

**TOWN OF SWANSEA,
SOUTH CAROLINA**

FINANCIAL STATEMENTS

JUNE 30, 2023

TOWN OF SWANSEA, SOUTH CAROLINA
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INDEPENDENT AUDITOR'S REPORT

To the Town Council
Town of Swansea

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, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Town of Swansea'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 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 of Swansea, as of June 30, 2023, 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 of Swansea, as of June 30, 2023, 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 of Swansea, 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 of Swansea, South Carolina 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 of Swansea'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 of Swansea'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 of Swansea'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 of Swansea, South Carolina'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

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.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 2, 2024, on our consideration of the Town of Swansea, South Carolina's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town of Swansea, South Carolina'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 of Swansea, South Carolina's internal control over financial reporting and compliance.

Love Bailey & Associates, LLC

Love Bailey & Associates
Laurens, South Carolina
July 2, 2024

TOWN OF SWANSEA, SOUTH CAROLINA
STATEMENT OF NET POSITION
JUNE 30, 2023

| | Primary Government | | |
|---------------------------------------|----------------------------|-----------------------------|-------------------|
| | Governmental Activities | Business-Type Activities | Total |
| ASSETS | | | |
| Cash | \$ 262,941 | \$ 129,022 | \$ 391,963 |
| Restricted cash | 2,147 | 137,080 | 139,227 |
| Receivables, net of allowance | | | |
| Accounts receivable | - | 65,713 | 65,713 |
| Property taxes | 29,035 | - | 29,035 |
| Capital assets | | | |
| Non-depreciable capital assets | 5,000 | 742,858 | 747,858 |
| Depreciable capital assets, net | 64,771 | 2,229,177 | 2,293,948 |
| Total assets | <u>363,894</u> | <u>3,303,850</u> | <u>3,667,744</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Deferred pension charges | <u>165,569</u> | <u>67,818</u> | <u>233,387</u> |
| LIABILITIES | | | |
| Accounts payable | 109,654 | 7,446 | 117,100 |
| Other accrued liabilities | - | 1,720 | 1,720 |
| Deferred revenue | 159,804 | - | 159,804 |
| Accrued interest | - | 6,027 | 6,027 |
| Customer deposits | - | 46,488 | 46,488 |
| Compensated absences | 5,932 | 2,542 | 8,474 |
| Noncurrent liabilities | | | |
| Net pension liability | 495,411 | 208,377 | 703,788 |
| Due within one year | - | 62,982 | 62,982 |
| Due in more than one year | - | 2,284,271 | 2,284,271 |
| Total liabilities | <u>770,801</u> | <u>2,619,853</u> | <u>3,390,654</u> |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Deferred pension charges | <u>149,977</u> | <u>60,275</u> | <u>210,252</u> |
| NET POSITION | | | |
| Net investment in capital assets | 69,771 | 624,782 | 694,553 |
| Restricted | 2,147 | 137,080 | 139,227 |
| Unrestricted | (463,233) | (70,322) | (533,555) |
| Total net position | <u>\$ (391,315)</u> | <u>\$ 691,540</u> | <u>\$ 300,225</u> |

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

TOWN OF SWANSEA, SOUTH CAROLINA
STATEMENT OF ACTIVITIES
YEAR END JUNE 30, 2023

| | 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 | \$ 795,880 | \$ 117,715 | \$ - | \$ (678,165) | \$ - | \$ (678,165) |
| Police department | 149,007 | 116,251 | - | (32,756) | - | (32,756) |
| Interest on long-term debt | 908 | - | - | (908) | - | (908) |
| Total governmental activities | <u>945,795</u> | <u>233,966</u> | <u>-</u> | <u>(711,829)</u> | <u>-</u> | <u>(711,829)</u> |
| Business-type activities | | | | | | |
| Water and sewer | 720,014 | 824,228 | - | - | 104,214 | 104,214 |
| Sanitation | - | 34,641 | - | - | 34,641 | 34,641 |
| Interest on long-term debt | 95,137 | - | - | - | (95,137) | (95,137) |
| Total business-type activities | <u>815,151</u> | <u>858,869</u> | <u>-</u> | <u>-</u> | <u>43,718</u> | <u>43,718</u> |
| Total primary government | <u>\$ 1,760,946</u> | <u>\$ 1,092,835</u> | <u>\$ -</u> | <u>(711,829)</u> | <u>43,718</u> | <u>(668,111)</u> |
| GENERAL REVENUES | | | | | | |
| Property taxes | | | | 231,496 | - | 231,496 |
| Other fees, taxes and permits | | | | 118,162 | - | 118,162 |
| ARP funds | | | | 171,102 | - | 171,102 |
| Miscellaneous | | | | 37,784 | - | 37,784 |
| Transfers | | | | 15,172 | (15,172) | - |
| Total general revenues | | | | <u>573,716</u> | <u>(15,172)</u> | <u>558,544</u> |
| Change in net position | | | | (138,113) | 28,546 | (109,567) |
| Net position, beginning of year | | | | <u>(253,202)</u> | <u>662,994</u> | <u>409,792</u> |
| Net position, end of year | | | | <u>\$ (391,315)</u> | <u>\$ 691,540</u> | <u>\$ 300,225</u> |

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

TOWN OF SWANSEA, SOUTH CAROLINA
BALANCE SHEET - GOVERNMENTAL FUND
JUNE 30, 2023

ASSETS

| | |
|---------------------------|--------------------------|
| Cash and cash equivalents | \$ 262,941 |
| Restricted cash | 2,147 |
| Property taxes | <u>29,035</u> |
| Total assets | <u><u>\$ 294,123</u></u> |

LIABILITIES AND FUND BALANCES

LIABILITIES

| | |
|-------------------|----------------|
| Accounts payable | \$ 109,654 |
| Deferred revenue | <u>159,804</u> |
| Total liabilities | <u>269,458</u> |

FUND BALANCES

| | |
|-------------------------------------|--------------------------|
| Restricted for: | |
| Victims assistance fund | 2,147 |
| Unassigned | <u>22,518</u> |
| Total fund balances | <u>24,665</u> |
| Total liabilities and fund balances | <u><u>\$ 294,123</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, 2023**

| | |
|---|----------------------------|
| Total fund balance | \$ 24,665 |
| 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. | 69,771 |
| 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 | (479,819) |
| 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 | <u>(5,932)</u> |
| Total net position | <u><u>\$ (391,315)</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, 2023**

REVENUES

| | | |
|-------------------------------|----|---------|
| Property taxes | \$ | 231,496 |
| Franchise fees | | 54,302 |
| Business licenses | | 63,413 |
| Fines and fees | | 116,251 |
| State shared revenues | | 31,286 |
| Other fees, taxes and permits | | 118,162 |
| Miscellaneous | | 3,479 |
| ARP funds | | 171,102 |
| Interest | | 3,019 |
| | | 792,510 |
| Total revenues | | 792,510 |

EXPENDITURES

| | | |
|----------------------|--|---------|
| General governmental | | 691,986 |
| Public safety | | 149,007 |
| Debt service | | 13,632 |
| | | 854,625 |
| Total expenditures | | 854,625 |

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

(62,115)

OTHER FINANCING SOURCES (USES)

| | | |
|--------------------------------------|--|--------|
| Transfers in (out) | | 15,172 |
| Total other financing sources (uses) | | 15,172 |

Net change in fund balances (46,943)

Fund balances, beginning of year 71,608

Fund balances, end of year \$ 24,665

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, 2023

| | | |
|--|----|-------------------------|
| Net change in fund balance | \$ | (46,943) |
| <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> | | |
| Depreciation expense | | (23,387) |
| | | <u>(23,387)</u> |
| <p>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.</p> | | |
| | | 12,724 |
| <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> | | |
| | | (83,522) |
| <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>3,015</u> |
| Change in net position | \$ | <u><u>(138,113)</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, 2023

ASSETS

| | |
|------------------------------------|------------------|
| Current Assets | |
| Cash | \$ 129,022 |
| Restricted cash | 137,080 |
| Account receivables | <u>65,713</u> |
| Total current assets | <u>331,815</u> |
| | |
| Noncurrent assets | |
| Land and constructions in progress | 742,858 |
| Capital assets, net | <u>2,229,177</u> |
| Total noncurrent assets | <u>2,972,035</u> |
| Total assets | <u>3,303,850</u> |

DEFERRED OUTFLOWS OF RESOURCES

| | |
|--------------------------|---------------|
| Deferred pension charges | <u>67,818</u> |
|--------------------------|---------------|

LIABILITIES

| | |
|--|------------------|
| Current liabilities | |
| Accounts payable | 7,446 |
| Other accrued liabilities | 1,720 |
| Customer deposits | 46,488 |
| Compensated absences | 2,542 |
| Accrued interest | 6,027 |
| Notes payable - current portion | <u>62,982</u> |
| Total current liabilities | <u>127,205</u> |
| | |
| Noncurrent liabilities | |
| Notes payable - net of current portion | 2,284,271 |
| Net pension liability | <u>208,377</u> |
| Total noncurrent liabilities | <u>2,492,648</u> |
| Total liabilities | <u>2,619,853</u> |

DEFERRED INFLOWS OF RESOURCES

| | |
|--------------------------|---------------|
| Deferred pension charges | <u>60,275</u> |
|--------------------------|---------------|

NET POSITION

| | |
|----------------------------------|-------------------|
| Net investment in capital assets | 624,782 |
| Restricted | 137,080 |
| Unrestricted | <u>(70,322)</u> |
| Total net position | <u>\$ 691,540</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, 2023

OPERATING REVENUES

| | |
|------------------------------|----------------|
| Water and sewer service fees | \$ 824,228 |
| Sanitation fees | <u>34,641</u> |
| Total operating revenues | <u>858,869</u> |

OPERATING EXPENDITURES

| | |
|--------------------------------|----------------|
| Sewer and water charges | 239,538 |
| Trash service | 40,584 |
| Salaries and employee benefits | 156,214 |
| Depreciation | 134,729 |
| Office supplies | 6,750 |
| Repairs and maintenance | 88,151 |
| Miscellaneous | 3,952 |
| Other professional fees | 21,192 |
| Utilities | 7,894 |
| Insurance | 6,518 |
| Materials and supplies | 7,065 |
| Vehicle expenses | 7,427 |
| Interest expense | <u>95,137</u> |
| Total operating expenditures | <u>815,151</u> |

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

43,718

OTHER FINANCING SOURCES (USES)

| | |
|--------------------------------------|-----------------|
| Transfers in (out) | <u>(15,172)</u> |
| Total other financing sources (uses) | <u>(15,172)</u> |

Change in net position 28,546

Net position balances, beginning of year 662,994

Net position balances, end of year \$ 691,540

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, 2023

CASH FLOWS FROM OPERATING ACTIVITIES

| | |
|---|------------|
| Receipts from customers | \$ 855,148 |
| Payments to employees | (187,616) |
| Payments to suppliers | (513,284) |
| Net cash provided by operating activities | 154,248 |

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

| | |
|---|---------|
| Purchase of capital assets | (1,500) |
| Net cash used in capital and related financing activities | (1,500) |

CASH FLOWS FROM INVESTING ACTIVITIES

| | |
|---------------------------------------|----------|
| Payments towards long-term debt | (51,214) |
| Net cash used in investing activities | (51,214) |

| | |
|----------------------|---------|
| Net increase in cash | 101,534 |
|----------------------|---------|

| | |
|--|---------|
| CASH, CASH EQUIVALENTS AND RESTRICTED CASH, BEGINNING OF YEAR | 162,848 |
|--|---------|

| | |
|--|------------|
| CASH, CASH EQUIVALENTS AND RESTRICTED CASH, END OF YEAR | \$ 264,382 |
|--|------------|

RECONCILIATION OF OPERATING INCOME TO NET CASH USED IN OPERATING ACTIVITIES

| | |
|--|------------|
| Operating income | \$ 43,718 |
| Adjustments to reconcile operating income to net cash used in operating activities | |
| Depreciation | 134,729 |
| Transfers out | (15,172) |
| Change in assets and liabilities | |
| Accounts receivable | (3,721) |
| Accounts payable | (41,708) |
| Customer deposits | 5,000 |
| Other accruals | 31,402 |
| Net cash provided by operating activities | \$ 154,248 |

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

TOWN OF SWANSEA, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

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, 2023, 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, 2023

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, 2023

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.

(Continued)

TOWN OF SWANSEA, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

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, 2023

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, 2023

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, 2023

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, 2023 the Town’s cash deposits were \$531,912 and the bank balance was \$583,087. 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, 2023. 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 | \$ 583,087 | \$ - | \$ - | \$ 583,087 |

TOWN OF SWANSEA, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 4 – RECEIVABLES

Receivables at June 30, 2023 consisted of the following:

| | General Fund | Water and Sewer Fund |
|----------------------------------|-----------------|-------------------------|
| Accounts Receivable: | | |
| Delinquent taxes | \$ 29,035 | \$ - |
| Accounts receivable | - | 136,601 |
| | 29,035 | 136,601 |
| Less Allowance for Uncollectible | - | (70,888) |
| Total accounts receivable | \$ 29,035 | \$ 65,713 |

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, 2023 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 | - | - | 393,022 |
| Vehicles | 231,011 | - | - | 231,011 |
| Total capital assets, depreciable | 819,033 | - | - | 819,033 |
| Less Accumulated Depreciation | (730,875) | (23,387) | - | (754,262) |
| Total capital assets, depreciable, net | 88,158 | (23,387) | - | 64,771 |
| Governmental Activities Net Capital Assets | \$ 93,158 | \$ (23,387) | \$ - | \$ 69,771 |

Depreciation expense was allocated to general government in the total amount of \$23,387.

(Continued)

TOWN OF SWANSEA, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 5 – CAPITAL ASSETS, Continued

| | Balance at June 30, 2022 | Additions | Disposals | Balance at June 30, 2023 |
|--|-----------------------------|--------------|-----------|-----------------------------|
| 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 | - | - | 742,858 |
| Capital assets, depreciable | | | | |
| Water system | 4,443,846 | - | - | 4,443,846 |
| Buildings and improvements | 20,000 | - | - | 20,000 |
| Furniture and equipment | 383,191 | 1,500 | - | 384,691 |
| Total capital assets, depreciable | 4,847,037 | 1,500 | - | 4,484,357 |
| Less Accumulated Depreciation | (2,484,631) | (134,729) | - | (2,619,360) |
| Total capital assets, depreciable, net | 2,362,406 | (133,229) | - | 2,229,177 |
| Business Type Activities capital assets, net | \$ 3,105,264 | \$ (133,229) | \$ - | \$ 2,972,035 |

Depreciation expense was allocated to water and sewer fund in the total amount of \$134,729.

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, 2023, 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, 2023:

| | Beginning Balances | Additions | Reductions | Ending Balances | Due Within One Year |
|----------------------------------|-----------------------|-----------|------------|--------------------|------------------------|
| Governmental Activities: | | | | | |
| Note payable | \$ 12,724 | \$ - | \$ 12,724 | \$ - | \$ - |
| Total | \$ 12,724 | \$ - | \$ 12,724 | \$ - | \$ - |
| Business-Type Activities: | | | | | |
| USDA sewer note | \$ 2,261,401 | \$ - | \$ 41,679 | \$ 2,219,722 | \$ 43,368 |
| Revenue bond | 137,066 | - | 9,535 | 127,531 | 19,614 |
| Total | \$ 2,398,467 | \$ - | \$ 53,156 | \$ 2,347,253 | \$ 62,982 |

(Continued)

TOWN OF SWANSEA, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

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 was paid in full in fiscal year 2023.

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, 2023, the outstanding balance was \$2,219,722.

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, 2023, the outstanding balance was \$127,531.

Debt services requirements to maturity are as follows:

| Year Ending June 30, | USDA Note Payable | | | Revenue Bond | | |
|-------------------------|---------------------|--------------------|---------------------|-------------------|------------------|-------------------|
| | Principal | Interest | Total | Principal | Interest | Total |
| 2024 | \$ 43,368 | \$ 93,504 | \$ 136,872 | \$ 19,614 | \$ 4,460 | \$ 24,074 |
| 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 |
| 2029-2033 | 292,340 | 392,020 | 684,360 | 21,666 | 2,350 | 24,016 |
| 2034-2038 | 361,144 | 323,216 | 684,360 | - | - | - |
| 2039-2043 | 445,250 | 239,110 | 684,360 | - | - | - |
| 2044-2048 | 550,463 | 133,897 | 684,360 | - | - | - |
| 2049-2051 | 334,060 | 20,003 | 354,063 | - | - | - |
| | <u>\$ 2,219,722</u> | <u>\$1,556,141</u> | <u>\$ 3,775,863</u> | <u>\$ 127,531</u> | <u>\$ 16,855</u> | <u>\$ 142,386</u> |

TOWN OF SWANSEA, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 7 – PENSION PLANS

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-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 an Annual Comprehensive Financial Report (ACFR) containing financial statements and required supplementary information for the Systems’ Pension Trust Funds. The Annual Comprehensive Financial Report (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 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.

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.

(Continued)

TOWN OF SWANSEA, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 7 – PENSION PLANS, Continued

- 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.

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

Membership

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

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

(Continued)

TOWN OF SWANSEA, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 7 – PENSION PLANS, Continued

- 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. 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.

(Continued)

TOWN OF SWANSEA, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 7 – PENSION PLANS, Continued

Contributions

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

Required employee contribution rates¹ are as follows:

| | Fiscal Year 2023 ¹ | Fiscal Year 2022 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% |

(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, 2023

NOTE 7 – PENSION PLANS, Continued

Required employer contribution rates¹ are as follows:

| | <u>Fiscal Year 2023¹</u> | <u>Fiscal Year 2022¹</u> |
|-----------------------------------|-------------------------------------|-------------------------------------|
| SCRS | | |
| Employee Class Two | 17.41% | 16.41% |
| Employee Class Three | 17.41% | 16.41% |
| Employer Incidental Death Benefit | 0.15% | 0.15% |
| PORS | | |
| Employee Class Two | 19.84% | 18.84% |
| Employee Class Three | 19.84% | 18.84% |
| 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, 2022, 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, 2021. The total pension liability was rolled-forward from the valuation date to the plans' fiscal year end, June 30, 2022, using generally accepted actuarial principles. There was no legislation enacted during the 2022 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, 2022 (measurement date) for the SCRS and PORS.

| | 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 |

(Continued)

² Includes inflation at 2.25%

TOWN OF SWANSEA, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 7 – PENSION PLANS, Continued

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, 2022, 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% |

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, 2022, for SCRS and PORS are presented below.

| System | Employers’ Net Pension Liability (Asset) | Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | Town’s Proportionate Share of the Collective Net Pension Liability |
|--------|--|---|--|
| SCRS | \$ 444,572 | 57.1% | .008134% |
| PORS | \$ 259,216 | 66.4% | .008644% |

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.

(Continued)

TOWN OF SWANSEA, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 7 – PENSION PLANS, Continued

The expected returns, along with the expected inflation rate, form the basis for the target asset allocation adopted at the beginning of the 2022 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.

| Allocation/Exposure | Policy Target | Expected Arithmetic Real Rate of Return | Long Term Expected Portfolio Real Rate of Return |
|---|---------------|--|--|
| Public Equity³ | 46.0% | 6.79% | 3.12% |
| Bonds | 26.0% | -0.35% | -0.09% |
| Private Equity^{1 4} | 9.0% | 8.75% | 0.79% |
| Private Debt² | 7.0% | 6.00% | 0.42% |
| Real Assets | 12.0% | | |
| Real Estate ² | 9.0% | 4.12% | 0.37% |
| Infrastructure ² | 3.0% | 5.88% | 0.15% |
| Total Expected Real Return ⁵ | 100.0% | | 4.79% |
| Inflation for Actuarial Purposes | | | 2.25% |
| Total Expected Nominal Return | | | 7.04% |

Pensions

At June 30, 2023, the Town reported a liability of \$444,572 and \$259,216 for its proportionate share of the net pension liability for SCRS and PORS, respectively. The net pension liability was measured as of June 30, 2022, 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.

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, 2023

NOTE 7 – PENSION PLANS, Continued

For the year ended June 30, 2023, the Town recognized pension expense for the SCRS and PORS plans of \$87,850 and \$52,917, respectively. At June 30, 2023, 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 | \$ 18,120 | \$ 1,937 |
| Changes in proportionate share and differences between employer contributions and proportionate share of total plan employer contributions | 686 | - |
| Net difference between projected and actual earnings on pension plan investments | 80,920 | 150,950 |
| Town's contributions subsequent to the measurement date | 31,016 | - |
| Total SCRS | <u>\$ 130,742</u> | <u>\$ 152,887</u> |
| PORS | | |
| Differences between expected and actual experience | \$ 15,143 | \$ 5,124 |
| Changes in proportionate share and differences between employer contributions and proportionate share of total plan employer contributions | 783 | - |
| Net difference between projected and actual earnings on pension plan investments | 63,576 | 52,241 |
| Town's contributions subsequent to the measurement date | 23,142 | - |
| Total PORS | <u>\$ 102,664</u> | <u>\$ 57,365</u> |

The \$31,016 and \$23,142 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, 2023 will be recognized as a reduction of the net pension liabilities in the year ending June 30, 2024.

(Continued)

TOWN OF SWANSEA, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 7 – PENSION PLANS, Continued

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 |
|------------------------|--------------------|------------------|--------------------|
| 2023 | \$ (104,616) | \$ (6,653) | \$ (111,269) |
| 2024 | 36,486 | 13,133 | 49,619 |
| 2025 | 3,374 | 5,581 | 8,955 |
| 2026 | 11,595 | 10,076 | 21,671 |
| | <u>\$ (53,161)</u> | <u>\$ 22,137</u> | <u>\$ (31,024)</u> |

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.

Sensitivity Analysis

The following table presents the collective NPL of the participating employers calculated using the discount rate of 7.00 percent, as well as what the employers’ NPL would be if it were calculated using a discount rate that is 1.00% lower (6.00%) or 1.00% higher (8.00%) than the current rate.

| System | Current Discount | | |
|---|---------------------------|-----------------|---------------------------|
| | 1.00% Decrease (6.00%) | Rate (7.00%) | 1.00% Increase (8.00%) |
| Town’s proportionate share of the net pension liability of the SCRS | \$ 569,996 | \$ 444,572 | \$ 340,298 |
| Town’s proportionate share of the net pension liability of the PORS | \$ 361,461 | \$ 259,216 | \$ 175,519 |

(Continued)

TOWN OF SWANSEA, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 7 – PENSION PLANS, Continued

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, 2023, and the accounting valuation report as of June 30, 2022. 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.

NOTE 9 – SUBSEQUENT EVENTS

The town has evaluated subsequent events through July 2, 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, 2023

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance</u> |
|--|-------------------------|------------------|--------------------|-------------------|
| | <u>Original</u> | <u>Final</u> | | |
| REVENUES | | | | |
| Property taxes | \$ 210,000 | \$ 210,000 | \$ 231,496 | \$ 21,496 |
| Franchise fees | 95,000 | 95,000 | 54,302 | (40,698) |
| Business licenses | 65,000 | 65,000 | 63,413 | (1,587) |
| Fines and fees | 91,600 | 91,600 | 116,251 | 24,651 |
| State shared revenues | 12,500 | 12,500 | 31,286 | 18,786 |
| Other fees, taxes and permits | 138,421 | 138,421 | 118,162 | (20,259) |
| Miscellaneous | 1,100 | 1,100 | 3,479 | 2,379 |
| Grants | - | - | 171,102 | 171,102 |
| Interest | - | - | 3,019 | 3,019 |
| Total revenues | <u>613,621</u> | <u>613,621</u> | <u>792,510</u> | <u>178,889</u> |
| EXPENDITURES | | | | |
| General Government | | | | |
| Salaries and benefits | 191,800 | 191,800 | 229,908 | (38,108) |
| Office expenses | 10,400 | 10,400 | 80,977 | (70,577) |
| Occupancy | 10,000 | 10,000 | 43,520 | (33,520) |
| Repairs and maintenance | 2,000 | 2,000 | 26,153 | (24,153) |
| Professional services | 25,000 | 25,000 | 94,013 | (69,013) |
| Insurance | 11,000 | 11,000 | 39,905 | (28,905) |
| Advertising and public relations | 900 | 900 | 1,270 | (370) |
| Dues and subscriptions | 500 | 500 | 300 | 200 |
| Miscellaneous | 2,340 | 2,340 | 175,940 | (173,600) |
| Total general government | <u>253,940</u> | <u>253,940</u> | <u>691,986</u> | <u>(438,046)</u> |
| Public Safety | | | | |
| Salaries and benefits | 146,200 | 146,200 | 70,104 | 76,096 |
| Office expenses | 14,550 | 14,550 | 5,175 | 9,375 |
| Fuel | 20,000 | 20,000 | - | 20,000 |
| Other supplies | 11,300 | 11,300 | 2,014 | 9,286 |
| Occupancy | 15,500 | 15,500 | 2,669 | 12,831 |
| Victim services | 500 | 500 | - | 500 |
| Repairs and maintenance | 6,500 | 6,500 | 7,770 | (1,270) |
| Professional services | 23,000 | 23,000 | 17,227 | 5,773 |
| Insurance | 23,500 | 23,500 | 9,167 | 14,333 |
| Court expenses and fees | - | - | 31,594 | (31,594) |
| Dues and subscriptions | 1,200 | 1,200 | 1,140 | 60 |
| Miscellaneous | 1,100 | 1,100 | 2,147 | (1,047) |
| Total public safety | <u>263,350</u> | <u>263,350</u> | <u>149,007</u> | <u>114,343</u> |
| Debt service | | | | |
| | <u>-</u> | <u>-</u> | <u>13,632</u> | <u>(13,632)</u> |
| Total expenditures | <u>517,290</u> | <u>517,290</u> | <u>854,625</u> | <u>(337,335)</u> |
| Excess/(deficiency) in revenue over/(under) expenditures | 96,331 | 96,331 | (62,115) | 516,224 |
| Transfers in | <u>-</u> | <u>-</u> | <u>15,172</u> | <u>-</u> |
| Change in fund balance | <u>\$ 96,331</u> | <u>\$ 96,331</u> | <u>\$ (46,943)</u> | <u>\$ 516,224</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, | | | | | | | |
|---|----------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 |
| Town's proportion of the net pension liability | 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 | \$ 444,601 | \$ 333,408 | \$ 335,185 | \$ 924,765 | \$ 149,138 | \$ 514,615 | \$ 581,202 | \$ 518,137 |
| Town's covered-employee payroll | \$ 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 | 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 | 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, | | | | | | | |
|---|----------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 |
| Town's proportion of the net pension liability | 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 | \$ 259,232 | \$ 162,788 | \$ 212,391 | \$ 377,598 | \$ 62,624 | \$ 217,412 | \$ 240,128 | \$ 205,919 |
| Town's covered-employee payroll | \$ 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 | 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 | 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, | | | | | | | | | |
|--|----------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|--|
| | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | |
| Contractually required contribution | \$ 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 | 31,283 | 29,853 | 27,999 | 31,959 | 38,041 | 33,511 | 26,661 | 28,144 | 27,854 | |
| Contribution deficiency (excess) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| Town's covered-employee payroll | \$ 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 | 17.56% | 16.56% | 15.56% | 15.56% | 14.41% | 13.56% | 11.56% | 11.14% | 10.91% | |
| | Year Ended June 30, | | | | | | | | | |
| PORS | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | |
| Contractually required contribution | \$ 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 | 23,609 | 22,128 | 35,995 | 18,421 | 18,012 | 19,474 | 15,219 | 14,753 | 15,484 | |
| Contribution deficiency (excess) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| Town's covered-employee payroll | \$ 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 | 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
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - PROPRIETARY FUND
YEAR ENDED JUNE 30, 2023

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance</u> |
|--|-------------------------|--------------------|------------------|-------------------|
| | <u>Original</u> | <u>Final</u> | | |
| REVENUES | | | | |
| Water and sewer service fees | \$ 595,000 | \$ 595,000 | \$ 824,228 | \$ 229,228 |
| Sanitation fees | 25,000 | 25,000 | 34,641 | 9,641 |
| Various charges | 2,500 | 2,500 | - | (2,500) |
| Total revenues | <u>622,500</u> | <u>622,500</u> | <u>858,869</u> | <u>236,369</u> |
| EXPENDITURES | | | | |
| Sewer charges | 183,700 | 183,700 | 239,538 | (55,838) |
| Trash service | 40,000 | 40,000 | 40,584 | (584) |
| Salaries and employee benefits | 175,371 | 175,371 | 156,214 | 19,157 |
| Depreciation | - | - | 134,729 | (134,729) |
| Office supplies | 42,050 | 42,050 | 6,750 | 35,300 |
| Repairs and maintenance | 93,000 | 93,000 | 88,151 | 4,849 |
| Miscellaneous | 11,250 | 11,250 | 3,952 | 7,298 |
| Other professional fees | 28,850 | 28,850 | 21,192 | 7,658 |
| Laboratory analysis | 16,000 | 16,000 | 7,894 | 8,106 |
| Gas, oil, tires and repairs | 15,000 | 15,000 | 6,518 | 8,482 |
| Materials and supplies | 2,050 | 2,050 | 7,065 | (5,015) |
| Vehcile expenses | - | - | 7,427 | (7,427) |
| Bank charges | 105,000 | 105,000 | 95,137 | 9,863 |
| Total expenditures | <u>712,271</u> | <u>712,271</u> | <u>815,151</u> | <u>(102,880)</u> |
| Operating income | <u>(89,771)</u> | <u>(89,771)</u> | <u>43,718</u> | <u>133,489</u> |
| NONOPERATING REVENUE (EXPENSES) | | | | |
| Transfers in (out) | - | - | (15,172) | 15,172 |
| Total nonoperating revenue (expense) | <u>-</u> | <u>-</u> | <u>(15,172)</u> | <u>15,172</u> |
| Change in net position | <u>\$ (89,771)</u> | <u>\$ (89,771)</u> | <u>\$ 28,546</u> | <u>\$ 148,661</u> |

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

TOWN OF SWANSEA, SOUTH CAROLINA
SCHEDULE OF COURT FINES, ASSESSMENTS AND SURCHARGES
YEAR ENDED JUNE 30, 2023

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 | N/A | N/A | | \$ - |
| Court fines and assessments remitted to State Treasurer | N/A | N/A | | - |
| Total court fines and assessments retained | N/A | N/A | \$ - | \$ - |
| Surcharges and assessments retained for victims services: | | | | |
| Surcharges collected and retained | N/A | N/A | \$ - | \$ - |
| Assessments retained | N/A | N/A | - | - |
| Total surcharges and assessments retained for victims services | N/A | N/A | \$ - | \$ - |

FOR THE DEPARTMENT OF CRIME VICTIM COMPENSATION (DCVC)

| VICTIM SERVICE FUNDS COLLECTED | Municipal | County | Total |
|--|-----------------|------------|-----------------|
| Carryforward from previous year - Beginning Balance | \$ 837 | N/A | \$ 837 |
| Victim Service Revenue: | | | |
| Victim Service Fines Retained by City/County Treasurer | 1,310 | N/A | 1,310 |
| Victim Service Assessments Retained by City/County Treasurer | - | N/A | - |
| 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: | | | |
| (1) Town of | - | N/A | - |
| (2) Town of | - | N/A | - |
| (3) City of | - | N/A | - |
| Transferred to General Fund | | | |
| Total Expenditures from Victim Service Fund/Program (B) | - | N/A | - |
| Carryforward Funds - End of Year | \$ 2,147 | N/A | \$ 2,147 |

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



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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Town of Swansea, South Carolina, as of and for the year ended June 30, 2023, 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 2, 2024.

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.

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. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2023 – 001 to be material weaknesses.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2023-01 and 2023-02 to be significant deficiencies.

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 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 2023 – 01.

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

Love Bailey & Associates, LLC
Laurens, South Carolina
July 2, 2024

**TOWN OF SWANSEA, SOUTH CAROLINA
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2023**

FINDINGS FOR YEAR ENDED JUNE 30, 2023

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

Material Weaknesses

2023-1 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 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.

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 engaged with an outsourced accountant to perform the monthly bank reconciliations as well as other accounting clean-up tasks. This will ensure that the reconciliations and other valuable deliverables will be readily available to the Council for review during the Council meetings.

2023-2 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.

**TOWN OF SWANSEA, SOUTH CAROLINA
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2023**

FINDINGS FOR YEAR ENDED JUNE 30, 2023, Continued

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.

FINDINGS FOR 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 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.

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 contracted a bookkeeper who 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.

**TOWN OF SWANSEA, SOUTH CAROLINA
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2023**

FINDINGS FOR YEAR ENDED JUNE 30, 2022, Continued

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 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.

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 response:

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: