset	Estimated Useful Life
Buildings	40 to 50 years
Vehicles and equipment	5 to 39 years
Improvements other than buildings	5 to 50 years

Long-term Obligations

In the government-wide financial statements, long-term debt, capital lease obligations, and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets. In the fund financial statements, the face amount of debt issued is reported as other financing sources. A liability for compensated absences and other post-employment benefits is reported in the Statement of Net Position; whereas, in the governmental funds, a liability for these amounts is reported only if they have matured, for example, as a result of employee resignations and retirements.

Pensions

In government-wide financial statements, pensions are required to be recognized and disclosed using the accrual basis of accounting, regardless of the amount recognized as pension expenditures on the modified accrual basis of accounting. The Town recognizes a net pension liability for each qualified pension plan in which it participates, which represents the excess of the total pension liability over the fiduciary net position of the qualified pension plan, or the Town's proportionate share thereof in the case of a cost-sharing multiple-employer plan, measured as of the Town's fiscal year-end. Changes in the net pension liability during the period are recorded as pension expense, or as deferred outflows or inflows of resources depending on the nature of the change, in the period incurred. Those changes in net pension liability that are recorded as deferred outflows or inflows of resources that

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TOWN OF SWANSEA, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Arise from changes in actuarial assumptions or other inputs and differences between expected or actual experience are amortized over the weighted average remaining service life of all participants in the respective qualified pension plan and recorded as a component of pension expense beginning with the period in which they are incurred. Projected earnings on qualified pension plan investments are recognized as a component of pension expense. Differences between projected and actual investment earnings are reported as deferred outflows or inflows of resources and amortized as a component of pension expense on a closed basis over a five-year period beginning with the period in which the difference occurred.

Deferred Outflows/Inflows of Resources

In addition to assets, the statements of net position and the balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town currently has two types of deferred outflows of resources: (1) the Town reports deferred outflows related to pensions in its statement of net position in connection with its participation in the South Carolina Retirement System and the South Carolina Police Officers Retirement System and (2) the Town also reports deferred outflows related to OPEB in its statement of net position in connection with its OPEB plan provided to employees. These *deferred pension and OPEB charges* are either (a) recognized in the subsequent period as a reduction of the net pension/OPEB liabilities or (b) amortized in a systematic and rational method as expense in future periods in accordance with GAAP.

In addition to liabilities, the statements of net position and the balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town currently has three types of deferred inflows of resources: (1) The Town reports *unavailable revenues* only in the governmental funds balance sheet; it is deferred and recognized as an inflow of resources (property tax revenues) in the period the amounts become available. (2) The Town reports *deferred inflows related to pensions* in its statement of net position in connection with its participation in the South Carolina Retirement System and the South Carolina Police Officers Retirement System. (3) The Town also reports deferred inflows related to OPEB in its statement of net position in connection with its OPEB plan provided to employees. These *deferred pension and OPEB inflows* are amortized in a systematic and rational method and recognized as a reduction of pension/OPEB expense in future periods in accordance with GAAP.

Net Position and Fund Balance

Net position in the government-wide financial statements represents the difference between assets and liabilities.

Net position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Town or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Unrestricted net position represents all other net position not meeting the definition of restricted or net investment in capital assets.

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TOWN OF SWANSEA, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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 purpose 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. The 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 balance are available for use when an expenditure is incurred, it is the town’s policy to use restricted amounts first. An unrestricted fund balance will be used in the following order: committed, assigned and unassigned.

Use of Estimates

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

Fair Value

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

- Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Town can access at the measurement date.
- Level 2 Inputs to the valuation methodology, other than quoted prices included in Level 1, that are observable for an asset or liability either directly or indirectly and include:

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**TOWN OF SWANSEA, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

- Quoted prices for similar assets and liabilities in active markets.
 - Quoted prices for identical or similar assets or liabilities in inactive markets.
 - Inputs other than quoted market prices that are observable for the asset or liability.
 - Inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- Level 3 Inputs to the valuation methodology that are unobservable for an asset or liability and include:
 - Fair value is often based on developed models in which there are few, if any, observable inputs.

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

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

NOTE 3 – CASH AND INVESTMENTS

At June 30, 2022 the Town's cash deposits were \$328,851 and the bank balance was \$366,464. 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, 2022. The categories of credit risk are defined as follows:

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	\$ 366,464	\$ -	\$ -	\$ 366,464

TOWN OF SWANSEA, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 4 – RECEIVABLES

Receivables at June 30, 2022 consisted of the following:

	General Fund	Water and Sewer Fund
Accounts Receivable:		
Current taxes	\$ 5,808	\$ -
Delinquent taxes	19,145	-
Accounts receivable	-	162,324
	24,953	162,324
Less Allowance for Uncollectible	-	(100,382)
Total accounts receivable	\$ 24,953	\$ 61,942

Concentration of Credit Risk

The Enterprise Fund grants credit to customer in the Town. Accounts receivable are financial instruments that potentially subject the fund to credit risk. No collateral is required for credit granted to customers. The Town reviews each account for possible termination of services for unpaid accounts

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2022 was as follows:

	Balance at June 30, 2021	Additions	Disposals	Balance at June 30, 2022
Governmental Activities				
Non-Depreciable				
Land	\$ 5,000	\$ -	\$ -	\$ 5,000
Total non-depreciable assets	5,000	-	-	5,000
Depreciable:				
Buildings and Improvements	195,000	-	-	195,000
Furniture and equipment	393,022	-	-	393,022
Vehicles	208,011	23,000	-	231,011
Total depreciable assets	796,033	23,000	-	819,033
Less Accumulated Depreciation	(709,021)	(21,854)	-	(730,875)
Total depreciable assets, net	87,012	1,146		88,158
Governmental Activities Net Capital Assets	\$ 92,012	\$ 1,146	\$ -	\$ 93,158

(Continued)

TOWN OF SWANSEA, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 5 – CAPITAL ASSETS, Continued

	Balance at June 30, 2021	Additions	Disposals	Balance at June 30, 2022
Business Type Activities				
Non-Depreciable				
Land	\$ 3,087	\$ -	\$ -	\$ 3,087
Construction in progress	739,771	-	-	739,771
Total non-depreciable assets	742,858	-	-	742,858
Depreciable				
Water system	4,443,846	-	-	4,443,846
Buildings and improvements	20,000	-	-	20,000
Furniture and equipment	362,134	21,057	-	383,191
Total depreciable assets	4,825,980	21,057	-	4,847,037
Less Accumulated Depreciation	(2,351,923)	(132,708)	-	(2,484,631)
Total depreciable assets, net	2,474,057	(111,651)	-	2,362,406
Business Type Activities Net Capital Assets	\$ 3,216,915	\$ (111,651)	\$ -	\$ 3,105,264

NOTE 6 – LONG TERM DEBT

The Town's long-term debt for the year ended June 30, 2022:

	Beginning Balances	Additions	Reductions	Ending Balances	Due Within One Year
Governmental Activities:					
Note payable	\$ 24,747	\$ -	\$ 12,023	\$ 12,724	\$ 12,724
Total	\$ 24,747	\$ -	\$ 12,023	\$ 12,724	\$ 12,724
Business-Type Activities:					
USDA sewer note	\$ 2,301,236	\$ -	\$ 39,835	\$ 2,261,401	\$ 41,566
Revenue bond	155,606	-	18,540	137,066	19,249
Total	\$ 2,456,842	\$ -	\$ 58,375	\$ 2,398,467	\$ 60,815

(Continued)

TOWN OF SWANSEA, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 6 – LONG-TERM DEBT, Continued

Note Payable

The Town obtained a note payable in 2018 for the purchase of two police vehicles. The note payable accrues interest at 6.50 percent with an annual debt and interest payment of \$13,632. The note payable matures in fiscal year 2023. At June 30, 2022, the outstanding balance was \$12,724.

Sewer Note Payable

The Town obtained a note payable through the United States Department of Agriculture (USDA) for sewer improvements. The note payable accrues interest at 4.25 percent with a monthly debt and interest payment of \$11,406. The note payable matures in fiscal year 2050. At June 30, 2022, the outstanding balance was \$2,261,401.

Revenue Bond

The Town obtained a revenue bond for water and sewer improvements. The note payable accrues interest at 3.76 percent with a monthly debt and interest payment of \$2,006. The note payable matures in fiscal year 2029. At June 30, 2022, the outstanding balance was \$137,066.

Debt services requirements to maturity are as follows:

Year Ending	USDA Note Payable			Revenue Bond		
	Principal	Interest	Total	Principal	Interest	Total
June 30,						
2023	\$ 41,566	\$ 95,306	\$ 136,872	\$ 19,249	\$ 4,823	\$ 24,072
2024	43,368	93,504	136,872	19,986	4,086	24,072
2025	45,247	91,625	136,872	20,750	3,322	24,072
2026	47,208	89,664	136,872	21,544	2,528	24,072
2027	49,254	87,618	136,872	23,224	848	24,072
2028-2032	280,198	404,162	684,360	23,244	848	24,072
2033-2037	346,409	337,951	684,360	9,069	450	9,519
2038-2042	428,267	256,093	684,360	-	-	-
2043-2047	529,467	154,893	684,360	-	-	-
2048-2050	450,417	28,635	479,052	-	-	-
	<u>\$ 2,261,401</u>	<u>\$1,639,451</u>	<u>\$ 3,900,852</u>	<u>\$ 137,066</u>	<u>\$ 16,905</u>	<u>\$ 153,971</u>

NOTE 7 – PENSION PLAN

State Retirement Plan

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

(Continued)

TOWN OF SWANSEA, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 7 – PENSION PLAN, Continued

-member board, serves as co-trustee and co-fiduciary for the assets of the retirement trust funds. By law, the State Fiscal Accountability Authority (SFAA), which consists of five elected officials, also reviews certain PEBA Board decisions regarding the actuary of the Systems.

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

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

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).

(Continued)

TOWN OF SWANSEA, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 7 – PENSION PLAN, Continued

Membership

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

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

Benefits

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

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

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

(Continued)

TOWN OF SWANSEA, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 7 – PENSION PLAN, Continued

credit had they not retired. 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.

- **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.

Contributions

Actuarial valuations are performed annually by an external consulting actuary to ensure applicable contribution rates satisfy the funding parameters specified in Title 9 of the South Carolina Code of Laws. Under these provisions, SCRS and PORS contribution requirements must be sufficient to maintain an amortization period for the financing of the unfunded actuarial accrued liability (UAAL) over a period that does not exceed the number of years scheduled in state statute. Legislation in 2017 increased, but also established a ceiling for SCRS and PORS employee contribution rates. Effective July 1, 2017, employee

rates were increased to a capped rate of 9.00 percent for SCRS and 9.75 percent for PORS. The legislation also increased employer contribution rates beginning July 1, 2017 for both SCRS and PORS by two percentage points and further scheduled employer contribution rates to increase by a minimum of one percentage point each year in accordance with state statute. However, the General Assembly postponed the one percent increase in the SCRS and PORS employer contribution rates that was scheduled to go into effect beginning July 1, 2020. If the scheduled contributions are not sufficient to meet the funding periods set in state statute, the board shall increase the employer contribution rates as necessary to meet the funding periods set for the applicable year. The maximum funding period of SCRS and PORS is scheduled to be reduced over a ten-year schedule from 30 years beginning fiscal year 2018 to 20 years by fiscal year 2028.

Additionally, the Board is prohibited from decreasing the SCRS and PORS contribution rates until the funded ratio is at least 85 percent. If the most recent annual actuarial valuation of the Systems for funding purposes shows a ratio of the actuarial value of system assets to the actuarial accrued liability of the system (the funded ratio) that is equal to or greater than 85 percent, then the board, effective on the following July 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 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 1, and annually thereafter as necessary, the board shall increase the then current contribution rates until a subsequent annual actuarial valuation of the system shows a funded ratio that is equal to or greater than 85 percent.

(Continued)

TOWN OF SWANSEA, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 7 – PENSION PLAN, Continued

Required employee contribution rates¹ are as follows:

	<u>Fiscal Year 2022¹</u>	<u>Fiscal Year 2021¹</u>
SCRS		
Employee Class Two	9.00%	9.00%
Employee Class Three	9.00%	9.00%
PORS		
Employee Class Two	9.75%	9.75%
Employee Class Three	9.75%	9.75%

Required employer contribution rates¹ are as follows:

	<u>Fiscal Year 2022¹</u>	<u>Fiscal Year 2021¹</u>
SCRS		
Employee Class Two	16.41%	15.41%
Employee Class Three	16.41%	15.41%
Employer Incidental Death Benefit	0.15%	0.15%
PORS		
Employee Class Two	18.84%	17.84%
Employee Class Three	18.84%	17.84%
Employer Incidental Death Benefit	0.20%	0.20%
Employer Accidental Death Benefit	0.20%	0.20%

Actuarial Assumptions and Methods

Actuarial valuations of the ongoing 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.

The June 30, 2021, total pension liability (TPL), net pension liability (NPL), and sensitivity information shown in this report were determined by our consulting actuary, Gabriel Roeder Smith & Company (GRS) and are based on an actuarial valuation performed as of July 1, 2020. The total pension liability was rolled-forward from the valuation date to the plans' fiscal year end, June 30, 2021, using generally accepted actuarial principles. There was no legislation enacted during the 2021 legislative session that had a material change in the benefit provisions for any of the systems. In FY 2021 the Board adopted updated demographic assumptions. Also, the General Assembly permitted the investment return assumption at July 1, 2021 to decrease from 7.25% to 7.00%, as provided by Section 9-16-335 in South Carolina State Code.

The following table provides a summary of the actuarial assumptions and methods used to calculate the TPL as of June 30, 2021.

(Continued)

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

**TOWN OF SWANSEA, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 7 – PENSION PLAN, Continued

	SCRS	PORS
Actuarial cost method:	Entry age normal	Entry age normal
Investment rate of return ²	7%	7%
Projected salary increases	3.0% to 11.0% (varies by service) ¹	3.5% to 10.5% (varies by service) ¹
Benefit adjustments	lesser of 1% or \$500 annually	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 2020 Public Retirees of South Carolina Mortality table (2020 PRSC), was developed using the Systems’ mortality experience. These base rates are adjusted for future improvement in mortality using 80% of Scale UMP projected from the year 2020.

Assumptions used in the determination of the June 30, 2021, TPL are as follows.

Former Job Class	Males	Females
Educators	2020PRSC Males multiplied by 95%	2020 PRSC Females multiplied by 94%
General Employees and Members of the General Assembly	2020PRSC Males multiplied by 97%	2020 PRSC Females multiplied by 107%
Public Safety and Firefighters	2020 PRSC Males multiplied by 127%	2020 PRSC Females multiplied by 107%

Net Pension Liability

The NPL is calculated separately for each system and represents that particular system’s TPL determined in accordance with GASB 67 less that system’s fiduciary net position. NPL totals, as of June 30, 2021, for SCRS and PORS are presented below.

<u>System</u>	<u>Employers’ Net Pension Liability (Asset)</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u>	<u>Town’s Proportionate Share of the Collective Net Pension Liability</u>
SCRS	\$ 333,408	60.7%	.001541%
PORS	\$ 162,794	70.4%	.000710%

(Continued)

² Includes inflation at 2.25%

TOWN OF SWANSEA, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 7 – PENSION PLAN, Continued

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 67 and 68 are not applicable for other purposes, such as determining the plans' funding requirements.

Long-term Expected Rate of Return

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

The expected returns, along with the expected inflation rate, form the basis for the target asset allocation adopted at the beginning of the 2021 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 on the following page. For actuarial purposes, the 7 percent assumed annual investment rate of return used in the calculation of the TPL includes a 4.75 percent real rate of return and a 2.25 percent inflation component.

Allocation/Exposure	Policy Target	Expected Arithmetic Real Rate of Return	Long Term Expected Portfolio Real Rate of Return
Public Equity³	46.0%	6.87%	3.16%
Bonds	26.0%	.27%	0.07%
Private Equity^{1 4}	9.0%	9.68%	0.87%
Private Debt²	7.0%	5.47%	0.39%
Real Assets	12.0%		
Real Estate ²	9.0%	6.01%	0.54%
Infrastructure ²	3.0%	5.08%	0.15%
Total Expected Real Return ⁵	100.0%		5.18%
Inflation for Actuarial Purposes			2.25%
Total Expected Nominal Return			7.43%

Pensions

At June 30, 2022, the Town reported a liability of \$333,408 and \$162,794 for its proportionate share of the net pension liability for SCRS and PORS, respectively. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

(Continued)

³ The target weight to Private Equity will be equal to its actual weight, reported by the custodial bank, as of prior month end. When flows have occurred, flow adjusted weights are used to more accurately reflect the impact of the asset class weight. Private Equity and Public Equity combine for 55% of the entire portfolio.

⁴ Staff and Consultant will notify the Commission if Private Markets assets exceed 25% of total assets.

⁵ Portable Alpha Strategies, which are not included in the Policy Target, will be capped at 12% of total assets; hedge funds (including all hedge funds used in portable alpha implementation) are capped at 20% of total assets.

TOWN OF SWANSEA, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 7 – PENSION PLAN, Continued

For the year ended June 30, 2022, the Town recognized pension expense for the SCRS and PORS plans of (\$19,547) and \$3,744, respectively. At June 30, 2022, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred outflow of resources	Deferred inflow of resources
SCRS		
Differences between expected and actual experience	\$ 223,177	\$ 310,861
Changes in proportionate share and differences between employer contributions and proportionate share of total plan employer contributions	23,929	450
Net difference between projected and actual earnings on pension plan investments	-	48,432
Town's contributions subsequent to the measurement date	29,853	-
Total SCRS	<u>\$ 276,959</u>	<u>\$ 359,743</u>
PORS		
Differences between expected and actual experience	\$ 79,191	\$ 107,021
Changes in proportionate share and differences between employer contributions and proportionate share of total plan employer contributions	17,149	507
Net difference between projected and actual earnings on pension plan investments	-	36,498
Town's contributions subsequent to the measurement date	22,128	-
Total PORS	<u>\$ 118,468</u>	<u>\$ 144,026</u>

The \$29,853 and \$22,128 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date for the SCRS and PORS plans, respectively, during the year ended June 30, 2022 will be recognized as a reduction of the net pension liabilities in the year ending June 30, 2022.

The following schedule reflects the amortization of the net balance of remaining deferred outflows/(inflows) of resources at the measurement date. Average remaining service lives of all employees provided with pensions through the pension plan at the measurement date was 4.00 years for SCRS and PORS:

Year Ended June 30,	SCRS	PORS	Total
2022	\$ 30,658	\$ 8,370	\$ 39,028
2023	(133,455)	(31,680)	(165,135)
2024	8,282	(11,392)	(3,110)
2025	(18,122)	(12,984)	(31,106)
	<u>\$ (112,637)</u>	<u>\$ (47,686)</u>	<u>\$ (160,323)</u>

(Continued)

TOWN OF SWANSEA, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 7 – PENSION PLAN, Continued

Discount Rate

The discount rate used to measure the TPL was 7 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers in SCRS and PORS will be made based on the actuarially determined rates based on provisions in the South Carolina Code of Laws. Based on those assumptions, the System’s fiduciary net position was projected to be available to make all the projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL.

Sensitivity Analysis

The following table presents the collective NPL of the participating employers calculated using the discount rate of 7 percent, as well as what the employers’ NPL would be if it were calculated using a discount rate that is 1 percent lower (6 percent) or 1 percent higher (8 percent) than the current rate.

System	1.00% Decrease (6%)	Current Discount Rate (7%)	1.00% Increase (8%)
Town’s proportionate share of the net pension liability of the SCRS	\$ 436,723	\$ 333,408	\$ 247,532
Town’s proportionate share of the net pension liability of the PORS	\$ 236,194	\$ 162,794	\$ 102,669

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, 2021, and the accounting valuation report as of June 30, 2021. 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’ Comprehensive Annual Financial Report.

NOTE 8 – RISK MANAGEMENT

The Town is exposed to various risks of losses related to torts; thefts of; damage to 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.

TOWN OF SWANSEA, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 9 – 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	\$ (409,352)	\$ 843,172	\$ (9,303)	\$ 843,172
Prior period adjustment to correct unknown errors	27,586	33,686	27,384	33,686
Net assets, as restated	<u>\$ (381,766)</u>	<u>\$ 876,858</u>	<u>\$ 18,081</u>	<u>\$ 876,858</u>

NOTE 10 – SUBSEQUENT EVENTS

The town has evaluated subsequent events through July 23, 2023, and management has determined there are no events to report.

TOWN OF SWANSEA, SOUTH CAROLINA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
YEAR ENDED JUNE 30, 2022

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Property taxes	\$ 190,000	\$ 190,000	\$ 161,324	\$ (28,676)
Franchise fees	65,000	65,000	94,071	29,071
Business licenses	75,500	75,500	59,216	(16,284)
Fines and fees	93,000	93,000	73,692	(19,308)
State shared revenues	20,350	20,350	17,255	(3,095)
Other fees, taxes and permits	106,050	106,050	131,987	25,937
Miscellaneous	-	-	31,240	31,240
Grants	73,936	73,936	170,321	96,385
Interest	-	-	41	41
Total revenues	<u>623,836</u>	<u>623,836</u>	<u>739,147</u>	<u>115,311</u>
EXPENDITURES				
General Government				
Salaries and benefits	139,494	139,494	195,415	(55,921)
Office expenses	4,954	4,954	10,410	(5,456)
Occupancy	34,200	34,200	14,498	19,702
Repairs and maintenance	2,565	2,565	2,261	304
Professional services	49,414	49,414	31,833	17,581
Insurance	19,950	19,950	14,155	5,795
Park expenses	2,850	2,850	-	2,850
Advertising and public relations	1,900	1,900	471	1,429
Dues and subscriptions	1,425	1,425	515	910
Elections	1,425	1,425	1,187	238
Miscellaneous	11,901	11,901	15,989	(4,088)
Total general government	<u>270,078</u>	<u>270,078</u>	<u>286,734</u>	<u>(16,656)</u>
Public Safety				
Salaries and benefits	166,140	166,140	183,924	(17,784)
Office expenses	2,375	2,375	7,147	(4,772)
Fuel	20,000	20,000	16,101	3,899
Other supplies	1,948	1,948	6,508	(4,560)
Occupancy	9,975	9,975	15,889	(5,914)
Victim services	7,600	7,600	5,858	1,742
Repairs and maintenance	12,350	12,350	7,283	5,067
Professional services	19,000	19,000	14,489	4,511
Insurance	8,636	8,636	17,887	(9,251)
Court expenses and fees	38,741	38,741	42,025	(3,284)
Dues and subscriptions	475	475	1,140	(665)
Transfers	52,305	52,305	-	52,305
Miscellaneous	14,213	14,213	23,994	(9,781)
Total public safety	<u>353,758</u>	<u>353,758</u>	<u>342,245</u>	<u>11,513</u>
Capital outlay	-	-	23,000	(23,000)
Debt service	-	-	33,641	(33,641)
Total expenditures	<u>623,836</u>	<u>623,836</u>	<u>685,620</u>	<u>(61,784)</u>

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

TOWN OF SWANSEA, SOUTH CAROLINA
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF THE TOWN'S PENSION PLAN CONTRIBUTIONS

SCRS	Year Ended June 30,					
	2022	2021	2020	2019	2018	2017
Contractually required contribution	\$ 29,853	\$ 27,999	\$ 31,959	\$ 38,041	\$ 33,511	\$ 26,661
Contributions in relation to the contractually required contri	29,853	27,999	31,959	38,041	33,511	26,661
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Town's covered-employee payroll	\$ 180,273	\$ 179,944	\$ 205,393	\$ 263,989	\$ 247,131	\$ 230,635
Contributions as a percentage of covered-employee payroll	16.56%	15.56%	15.56%	14.41%	13.56%	11.56%
						11.14%
						10.91%
PORS	Year Ended June 30,					
Contractually required contribution	\$ 22,128	\$ 35,995	\$ 18,421	\$ 18,012	\$ 19,474	\$ 15,219
Contributions in relation to the contractually required contri	22,128	35,995	18,421	18,012	19,474	15,219
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Town's covered-employee payroll	\$ 115,010	\$ 87,697	\$ 100,991	\$ 106,962	\$ 119,914	\$ 106,875
Contributions as a percentage of covered-employee payroll	19.24%	41.04%	18.24%	16.84%	16.24%	14.24%
						13.55%
						13.17%

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

TOWN OF LINCOLNVILLE, SOUTH CAROLINA
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

	Year Ended June 30,						
	2022	2021	2020	2019	2018	2017	2016
SCRS							
Town's proportion of the net pension liability	0.00154%	0.13120%	0.00405%	0.00067%	0.22860%	0.00272%	0.27320%
Town's proportionate share of the net pension liability	\$ 333,408	\$ 335,185	\$ 924,765	\$ 149,138	\$ 514,615	\$ 581,202	\$ 518,137
Town's covered-employee payroll	\$ 180,273	\$ 179,944	\$ 205,393	\$ 263,989	\$ 247,131	\$ 230,635	\$ 252,531
Town's proportionate share of the net pension liability as a percentage of its covered-employee payroll	184.9%	186.3%	450.2%	56.5%	208.2%	252.0%	205.2%
Plan fiduciary net position as a percentage of the total pension liability	60.7%	50.7%	54.4%	54.1%	53.3%	52.9%	57.0%
PORS							
Town's proportion of the net pension liability	0.00071%	0.64050%	0.01318%	0.00221%	0.00794%	0.00272%	0.00242%
Town's proportionate share of the net pension liability	\$ 162,794	\$ 212,391	\$ 377,598	\$ 62,624	\$ 217,412	\$ 240,128	\$ 205,919
Town's covered-employee payroll	\$ 115,010	\$ 87,697	\$ 100,991	\$ 106,962	\$ 119,914	\$ 106,875	\$ 108,843
Town's proportionate share of the net pension liability as a percentage of its covered-employee payroll	141.5%	242.2%	373.9%	58.5%	181.3%	224.7%	189.2%
Plan fiduciary net position as a percentage of the total pension liability	70.4%	58.8%	62.7%	61.7%	60.9%	60.4%	67.5%

Notes to schedule:

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

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

TOWN OF SWANSEA, SOUTH CAROLINA
UNIFORM SCHEDULE OF COURT FINES, ASSESSMENTS AND SURCHARGES (PER ACT 96)
YEAR ENDED JUNE 30, 2022

FOR THE STATE TREASURER'S OFFICE:

COUNTY / MUNICIPAL FUNDS COLLECTED BY CLERK OF COURT	General Sessions	Magistrate Court	Municipal Court	Total
Court Fines and Assessments:				
Court fines and assessments collected			\$ 67,409	\$ 67,409
Court fines and assessments remitted to State Treasurer			43,584	43,584
Total Court Fines and Assessments retained			23,825	23,825
Surcharges and Assessments retained for victim services:				
Surcharges collected and retained			1,292	1,292
Assessments retained			3,718	3,718
Total Surcharges and Assessments retained for victim services			\$ 5,010	\$ 5,010

FOR THE DEPARTMENT OF CRIME VICTIM COMPENSATION (DCVC)

VICTIM SERVICE FUNDS COLLECTED	Municipal	County	Total
Carryforward from Previous Year – Beginning Balance	\$ 836		\$ 836
Victim Service Revenue:			
Victim Service Fines Retained by City/County Treasurer			-
Victim Service Assessments Retained by City/County Treasurer	3,718		3,718
Victim Service Surcharges Retained by City/County Treasurer	1,292		1,292
Interest Earned			
Grant Funds Received			
Grant from:			
General Funds Transferred to Victim Service Fund			
Contribution Received from Victim Service Contracts:			
(1) Town of			
(2) Town of			
(3) City of			
Total Funds Allocated to Victim Service Fund – Beginning Balance (A)	\$ 5,846		\$ 5,846
Expenditures for Victim Service Program:	Municipal	County	Total
Salaries and Benefits	\$ -		\$ -
Operating Expenditures	5,009		5,009
Victim Service Contract(s):			
(1) Entity's Name	-		-
(2) Entity's Name	-		-
Victim Service Donation(s):			
(1) Domestic Violence Shelter:	-		-
(2) Rape Crisis Center:	-		-
(3) Other local direct crime victims service agency:	-		-
Transferred to General Fund	-		-
Total Expenditures from Victim Service Fund/Program (B)	5,009		5,009
Total Victim Service Funds Retained by Municipal/County Treasurer (A-B)	837		837
Less: Prior Year Fund Deficit Repayment	-		-
Carryforward Funds – End of Year	\$ 837		\$ 837

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

LOVE BAILEY

CERTIFIED PUBLIC ACCOUNTANTS

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

Mayor and Town Council
Town of Swansea, South Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and the aggregate remaining fund information of Town of Swansea, South Carolina, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Town of Swansea, South Carolina's basic financial statements and have issued our report thereon dated July 23, 2023.

Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2022-1 – 2022-3 that we consider to be material weaknesses.

Report on Compliance and Other Matters

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

Town of Swansea, South Carolina's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Town of Swansea, South Carolina's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. Town of Swansea, South Carolina's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of This Report

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

Love Bailey & Associates, LLC

Laurens, South Carolina

July 23, 2023

**TOWN OF SWANSEA, SOUTH CAROLINA
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2022**

Findings – Relating to the Basic Financial Statements Reported in Accordance with *Government Auditing Standards*

Material Weaknesses

2022-1 Bank Reconciliations

Criteria: The monthly bank reconciliation helps catch and identify any unusual transactions that might be caused by fraud or accounting errors, especially due to the Town's use of multiple bank accounts. Also, the bank reconciliations should be reviewed by someone other than the person performing the reconciliation.

Condition and context: The Town's bank reconciliations are not being performed on a monthly basis. Various bank reconciliations for fiscal year 2022 were not performed timely.

Cause: Lack of personnel to perform monthly bank reconciliations.

Effect: The monthly financial statements do not include the reconciled bank balance which leaves potential accounting errors in the monthly financial statements provided to the Mayor and Town Council.

Auditor's recommendation: The bank accounts should be reconciled monthly as part of the month end close to assure all of the monthly transactions were properly recorded. Also, the bank reconciliation should have a preparer and reviewer. Due to the Town's limited staff, we recommend the Town engage a CPA firm to perform the monthly bank reconciliation. This will ensure that the reconciliation is performed monthly and allows the Town to review.

Town response: The Town has hired a bookkeeper that has the experience and ability to perform monthly bank reconciliations. Also, the Town is working towards contracting with a CPA to provide monthly oversight and review of the Town's accounting.

2022-2 General Ledger Deficiencies

Criteria: The general ledger system should be all-inclusive of the Town's activities to capture the necessary actual and budgeted financial information in a properly reconciled and classified format to provide a basis for the proper reporting and analysis.

Condition and context: The Town's general ledger is not being reviewed and balanced monthly. After year end, entries are made to balance the funds and receivables/payables between funds. Accounts receivable and payable as well as other liability accounts are not being reconciled to the actual amounts.

Cause: Lack of personnel to review and reconcile the general ledger.

Effect: The monthly financial statements provided to the Town are incorrect due to incorrect balances on the general ledger.

Auditor's recommendation: We recommend the Town outsource a portion of the accounting functions to a CPA firm that could perform month-end functions.

**TOWN OF SWANSEA, SOUTH CAROLINA
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2022**

Town response: The Town has hired a bookkeeper that has the experience and ability to perform monthly bank reconciliations. Also, the Town is working towards contracting with a CPA to provide monthly oversight and review of the Town's accounting.

2022-3 Property, Plant and Equipment Inventory Records

Criteria: Property, plant and equipment inventory requires an accounting of the government's capital assets as well as a calculation of the annual depreciation expense.

Condition and context: The Town does not have an accounting system for capital assets or any backup to support the value of the capital assets.

Cause: Lack of personnel to maintain the support and schedules.

Effect: Inaccurate financial reporting.

Recommendation: The Town should hire an accountant that has both the experience and education to provide the Town with proper accounting and finance expertise to maintain a property, plant and equipment inventory listing.

Town's response: The Town has hired a bookkeeper that has the experience and ability to perform monthly bank reconciliations. Also, the Town is working towards contracting with a CPA to provide monthly oversight and review of the Town's accounting.