

**TOWN OF SWANSEA,
SOUTH CAROLINA**

FINANCIAL STATEMENTS

JUNE 30, 2024

**TOWN OF SWANSEA, SOUTH CAROLINA
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LOVE BAILEY

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Town Council
Town of Swansea, South Carolina

Qualified and Unmodified Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Swansea, South Carolina, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Summary of Opinions

<u>Opinion Unit</u>	<u>Type of Opinion</u>
Governmental Activities	Qualified
Business-type Activities	Qualified
General Fund	Unmodified

Qualified Opinion on the Governmental and Business-type Activities

In our opinion, except for the possible effects of the matter described in the Basis for Qualified and Unmodified Opinions section of our report, the financial statements referred to above present fairly, in all material respects, the financial position of the Governmental and Business-type Activities of the Town, as of June 30, 2024, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinion on the General Fund

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the General Fund of the Town, as of June 30, 2024, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Qualified and Unmodified Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified and unmodified audit opinions.

Matter Giving Rise to the Qualified Opinion on the Governmental and Business-type Activities

Our audit did not include the substantiation of capital assets. We were unable to obtain sufficient appropriate audit evidence to support the capital assets. Complete capital assets records were not maintained by the Town, which would affect the assets, net position, and the expenses for the governmental and business-type activities. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town's ability to continue as a going concern for

twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information and pension schedules on pages referenced in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The accompanying uniform schedule of court fines, assessments and surcharges (per ACT 96) is presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to

prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Matters

Prior Period Adjustment

As discussed in Note 9 to the financial statements, the Town recorded a prior period adjustment to adjust the net position of the business -type activities to properly reflect changes in capital assets.

Required supplementary information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 11, 2024, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town's internal control over financial reporting and compliance.

Love Bailey & Associates, LLC
Love Bailey & Associates
Laurens, South Carolina
September 11, 2024

TOWN OF SWANSEA, SOUTH CAROLINA
STATEMENT OF NET POSITION
JUNE 30, 2024

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash	\$ 239,177	\$ 78,264	\$ 317,441
Restricted cash	1,711	137,093	138,804
Receivables, net of allowance			
Accounts receivable	-	206,077	206,077
Property taxes	48,753	-	48,753
Capital assets			
Non-depreciable capital assets	5,000	3,087	8,087
Depreciable capital assets, net	87,685	2,784,302	2,871,987
Total assets	<u>382,326</u>	<u>3,208,823</u>	<u>3,591,149</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred pension charges	<u>160,811</u>	<u>65,779</u>	<u>226,590</u>
LIABILITIES			
Accounts payable	53,231	181,552	234,783
Other accrued liabilities	1,573	2,772	4,345
Accrued interest	-	5,910	5,910
Customer deposits	-	46,488	46,488
Compensated absences	11,724	-	11,724
Noncurrent liabilities			
Net pension liability	391,099	163,672	554,771
Due within one year	-	65,611	65,611
Due in more than one year	-	2,215,925	2,215,925
Total liabilities	<u>457,627</u>	<u>2,681,930</u>	<u>3,139,557</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred pension charges	<u>130,392</u>	<u>51,881</u>	<u>182,273</u>
NET POSITION			
Net investment in capital assets	92,685	505,853	598,538
Restricted	1,711	137,093	138,804
Unrestricted	<u>(139,278)</u>	<u>(102,155)</u>	<u>(241,433)</u>
Total net position	<u>\$ (44,882)</u>	<u>\$ 540,791</u>	<u>\$ 495,909</u>

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

TOWN OF SWANSEA, SOUTH CAROLINA
STATEMENT OF ACTIVITIES
YEAR END JUNE 30, 2024

	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	\$ 217,575	\$ 82,877	\$ -	\$ (134,698)	\$ -	\$ (134,698)
Police department	415,107	113,575	-	(301,532)	-	(301,532)
Total governmental activities	<u>632,682</u>	<u>196,452</u>	<u>-</u>	<u>(436,230)</u>	<u>-</u>	<u>(436,230)</u>
Business-type activities						
Water and sewer	911,264	727,806	-	-	(183,458)	(183,458)
Sanitation	-	36,285	-	-	36,285	36,285
Interest on long-term debt	104,160	-	-	-	(104,160)	(104,160)
Total business-type activities	<u>1,015,424</u>	<u>764,091</u>	<u>-</u>	<u>-</u>	<u>(251,333)</u>	<u>(251,333)</u>
Total primary government	<u>\$ 1,648,106</u>	<u>\$ 960,543</u>	<u>\$ -</u>	<u>(436,230)</u>	<u>(251,333)</u>	<u>(687,563)</u>
GENERAL REVENUES						
Property taxes				276,789	-	276,789
Other fees, taxes and permits				130,562	-	130,562
ARP funds				225,551	-	225,551
Miscellaneous				40,098	17	40,115
Transfers				109,663	(109,663)	-
Total general revenues				<u>782,663</u>	<u>(109,646)</u>	<u>673,017</u>
Change in net position				346,433	(360,979)	(14,546)
Net position, beginning of year				<u>(391,315)</u>	<u>901,770</u>	<u>510,455</u>
Net position, end of year				<u>\$ (44,882)</u>	<u>\$ 540,791</u>	<u>\$ 495,909</u>

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

TOWN OF SWANSEA, SOUTH CAROLINA
BALANCE SHEET - GOVERNMENTAL FUND
JUNE 30, 2024

ASSETS

Cash and cash equivalents	\$ 239,177
Restricted cash	1,711
Accounts receivable	<u>48,753</u>
Total assets	<u><u>\$ 289,641</u></u>

LIABILITIES AND FUND BALANCES

LIABILITIES

Accounts payable	\$ 53,231
Other accrued liabilities	<u>1,573</u>
Total liabilities	<u><u>54,804</u></u>

FUND BALANCES

Restricted for:	
Victims assistance fund	1,711
Unassigned	<u>233,126</u>
Total fund balances	<u><u>234,837</u></u>
Total liabilities and fund balances	<u><u>\$ 289,641</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 FUND TO THE STATEMENT OF NET POSITION
JUNE 30, 2024**

Total fund balance	\$	234,837
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.		92,685
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		(360,680)
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:		
Compensated absences		(11,724)
Total net position	\$	<u>(44,882)</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, 2024**

REVENUES

Property taxes	\$ 276,789
Franchise fees	58,615
Business licenses	24,262
Fines and fees	113,575
State shared revenues	37,087
Other fees, taxes and permits	130,562
Miscellaneous	2,075
Grants	225,551
Interest	936
	869,452
Total revenues	869,452

EXPENDITURES

General governmental	299,866
Public safety	415,107
Capital outlay	53,960
	768,933
Total expenditures	768,933

**EXCESS (DEFICIENCY) OF REVENUES
OVER EXPENDITURES**

100,519

OTHER FINANCING SOURCES (USES)

Transfers in (out)	109,663
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Net change in fund balances 210,182

Fund balances, beginning of year 24,655

Fund balances, end of year \$ 234,837

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, 2024

Net change in fund balance		\$ 210,182
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period.</p>		
Capital asset additions	53,960	
Depreciation expense	<u>(31,047)</u>	22,913
<p>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.</p>		
		119,130
<p>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.</p>		
		<u>(5,792)</u>
Change in net position		<u><u>\$ 346,433</u></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, 2024

ASSETS

Current Assets	
Cash	\$ 78,264
Restricted cash	137,093
Account receivables	<u>206,077</u>
Total current assets	<u>421,434</u>
Noncurrent assets	
Land	3,087
Capital assets, net	<u>2,784,302</u>
Total noncurrent assets	<u>2,787,389</u>
Total assets	<u>3,208,823</u>

DEFERRED OUTFLOWS OF RESOURCES

Deferred pension charges	<u>65,779</u>
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LIABILITIES

Current liabilities	
Accounts payable	181,552
Other accrued liabilities	2,772
Customer deposits	46,488
Accrued interest	5,910
Notes payable - current portion	<u>65,611</u>
Total current liabilities	<u>302,333</u>
Noncurrent liabilities	
Notes payable - net of current portion	2,215,925
Net pension liability	<u>163,672</u>
Total noncurrent liabilities	<u>2,379,597</u>
Total liabilities	<u>2,681,930</u>

DEFERRED INFLOWS OF RESOURCES

Deferred pension charges	<u>51,881</u>
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NET POSITION

Net investment in capital assets	505,853
Restricted	137,093
Unrestricted	<u>(102,155)</u>
Total net position	<u>\$ 540,791</u>

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, 2024

OPERATING REVENUES	
Water and sewer service fees	\$ 727,806
Sanitation fees	36,285
Total operating revenues	764,091
 OPERATING EXPENDITURES	
Sewer and water charges	383,798
Trash service	36,820
Salaries and employee benefits	133,389
Depreciation	184,646
Office supplies	11,852
Repairs and maintenance	20,155
Miscellaneous	7,207
Other professional fees	31,016
Utilities	52,242
Insurance	20,620
Materials and supplies	4,919
Vehicle expenses	24,600
Total operating expenditures	911,264
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(147,173)
 OTHER FINANCING SOURCES (USES)	
Grant income	183,900
Grant expenses	(183,900)
Interest income	17
Interest expense	(104,160)
Transfers in (out)	(109,663)
Total other financing sources (uses)	(213,806)
Change in net position	(360,979)
Net position balances, beginning of year, as restated	901,770
Net position balances, end of year	\$ 540,791

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, 2024

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from customers	\$ 623,727
Payments to employees	(80,722)
Payments to suppliers	(528,033)
Net cash provided by operating activities	14,972

CASH FLOWS FROM INVESTING ACTIVITIES

Principle towards long-term debt	(65,717)
Net cash used in investing activities	(65,717)
Net decrease in cash	(50,745)

CASH, CASH EQUIVALENTS AND RESTRICTED CASH, BEGINNING OF YEAR

266,102

CASH, CASH EQUIVALENTS AND RESTRICTED CASH, END OF YEAR

\$ 215,357

RECONCILIATION OF OPERATING INCOME TO NET CASH USED IN OPERATING ACTIVITIES

Operating loss	\$ (147,173)
Adjustments to reconcile operating income to net cash used in operating activities	
Depreciation	184,646
Change in assets and liabilities	
Accounts receivable	(140,364)
Accounts payable	170,530
Other accruals	(52,667)
Net cash provided by operating activities	\$ 14,972

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

TOWN OF SWANSEA, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

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 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 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, 2024, 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.

(Continued)

TOWN OF SWANSEA, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

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.

(Continued)

TOWN OF SWANSEA, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

New Accounting Pronouncements

GASB Statement No. 99—In April 2022, GASB Issued Statement No. 99, Omnibus 2022. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. Certain requirements of this statement have been implemented as of June 30, 2022. The requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

GASB Statement No. 100—In June 2022, GASB Issued Statement No. 100, Accounting Changes and Error Corrections—an amendment of GASB Statement No. 62. The objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent and comparable information for making decisions or assessing accountability. The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

The Town adopted the standards effective July 1, 2023. The impact of the adoption was not considered material to 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.

(Continued)

TOWN OF SWANSEA, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

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

(Continued)

TOWN OF SWANSEA, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

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.

(Continued)

TOWN OF SWANSEA, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

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:

(Continued)

TOWN OF SWANSEA, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

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

At June 30, 2024 the Town’s reconciled cash deposits were \$456,245 and the bank balance was \$512,918. 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, 2024. 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	\$ 455,871	\$ -	\$ -	\$ 455,871

TOWN OF SWANSEA, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 4 – RECEIVABLES

Receivables at June 30, 2024 consisted of the following:

	General Fund	Water and Sewer Fund
Accounts Receivable:		
Delinquent taxes	\$ 24,642	\$ -
Service accounts		206,559
Accounts receivable	24,111	144,240
	48,753	350,799
Less Allowance for Uncollectible	-	(144,722)
Total accounts receivable	\$ 48,753	\$ 206,077

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, 2024 was as follows:

	Beginning Balance	Additions	Disposals	Ending Balance
Governmental Activities				
Capital assets, non-depreciable				
Land	\$ 5,000	\$ -	\$ -	\$ 5,000
Total non-depreciable assets	5,000	-	-	5,000
Capital assets, depreciable				
Buildings and Improvements	195,000	-	-	195,000
Furniture and equipment	393,022	4,342	-	397,364
Vehicles	231,012	49,618	-	280,630
Total capital assets, depreciable	819,034	53,960	-	872,994
Less Accumulated Depreciation	(754,262)	(31,047)	-	(785,309)
Total capital assets, depreciable, net	66,772	(31,047)	-	87,685
Governmental Activities Net Capital Assets	\$ 69,772	\$ 22,913	\$ -	\$ 92,685

Depreciation expense was allocated to general government in the total amount of \$31,047.

(Continued)

TOWN OF SWANSEA, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 5 – CAPITAL ASSETS, Continued

	Balance at June 30, 2023	Additions	Disposals	Balance at June 30, 2024
Business Type Activities				
Capital assets, non-depreciable				
Land	\$ 3,087	\$ -	\$ -	\$ 3,087
Construction in progress	739,771	(739,771)	-	-
Total capital assets, non-depreciable	742,858	(739,771)	-	3,087
Capital assets, depreciable				
Water system	4,443,846	739,771	-	5,183,617
Buildings and improvements	20,000	-	-	20,000
Furniture and equipment	384,961	-	-	384,691
Total capital assets, depreciable	4,848,807	-	-	5,588,578
Less Accumulated Depreciation	(2,619,929)	(184,347)	-	(2,804,276)
Total capital assets, depreciable, net	2,228,878	555,424	-	2,784,302
Business Type Activities capital assets, net	\$ 2,971,736	\$ (184,347)	\$ -	\$ 2,787,389

Depreciation expense was allocated to water and sewer fund in the total amount of \$184,347.

The Town does not have complete records to support the valuation of the capital assets for either governmental or business type activities. The Town is currently addressing the issue, however as of June 30, 2024, the opinion has been modified due to this issue.

NOTE 6 – LONG TERM DEBT

The Town’s long-term debt for the year ended June 30, 2024:

	Beginning Balances	Additions	Reductions	Ending Balances	Due Within One Year
Business-Type Activities:					
USDA sewer note	\$ 2,219,722	\$ -	\$ 46,103	\$ 2,173,619	\$ 45,247
Revenue bond	127,531	-	19,614	107,917	20,364
Total	\$ 2,347,253	\$ -	\$ 65,717	\$ 2,281,536	\$ 65,611

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, 2024, the outstanding balance was \$2,173,619.

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, 2024, the outstanding balance was \$107,917.

(Continued)

TOWN OF SWANSEA, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 6 – LONG-TERM DEBT, Continued

Debt services requirements to maturity are as follows:

Year Ending June 30,	USDA Note Payable			Revenue Bond		
	Principal	Interest	Total	Principal	Interest	Total
2025	\$ 45,247	\$ 91,625	\$ 136,872	\$ 20,364	\$ 3,710	\$ 24,074
2026	47,208	89,664	136,872	21,143	2,931	24,074
2027	49,254	87,618	136,872	21,952	2,122	24,074
2028	51,388	85,484	136,872	22,792	1,282	24,074
2029	53,615	83,257	136,872	21,666	402	22,068
2030-2034	305,010	379,350	684,360	-	-	-
2035-2039	377,084	307,276	684,360	-	-	-
2040-2044	445,250	239,110	684,360	-	-	-
2045-2049	557,431	126,929	684,360	-	-	-
2050-2051	334,060	31,612	273,744	-	-	-
	<u>\$ 2,173,619</u>	<u>\$1,521,925</u>	<u>\$ 3,695,544</u>	<u>\$ 107,917</u>	<u>\$ 10,447</u>	<u>\$ 118,364</u>

NOTE 7 – PENSION PLANS

State Retirement Plan

The Town participates in the State of South Carolina’s retirement plans, which are administered by the South Carolina Public Employee Benefit Authority (“PEBA”).

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

For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, a 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.

(Continued)

TOWN OF SWANSEA, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 7 – PENSION PLANS, Continued

PEBA issues an Annual Comprehensive Financial Report ("ACFR") containing financial statements and required supplementary information for the Systems' Pension Trust Funds. The ACFR is publicly available through 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 a division of the primary government of the state of South Carolina and therefore, retirement trust fund financial information is also included in the ACFR for 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 and participating charter schools, public higher education institutions, other participating local subdivisions of government and individuals first elected to the South Carolina General Assembly at or after the general election in November 2012.
- 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).

Plan 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 first elected to the South Carolina General Assembly at or after the general election in November 2012. A member of the system with an effective date of membership prior to July 1, 2012, is a Class Two member. A 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

(Continued)

TOWN OF SWANSEA, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 7 – PENSION PLANS, Continued

at least 1,600 hours per year to this work, unless exempted by statute. A member of the system with an effective date of membership prior to July 1, 2012, is a Class Two member. A 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 the benefit terms for each system is presented below.

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

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

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

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

(Continued)

TOWN OF SWANSEA, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 7 – PENSION PLANS, Continued

Plan 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. Effective July 1, 2017, employee rates were increased and capped at 9 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 until reaching 18.56 percent for SCRS and 21.24 percent for PORS. The legislation included a further provision that if the scheduled contributions are not sufficient to meet the funding periods set in state statute, the PEBA board would increase the employer contribution rates as necessary to meet the funding periods set for the applicable year.

Pension reform legislation modified statute such that the employer contribution rates for SCRS and PORS to be further increased, not to exceed one-half of one percent in any one year if necessary, in order to improve the funding of the plans. The statute set rates intended to reduce the unfunded liability of SCRS and PORS to the maximum amortization period of 20 years from 30 years over a ten-year schedule, as determined by the annual actuarial valuations of the plan. Finally, under the revised statute, the contribution rates for SCRS and PORS may not be decreased until the plans are at least 85 percent funded.

Required employee contribution rates¹ are as follows:

	Fiscal Year 2024 ¹	Fiscal Year 2023 ¹
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:

	Fiscal Year 2024 ¹	Fiscal Year 2023 ¹
SCRS		
Employee Class Two	18.41%	17.41%
Employee Class Three	18.41%	17.41%
Employer Incidental Death Benefit	0.15%	0.15%
PORS		
Employee Class Two	20.84%	19.84%
Employee Class Three	20.84%	19.84%
Employer Incidental Death Benefit	0.20%	0.20%
Employer Accidental Death Benefit	0.20%	0.20%

(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, 2024

NOTE 7 – PENSION PLANS, Continued

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, 2023, 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, 2022. The total pension liability was rolled-forward from the valuation date to the plans’ fiscal year end, June 30, 2023, using generally accepted actuarial principles. There was no legislation enacted during the 2023 legislative session that had a material change in the benefit provisions for any of the systems.

The following table provides a summary of the actuarial assumptions and methods used to calculate the TPL as of June 30, 2023.

	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, 2023, TPL are as follows.

Former Job Class	Males	Females
Educators	2020 PRSC Males multiplied by 95%	2020 PRSC Females multiplied by 94%
General Employees and Members of the General Assembly	2020 PRSC 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%

(Continued)

² Includes inflation at 2.25%

TOWN OF SWANSEA, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 7 – PENSION PLANS, Continued

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, 2024, for SCRS and PORS are presented below.

<u>System</u>	<u>Town’s 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	\$ 391,099	58.6%	.001456%
PORS	\$ 163,672	67.8%	.006657%

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 2023 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 7.00 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.

(Continued)

TOWN OF SWANSEA, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 7 – PENSION PLANS, Continued

Allocation/Exposure	Policy Target	Expected Arithmetic Real Rate of Return	Long Term Expected Portfolio Real Rate of Return
Public Equity ³	46.0%	6.62%	3.04%
Bonds	26.0%	0.31%	0.08%
Private Equity ^{1 4}	9.0%	10.91%	0.98%
Private Debt ²	7.0%	6.16%	0.43%
Real Assets	12.0%		
Real Estate ²	9.0%	6.41%	0.58%
Infrastructure ²	3.0%	6.62%	0.20%
Total Expected Real Return ⁵	100.0%		5.31%
Inflation for Actuarial Purposes			2.25%
Total Expected Nominal Return			7.56%

Pensions

At June 30, 2024, the Town reported a liability of \$391,099 and \$163,672 for its proportionate share of the net pension liability for SCRS and PORS, respectively. The net pension liability was measured as of June 30, 2023, 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.

Discount Rate

The discount rate used to measure the TPL was 7.00 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.

(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, 2024

NOTE 7 – PENSION PLANS, Continued

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	\$ 454,964	\$ 352,113	\$ 266,627
Town's proportionate share of the net pension liability of the PORS	\$ 285,880	\$ 202,658	\$ 134,489

Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended June 30, 2024, the Town recognized pension expense for the SCRS and PORS plans of \$(86,556) and \$(22,102), respectively. At June 30, 2024, 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	\$ 34,607	\$ 35,089
Changes in proportionate share and differences between employer contributions and proportionate share of total plan employer contributions	44,464	64,127
Net difference between projected and actual earnings on pension plan investments	11,508	976
Town's contributions subsequent to the measurement date	32,320	-
Total SCRS	<u>\$ 122,899</u>	<u>\$ 100,192</u>
PORS		
Differences between expected and actual experience	\$ 28,981	\$ 29,328
Changes in proportionate share and differences between employer contributions and proportionate share of total plan employer contributions	32,079	50,255
Net difference between projected and actual earnings on pension plan investments	13,949	2,498
Town's contributions subsequent to the measurement date	28,682	-
Total PORS	<u>\$ 103,691</u>	<u>\$ 82,081</u>

(Continued)

TOWN OF SWANSEA, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 7 – PENSION PLANS, Continued

The \$32,320 and \$28,682 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, 2024 will be recognized as a reduction of the net pension liabilities in the year ending June 30, 2024.

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
2025	\$ 13,106	\$ (175)	\$ 12,931
2026	(16,626)	(4,741)	(21,367)
2027	(5,886)	(1,946)	(7,832)
2028	(207)	(210)	(417)
	<u>\$ (9,613)</u>	<u>\$ (7,072)</u>	<u>\$ (16,685)</u>

As discussed in paragraph 71b of GASB 68, collective deferred outflows of resources and deferred inflows of resources arising from differences between projected and actual pension plan investment earnings in different measurement periods should be aggregated and included as a net collective deferred outflow of resources related to pensions or a net collective deferred inflow of resources related to pensions. Accordingly, the Outstanding Balance of Deferred Outflows of Resources in the Schedules of Pension Amounts by Employer reflects the current net difference between projected and actual pension plan investment earnings.

Additional items reported within the Outstanding Balance of Deferred Outflows and Inflows of Resources in the Schedules of Pension Amounts by Employer result from the two cost-sharing multiple-employer defined benefit pension plan-specific deferrals previously discussed.

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, 2024, and the accounting valuation report as of June 30, 2023. 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' ACFR.

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, 2024

NOTE 9 – PRIOR PERIOD ADJUSTMENTS

The Town has recorded the following as prior period adjustment to business-type activities net position for the year July 1, 2023:

Ending Balance 6/30/2023	\$	691,540
Accumulated Depreciation		<u>210,230</u>
Beginning Balance 7/1/2023	\$	<u><u>901,770</u></u>

NOTE 10 – SUBSEQUENT EVENTS

The town has evaluated subsequent events through September 11, 2024, 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, 2024

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Property taxes	\$ 314,841	\$ 314,841	\$ 276,789	\$ (38,052)
Franchise fees	54,500	54,500	58,615	4,115
Business licenses	51,500	51,500	24,262	(27,238)
Fines and fees	116,250	116,250	113,575	(2,675)
State shared revenues	16,500	16,500	37,087	20,587
Other fees, taxes and permits	140,416	140,416	130,562	(9,854)
Miscellaneous	2,000	2,000	2,075	75
Grants	40,976	40,976	225,551	184,575
Interest	-	-	936	936
Total revenues	<u>736,983</u>	<u>736,983</u>	<u>869,452</u>	<u>132,469</u>
EXPENDITURES				
General Government				
Salaries and benefits	219,540	219,540	154,694	(64,846)
Office expenses	16,600	16,600	9,973	(6,627)
Occupancy	25,850	25,850	14,822	(11,028)
Repairs and maintenance	7,500	7,500	10,457	2,957
Professional services	40,350	40,350	79,596	39,246
Insurance	22,390	22,390	5,682	(16,708)
Advertising and public relations	750	750	163	(587)
Dues and subscriptions	400	400	-	(400)
Miscellaneous	39,925	39,925	21,943	(17,982)
Total general government	<u>373,305</u>	<u>373,305</u>	<u>299,866</u>	<u>(73,439)</u>
Public Safety				
Salaries and benefits	204,033	204,033	209,166	5,133
Office expenses	3,880	3,880	5,943	2,063
Fuel	17,000	17,000	17,376	376
Other supplies	3,500	3,500	1,082	(2,418)
Occupancy	15,250	15,250	17,401	2,151
Victim services	7,275	7,275	-	(7,275)
Repairs and maintenance	17,000	17,000	8,283	(8,717)
Professional services	30,300	30,300	42,972	12,672
Insurance	18,200	18,200	40,403	22,203
Court expenses and fees	39,473	39,473	50,974	11,501
Dues and subscriptions	1,170	1,170	1,310	140
Miscellaneous	322,866	322,866	20,197	(302,669)
Total public safety	<u>679,947</u>	<u>679,947</u>	<u>415,107</u>	<u>(264,840)</u>
Capital outlay	23,924	23,924	53,960	30,036
Debt service	-	-	-	-
Total expenditures	<u>1,077,176</u>	<u>1,077,176</u>	<u>768,933</u>	<u>(308,243)</u>
Excess/(deficiency) in revenue over/(under) expenditures	(340,193)	(340,193)	100,519	440,712
Transfers in	-	-	109,663	109,663
Change in fund balance	<u>\$ (340,193)</u>	<u>\$ (340,193)</u>	<u>\$ 210,182</u>	<u>\$ 550,375</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 PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**

SCRS	Year Ended June 30,									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	
Town's proportion of the net pension liability	0.001456%	0.008134%	0.001541%	0.131200%	0.004050%	0.000666%	0.228600%	0.002721%	0.273200%	
Town's proportionate share of the net pension liability	\$ 391,099	\$ 444,601	\$ 333,408	\$ 335,185	\$ 924,765	\$ 149,138	\$ 514,615	\$ 581,202	\$ 518,137	
Town's covered-employee payroll	\$ 175,554	\$ 178,152	\$ 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	222.8%	249.6%	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	58.6%	57.1%	60.7%	50.7%	54.4%	54.1%	53.3%	52.9%	57.0%	

Notes to schedule:

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

PORS	Year Ended June 30,									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	
Town's proportion of the net pension liability	0.006657%	0.008644%	0.000714%	0.640500%	0.013175%	0.002210%	0.007940%	0.002721%	0.002420%	
Town's proportionate share of the net pension liability	\$ 163,672	\$ 259,232	\$ 162,788	\$ 212,391	\$ 377,598	\$ 62,624	\$ 217,412	\$ 240,128	\$ 205,919	
Town's covered-employee payroll	\$ 137,630	\$ 116,644	\$ 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	118.9%	222.2%	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	67.8%	66.4%	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 preceding year.

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,									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 32,583	\$ 31,283	\$ 29,853	\$ 27,999	\$ 31,959	\$ 38,041	\$ 33,511	\$ 26,661	\$ 28,144	\$ 27,854
Contributions in relation to the contractually required contribution	<u>32,583</u>	<u>31,283</u>	<u>29,853</u>	<u>27,999</u>	<u>31,959</u>	<u>38,041</u>	<u>33,511</u>	<u>26,661</u>	<u>28,144</u>	<u>27,854</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's covered-employee payroll	\$ 175,554	\$ 178,152	\$ 180,273	\$ 179,944	\$ 205,393	\$ 263,989	\$ 247,131	\$ 230,635	\$ 252,531	\$ 255,317
Contributions as a percentage of covered-employee payroll	18.56%	17.56%	16.56%	15.56%	15.56%	14.41%	13.56%	11.56%	11.14%	10.91%
	Year Ended June 30,									
PORS	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 28,957	\$ 23,609	\$ 22,128	\$ 35,995	\$ 18,421	\$ 18,012	\$ 19,474	\$ 15,219	\$ 14,753	\$ 15,484
Contributions in relation to the contractually required contribution	<u>28,957</u>	<u>23,609</u>	<u>22,128</u>	<u>35,995</u>	<u>18,421</u>	<u>18,012</u>	<u>19,474</u>	<u>15,219</u>	<u>14,753</u>	<u>15,484</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's covered-employee payroll	\$ 137,630	\$ 116,644	\$ 115,010	\$ 87,697	\$ 100,991	\$ 106,962	\$ 119,914	\$ 106,875	\$ 108,843	\$ 117,535
Contributions as a percentage of covered-employee payroll	21.04%	20.24%	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 SWANSEA, SOUTH CAROLINA
UNIFORM SCHEDULE OF COURT FINES, ASSESSMENTS AND SURCHARGES (PER ACT 96)
YEAR ENDED JUNE 30, 2024

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	-	-	\$ 112,425	\$ 112,425
Court fines and assessments remitted to State Treasurer	-	-	54,788	54,788
Total court fines and assessments retained	-	-	\$ 57,637	\$ 57,637
Surcharges and assessments retained for victims services:				
Surcharges collected and retained	-	-	\$ 4,843	\$ 4,843
Assessments retained	-	-	1,842	1,842
Total surcharges and assessments retained for victims services	-	-	\$ 6,685	\$ 6,685

FOR THE DEPARTMENT OF CRIME VICTIM COMPENSATION (DCVC)

VICTIM SERVICE FUNDS COLLECTED	Municipal	County	Total
Carryforward from previous year - Beginning Balance	\$ 2,147	N/A	\$ 2,147
Victim Service Revenue:			
Victim Service Fines Retained by City/County Treasurer	4,843	N/A	4,843
Victim Service Assessments Retained by City/County Treasurer	1,842	N/A	1,842
Victim Service Surcharges Retained by City/County Treasurer	-	N/A	-
Interest Earned	-	N/A	-
Grant Funds Received			
Grant from:	-	N/A	-
General Funds Transferred to Victim Service Fund	-	N/A	-
Contribution Received from Victim Service Contracts:			
	-	N/A	-
Total Funds Allocated to Victim Service Fund + Beginning Balance (A)	8,832	N/A	8,832
	-	N/A	-
Expenditures for Victim Service Program:			
Salaries and Benefits	(7,121)	-	(7,121)
Transferred to General Fund	-	-	-
Total Expenditures from Victim Service Fund/Program (B)	(7,121)	N/A	(7,121)
Carryforward Funds - End of Year	\$ 1,711	N/A	\$ 1,711

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*

To the 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, each major fund, and the aggregate remaining fund information of Town of Swansea, South Carolina, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise Town's basic financial statements and have issued our report thereon dated September 11, 2024.

Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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 2024 – 001 and 2024 – 002 to be material weaknesses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Town's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2024 – 001 and 2024 – 002.

Town of Swansea, South Carolina's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Town's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. Town'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

Love Bailey & Associates, LLC

Laurens, South Carolina

September 11, 2024

**TOWN OF SWANSEA, SOUTH CAROLINA
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2024**

FINDINGS FOR YEAR ENDED JUNE 30, 2024

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

Material Weaknesses

2024-001 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 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 oversight at the Town in allocating sufficient time and staff for monthly review of the general ledger.

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

Recommendation: The Town should review the monthly balance sheet and income statement to ensure transactions are properly recorded on the general ledger.

Town’s response: The Town has hired an outsourced accountant that has the experience and education to provide the Town with proper accounting and finance expertise to review the general ledger transactions.

2024-002 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 an outsourced accountant that has the experience and education to provide the Town with proper accounting and finance expertise to maintain a property, plant and equipment inventory listing however it will take time to locate missing support.

**TOWN OF SWANSEA, SOUTH CAROLINA
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2024**

FINDINGS FOR YEAR ENDED JUNE 30, 2023

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

2023-001 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 in a timely manner.

Cause: Lack of oversight at the Town in allocating sufficient time and staff for the 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.

Status: Not a repeat finding.

2023-002 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 an outsourced accountant that has the experience and education to provide the Town with proper accounting and finance expertise to maintain a property, plant and equipment inventory listing however it will take time to locate missing support.