

**AUDITED FINANCIAL STATEMENTS**  
**TOWN OF SALUDA, SOUTH CAROLINA**  
**Saluda, South Carolina**  
**Year Ended September 30, 2022**

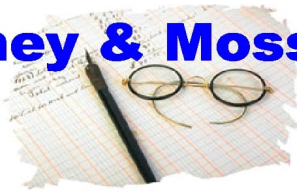
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## **FINANCIAL SECTION**

# Hamilton McKinney & Moss

Certified Public Accountants



Members:  
American Institute of Certified Public Accountants  
South Carolina Association of Certified Public Accountants

## INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Town Council  
Of the Town of Saluda, South Carolina

### **Opinions**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Saluda, South Carolina, (Town) as of and for the year ended September 30, 2022, and the related notes to the financial statements, which comprise the Town's basic financial statements as listed in the table of contents. A summary of opinions is as follows:

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental funds (general fund and permanent fund) and the aggregate remaining fund information of the Town of Saluda, South Carolina, as of September 30, 2022, 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

The Town has not presented Management's Discussion and Analysis that is not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board.

### **Basis for Opinions**

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

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and Government 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 and Government Auditing Standards, we:

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

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

#### **Required Supplementary Information Other than Management's Discussion and Analysis**

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Budgetary Comparison Schedule – General Fund, Pension Plan Schedules, as listed 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. The Town has not presented the required Management's Discussion and Analysis. We have applied certain limited procedures to the required supplementary information as listed in the table of contents, without the required Management's Discussion and Analysis, 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.

#### **Other Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the Town's basic financial statements. The supplementary Schedule of Fines, Assessments and Surcharges under the caption "Other Supplementary Information" is presented for purposes of additional analysis required by the State of South Carolina and is not a part of the Basic financial statements. This supplementary schedule is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic governmental fund financial statements. Such information has been subjected to the auditing procedures applied by us in the audit of the basic governmental fund financial statements, and, accordingly, is fairly stated in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated August 8, 2023 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

*Hamilton, M. Jenney & Moss*

Columbia, South Carolina  
August 8, 2023

**STATEMENT OF NET POSITION**  
**TOWN OF SALUDA, SOUTH CAROLINA**  
**September 30, 2022**

	Governmental Activities
<b>ASSETS</b>	
Cash--unrestricted	\$ 1,439,962
Cash--restricted	657,518
Receivables	231,840
Interfund receivable	21,951
Prepaid items	26,099
Note receivable	
Due within one year	8,150
Due in more than one year	393,581
Capital assets	
Nondepreciable	525,248
Depreciable, net of accumulated depreciation	<u>1,484,578</u>
TOTAL ASSETS	4,788,927
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Related to net pension plan liability	<u>268,306</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u><u>\$ 5,057,233</u></u>
<b>LIABILITIES</b>	
Accounts payable--trade	15,300
Accrued liabilities and withholdings	46,771
Noncurrent liabilities	
Due within one year	
Revenue bond payable	8,150
Loans payable	10,907
Due in more than one year	
Compensated absences	46,997
Revenue bond payable	393,581
Loans payable	22,471
Net pension liability	<u>1,480,278</u>
	<u>1,943,327</u>
TOTAL LIABILITIES	2,024,455
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Related to net pension plan liability	376,318
Unearned grant revenue	<u>651,456</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	1,027,774
<b>NET POSITION</b>	
Investment in capital assets, net of related debt	2,009,826
Restricted	
Nonspendable	26,099
Victims assistance	5,625
Unrestricted and unassigned	<u>(36,546)</u>
TOTAL NET POSITION	<u>2,005,004</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u><u>\$ 5,057,233</u></u>

See notes to financial statements.

**STATEMENT OF ACTIVITIES**  
**TOWN OF SALUDA, SOUTH CAROLINA**  
**Year Ended September 30, 2022**

Functions/Programs	Expenses	Program Revenues		Net (Expense)
		Charges for	Capital	Revenue and
		Services	Grants and	Changes in
			Contributions	Net Position
				Governmental
				Activities
Governmental activities				
General government	\$ 493,392	\$ --	\$ --	\$ (493,392)
Municipal court	148,084	--	--	(148,084)
Public safety	537,756	96,483	--	(441,273)
Public works--streets and sanitation	664,554	190,114	--	(474,440)
Building code enforcement	4,118	--	--	(4,118)
Victims advocate	47,199	--	--	(47,199)
Grant projects	3,789	--	64,126	60,337
Interest and fiscal charges--net	881	--	--	(881)
<b>TOTAL GOVERNMENTAL</b>	<b>\$ 1,899,773</b>	<b>\$ 286,597</b>	<b>\$ 64,126</b>	<b>(1,549,050)</b>
General revenues				
Property taxes				392,950
Licenses, fees and permits				681,224
Intergovernmental				
State distributed revenues				629,163
Interest and other revenue				169,784
<b>TOTAL GENERAL REVENUES</b>				<b>1,873,121</b>
<b>CHANGE IN NET POSITION</b>				<b>324,071</b>
<b>BEGINNING NET POSITION</b>				<b>1,680,933</b>
<b>ENDING NET ASSETS POSITION</b>				<b>\$ 2,005,004</b>

See notes to financial statements.



**BALANCE SHEET  
GOVERNMENTAL FUNDS  
TOWN OF SALUDA, SOUTH CAROLINA  
September 30, 2022**

	General Fund
Assets	
Cash--unrestricted	\$ 1,439,962
Cash--restricted	657,518
Receivables	231,840
Interfund receivable	21,951
Prepaid expenses	26,099
	<hr/>
TOTAL ASSETS	\$ 2,377,370
	<hr/>
Liabilities and fund balance	
Liabilities	
Accounts payable--trade	\$ 15,300
Accrued liabilities and withholdings	46,771
Unearned grant revenue	651,456
	<hr/>
TOTAL LIABILITIES	713,527
	<hr/>
Fund balance	
Nonspendable	
Prepaid expenses	26,099
Restricted for victims assistance	5,626
Unassigned	1,632,118
	<hr/>
TOTAL FUND BALANCE	1,663,843
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TOTAL LIABILITIES AND FUND BALANCE	\$ 2,377,370
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*See notes to financial statements.*

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

Amounts reported for governmental activities in the Statement of Net Position are different because of the following:

Fund balance--governmental funds		1,663,843
Long-term notes receivable are not collectible in the current period and, therefore, are not reported in the funds		401,731
Long-term deferred outflows are not available to defray current expenditures and, therefore, are not reported in the fund financial statements but are reported in the governmental activities of the statement of net position		
Deferred outflows of resources related to net pension liability		268,306
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation		
Capital assets of governmental activities	\$ 4,523,681	
Less accumulated depreciation on capital assets	<u>2,513,855</u>	2,009,826
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds		
Compensated absences	(46,997)	
Revenue bond payable	(401,731)	
Loan payable	(33,378)	
Net pension liability	<u>(1,480,278)</u>	(1,962,384)
Long-term deferred inflows related to patient expense do not consume current financial resources and are, therefore, not reported in the fund financial statements but are reported in the governmental activities of the statement of net position		
Deferred inflows of resources related to net pension liability		(376,318)
NET POSITION OF GOVERNMENTAL ACTIVITIES		<u><u>\$ 2,005,004</u></u>

See notes to financial statements.

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUNDS**  
**TOWN OF SALUDA, SOUTH CAROLINA**  
**Year Ended September 30, 2022**

	General Fund
Revenues	
Taxes	\$ 392,950
Licenses, fees and permits	681,224
Fines and forfeitures	96,483
Intergovernmental	693,289
Charges for services	190,114
Other	184,844
	<hr/>
TOTAL REVENUES	2,238,904
Expenditures	
Current	
General government	448,543
Municipal court	129,376
Public safety	658,910
Public works--streets and sanitation	690,053
Building code enforcement	2,089
Victims advocate	44,276
Debt service	
Principal retirement	18,563
Interest and fiscal charges	15,091
Pass-through receipts-principal	(7,870)
Pass-through receipts-interest	(14,210)
	<hr/>
TOTAL EXPENDITURES	1,984,821
	<hr/>
EXCESS OF REVENUES OVER EXPENDITURES	254,083
	<hr/>
NET CHANGE IN FUND BALANCE	254,083
Fund balance (deficit) at beginning of year	1,409,760
	<hr/>
FUND BALANCE AT END OF YEAR	\$ 1,663,843
	<hr/>

*See notes to financial statements.*

**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
TOWN OF SALUDA, SOUTH CAROLINA  
Year Ended September 30, 2022**

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

Net change in fund balance--governmental funds	\$ 254,083
------------------------------------------------	------------

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

Capital asset purchases capitalized	264,058
Depreciation expense	(124,346)
Book value of capital assets sold--offset to miscellaneous income from sale of capital assets	(15,060)

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

Proceeds from issuance of debt	--
Long-term debt principal payments	10,693
Net change in compensated absences	786

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

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

Some expenses reported in the statement of activities do not require the use of current financial resource and, consequently, these are not reported as expenditures in governmental funds

Pension expense	(66,143)
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CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$ 324,071
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**STATEMENT OF FIDUCIARY NET POSITION**  
**FIDUCIARY FUND--AGENCY FUND--FIREMAN'S FUND**  
**TOWN OF SALUDA, SOUTH CAROLINA**  
**September 30, 2022**

Assets	
Cash	\$       112,830
	<u>                    </u>
Liabilities	
Interfund payable	\$       21,951
Assets held for others	90,879
	<u>                    </u>
	<u>\$       112,830</u>

*See notes to financial statements.*

**NOTES TO FINANCIAL STATEMENTS  
TOWN OF SALUDA, SOUTH CAROLINA  
September 30, 2022**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Town of Saluda, South Carolina (Town) was originally incorporated on March 16, 1897 under the laws of the State of South Carolina. The Town adopted the Council form of government pursuant to the Home Rule Statute, Act No. 283 of 1995. The Town operates under the Council form of government with the Mayor and six council members comprising the governing body. As authorized by its Code of Ordinances, the Town provides public safety (police and fire protection), public works (streets and sanitation), 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 the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB pronouncements are followed. FASB and APB are the accepted standard setting bodies for establishing financial and reporting principles for business-type or enterprise reporting principles.

**Financial Reporting Entity**

Using the criteria of GASB Statement No. 14, The Financial Reporting Entity, as amended by GASB No. 39, Determining Whether Certain Organizations are Component Units, the basic financial statements of the Town presents the reporting entity that consists of the primary government and those organizations for which the primary government is financially accountable and for which the nature and significance of their relationship with the primary government are such that exclusion could cause the Town's financial statements to misleading or incomplete. Financial accountability is defined as appointment of a voting majority of the separate organization's board and either a) the ability to impose will by the primary government, or b) the possibility that the separate organization will provide a financial benefit to or impose a financial burden on the primary government. At September 30, 2022, there were no such material component units of the Town.

**Basis of Presentation**

*Government-wide Financial Statements*

The Statement of Net Position and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements typically distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, inter-governmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. At September 30, 2021, the Town conducted no business-type activities.

*Fund Financial Statements*

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditure/expenses. Its funds are organized into two major categories: governmental and fiduciary.

**NOTES TO FINANCIAL STATEMENTS  
TOWN OF SALUDA, SOUTH CAROLINA  
September 30, 2022**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--continued**

An emphasis is placed on major funds within the governmental category. A fund is considered major if it is the primary operating fund of the Town or meets the following criteria:

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

The funds of the financial reporting entity are described below:

**Governmental Funds**

*General Fund*

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

**Fiduciary Funds (not included in government-wide statements)**

Fiduciary fund reporting focuses on net assets and changes in net assets, and is used to report assets held in a trustee or agency capacity for others and, therefore, cannot be used to support the government's own programs. The Fiduciary Fund category includes an Agency Fund (Firemen's Fund) to account for funds held for others.

**Measurement Focus and Basis of Accounting**

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

**Measurement Focus**

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

- a.) Governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- c.) Fiduciary funds are not involved in the measurement of results of operations, therefore, measurement focus is not applicable to them.

**NOTES TO FINANCIAL STATEMENTS  
TOWN OF SALUDA, SOUTH CAROLINA  
September 30, 2022**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--continued**

**Basis of Accounting**

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

In the fund financial statements, governmental funds and trust funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when "measurable and available." Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year end. Expenditures (including capital outlays) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

**Assets, Liabilities and Equity**

**Cash and Investments**

For purpose of the Statement of Net Position, "cash, including time deposits" includes all demand savings accounts, and certificates of deposits of the Town. For the purpose of the proprietary fund Statement of Cash Flows, "cash and cash equivalents" include all demand and savings accounts, and certificates of deposit or short-term investments with an original maturity of three months or less. Investments of the promissory note trustee accounts are not considered cash equivalents.

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

**Interfund Receivables and Payables**

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

**Receivables**

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



**NOTES TO FINANCIAL STATEMENTS**  
**TOWN OF SALUDA, SOUTH CAROLINA**  
**September 30, 2022**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--continued**

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

**Capital Assets**

The accounting treatment over property, plant, and equipment (fixed assets) depends on whether the assets are reported in the government-wide or fund financial statements. Capital assets purchased or acquired with original costs of \$1,000 or more are reported at historical cost or estimated historical costs. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

*Government-wide Statements*

In the government-wide financial statements, fixed assets are accounted for as capital assets. All fixed assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated fixed assets which are recorded at their estimated fair value at the date of donation.

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

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

*Fund Financial Statements*

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

**Restricted Assets**

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

**NOTES TO FINANCIAL STATEMENTS**  
**TOWN OF SALUDA, SOUTH CAROLINA**  
**September 30, 2022**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--continued**

**Long-Term Debt**

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

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

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

**Deferred Outflows of Resources**

In addition to assets, the statement of net position 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.

**Deferred Inflows of Resources**

In addition to liabilities, the statement of net position 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.

**Subsequent Events**

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

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

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

**NOTES TO FINANCIAL STATEMENTS  
TOWN OF SALUDA, SOUTH CAROLINA  
September 30, 2022**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--continued**

**Equity Classifications**

*Government-wide Statements*

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

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

*Fund Statements*

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

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

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

**NOTES TO FINANCIAL STATEMENTS**  
**TOWN OF SALUDA, SOUTH CAROLINA**  
**September 30, 2022**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--continued**

**Revenues, Expenditures and Expenses**

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

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

Governmental Funds--by character	Current (further classified by function)
	Debt service
	Capital outlay

Proprietary Fund--by operating and nonoperating

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

**Budgets**

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

**Encumbrances**

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

**Compensated Absences**

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

**Interfund Transfers**

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

**NOTES TO FINANCIAL STATEMENTS  
TOWN OF SALUDA, SOUTH CAROLINA  
September 30, 2022**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--continued**

**Use of Estimates**

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

**NOTE B - COMPLIANCE AND ACCOUNTABILITY**

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

**Legal Compliance - Budgets**

Several months before the start of each fiscal year, departments and related agencies of the Town submit requests for appropriations to the Town Administrator for processing in formulation of the Town's upcoming fiscal year budget. The budget is prepared by fund, function and activity, and includes information on the current year estimates and requested appropriations for the next fiscal year. A proposed budget is formulated and presented to Town Council for review and revision. The revised budget is submitted and exposed for debate during formal budget hearings open to the public. Changes to the budget resulting from these hearings must be within the revenues and reserves estimated as available by original availability estimates, or either the estimated revenues must be changed by an affirmative vote of majority of the Town Council.

The budget for each upcoming fiscal year is usually adopted before the end of the prior fiscal year. Expenditures may not legally exceed budgeted appropriations at the program level. During the year no supplementary appropriations were necessary.

**Deposits and Investments - Laws and Regulations**

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

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

**NOTES TO FINANCIAL STATEMENTS  
TOWN OF SALUDA, SOUTH CAROLINA  
September 30, 2022**

**NOTE B - COMPLIANCE AND ACCOUNTABILITY--continued**

**Property Taxes**

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

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

**General Obligation Debt**

The State of South Carolina limits the amount of outstanding general obligation bonded debt of the Town for non-utility or non-street purposes to no more than 8 percent of net assessed property valuation. For the year ended September 30, 2022 the Town had \$33,378 in outstanding general obligation bonded debt.

**Deficit Prohibition**

South Carolina State Law prohibits the creation of a deficit fund balance in any individual fund of the Town's primary government.

**NOTE C - CASH AND INVESTMENTS**

At September 30, 2022 the Town's total deposits were \$1,289,357 and the bank balance was \$1,259,554. The bank balances were classified into three categories of custody risk assumed by the Town based upon how its deposits were insured or secured with collateral at September 30, 2022. The categories of credit risk are defined as follows:

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

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

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

	Category			Bank
	1	2	3	Balance
Demand deposits	\$ 500,000	\$ 1,087,201	\$ --	\$ 1,587,201
Money market account	250,000	--	301,608	551,608
	<u>\$ 750,000</u>	<u>\$ 1,087,201</u>	<u>\$ 301,608</u>	<u>\$ 2,138,809</u>

**NOTES TO FINANCIAL STATEMENTS**  
**TOWN OF SALUDA, SOUTH CAROLINA**  
**September 30, 2022**

**NOTE C - CASH AND INVESTMENTS--continued**

Carrying value on Government-wide Statement of Net Assets:

Unrestricted cash, including time deposits	\$ 1,439,962
Restricted cash	<u>657,518</u>
	<u><u>\$ 2,097,480</u></u>

**NOTE D - RECEIVABLES**

Receivables at September 30, 2022 consisted of the following:

Property taxes	\$ 21,930
Intergovernmental--state revenues	140,609
Sanitation fees	41,672
Other	<u>27,629</u>
	<u><u>\$ 231,840</u></u>

**NOTE E - CAPITAL ASSETS**

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

	Balance at September 30, 2021	Additions	Disposals	Balance at September 30, 2022
Nondepreciable				
Land	\$ 525,248	\$ --	\$ --	\$ 525,248
Depreciable				
Buildings	1,925,235	--	--	1,925,235
Furniture and equipment	1,178,123	226,105	42,658	1,361,570
Vehicles	673,674	37,954	--	711,628
	<u>3,777,032</u>	<u>264,059</u>	<u>42,658</u>	<u>3,998,433</u>
Total capital assets	4,302,280	264,059	42,658	4,523,681
Less accumulated depreciation	<u>2,417,107</u>	<u>124,346</u>	<u>27,598</u>	<u>2,513,855</u>
Capital assets, net	<u><u>\$ 1,885,173</u></u>	<u><u>\$ 139,713</u></u>	<u><u>\$ 15,060</u></u>	<u><u>\$ 2,009,826</u></u>
Depreciation expense by activity				
General government		\$ 52,626		
Court		10		
Public safety		36,733		
Streets and sanitation		31,188		
Grants		<u>3,789</u>		
		<u><u>\$ 124,346</u></u>		

**NOTES TO FINANCIAL STATEMENTS**  
**TOWN OF SALUDA, SOUTH CAROLINA**  
**September 30, 2022**

**NOTE F - CHANGES IN NONCURRENT LIABILITIES**

Noncurrent liabilities activity for the year ended September 30, 2022 was as follows:

	Balance at September 30, 2021	Additions	Reductions	Balance at September 30, 2022	Current Maturities
Revenue bond	\$ 409,601	\$ --	\$ 7,870	401,731	\$ 8,150
Loans payable	44,071	--	10,693	33,378	10,907
Compensated absence:	47,782	23,378	24,163	46,997	--
Net pension liability	1,348,104	132,174	--	1,480,278	--
	<u>\$ 1,849,558</u>	<u>\$ 155,552</u>	<u>\$ 42,726</u>	<u>\$ 1,962,384</u>	<u>\$ 19,057</u>

**NOTE G - REVENUE BOND**

The Town has an outstanding revenue bond obligation to the United States Department of Agriculture (USDA). The obligation is for loan proceeds received under the USDA Rural Utilities Service Guaranteed Loan Program which provides guarantees on loan financing for infrastructure or infrastructure improvements for water and waste treatment, electric power, and telecommunications services to rural communities. The Town used its borrowing capacity and administrative authority to pass the loan proceeds through to a subrecipient, the Saluda Commission of Public Works, which has no debt borrowing authority. The Saluda Commission of Public Works remits debt service payments to the Town, which in turn services the actual outstanding debt requirements and the Town has no obligation for the debt beyond the resources provided by the debt. Details regarding the bond issue are as follows:

\$474,100 Waterworks and Sewer System Revenue Bond, Series 2012 dated October 10, 2012 payable to a financial institution originally calling for forty annual installments of \$22,080 including interest at 3.5% per year beginning October 10, 2012 through September 10, 2052. However, debt service payments are being made in monthly installment \$1,830 including principal and interest, which moves up the maturity date to November 10, 2051.

\$ 401,731

The annual debt-service requirements to amortize outstanding revenue bonds payable as of September 30, 2022, including interest payments are as follows:

September 30,	Principal	Interest	Total
2023	\$ 8,150	\$ 13,930	\$ 22,080
2024	8,440	13,640	22,080
2025	8,703	13,377	22,080
2026	9,050	13,030	22,080
2027	9,372	12,708	22,080
2028 - 2032	52,066	58,334	110,400
2033 - 2037	61,986	48,414	110,400
2038 - 2042	73,861	36,539	110,400
2043 - 2047	87,969	22,431	110,400
2048 - 2052	82,134	5,992	88,126
	<u>\$ 401,731</u>	<u>\$ 238,395</u>	<u>\$ 640,126</u>



**NOTES TO FINANCIAL STATEMENTS  
TOWN OF SALUDA, SOUTH CAROLINA  
September 30, 2022**

**NOTE H - LOANS PAYABLE**

Loans payable for the year ended September 30, 2022 from governmental activities were as follows:

Conserfund loan payable to the South Carolina Office of Regulatory Staff for financing upgrading existing signs, interior lighting and outdoor wall packs to LED fixtures within its police, fire and sanitation departments along with a roof-mounted solar array project which includes equipment, electrical permits, warranties, and installation. The loan calls for a maximum principal amount up to \$85,635 to be repaid in eight annual installments of \$11,690 including interest at 2% per year beginning on June 1, 2018.

\$ 33,378

The annual debt-service requirements to amortize the outstanding these loans are follows:

September 30,	Principal	Interest	Total
2023	\$ 10,907	\$ 668	\$ 11,574
2024	11,125	449	11,574
2025	11,346	227	11,573
	<u>\$ 33,378</u>	<u>\$ 1,344</u>	<u>\$ 34,722</u>

**NOTE I - PENSION PLANS**

The South Carolina Public Employee Benefit Authority ("PEBA"), which was created July 1, 2012, administers the various retirement systems and retirement programs managed by its Retirement Division. PEBA has an 11-member Board of Directors, appointed by the Governor and General Assembly leadership, which serves as co-trustee and co-fiduciary of the systems and the trust funds. By law, the Budget and Control Board (restructured into the Department of Administration on July 1, 2015), which consists of five elected officials, also reviews certain PEBA Board decisions regarding the funding of the South Carolina Retirement Systems ("Systems") and serves as a co-trustee of the Systems in conducting that review.

PEBA issues a Comprehensive Annual Financial Report ("CAFR") containing financial statements and required supplementary information for the Systems' Pension Trust Funds. The CAFR is publicly available through the Retirement Benefits' link on PEBA's website at [www.peba.sc.gov](http://www.peba.sc.gov), or a copy may be obtained by submitting a request to PEBA, PO Box 11960, Columbia, SC 29211-1960. 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 Description**

The South Carolina Retirement System ("SCRS"), a cost-sharing multiple-employer defined benefit pension plan, was established effective July 1, 1945, pursuant to the provisions of Section 9-1-20 of the South Carolina Code of Laws for the purpose of providing retirement allowances and other benefits for employees of the state, its public school districts, and political subdivisions.

The South Carolina Police Officers Retirement System ("PORS"), a cost-sharing multiple-employer defined benefit pension plan, was established effective July 1, 1962, pursuant to the provisions of Section 9-11-20 of the South Carolina Code of Laws for the purpose of providing retirement allowances and other benefits for police officers and firemen of the state and its political subdivisions.

**NOTES TO FINANCIAL STATEMENTS  
TOWN OF SALUDA, SOUTH CAROLINA  
September 30, 2022**

**NOTE I - PENSION PLANS--continued**

**Membership**

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

- SCRS - Generally, all employees of covered employers are required to participate in and contribute to the system as a condition of employment. This plan covers general employees and teachers and individuals newly elected to the South Carolina General Assembly beginning with the November 2012 general election. An employee member of the system with an effective date of membership prior to July 1, 2012, is a Class Two member. An employee member of the system with an effective date of membership on or after July 1, 2012, is a Class Three member.
- PORS - To be eligible for PORS membership, an employee must be required by the terms of his employment, by election or appointment, to preserve public order, protect life and property, and detect crimes in the state; to prevent and control property destruction by fire; or to serve as 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. A brief summary of the benefit terms for each system is presented below.

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

The annual retirement allowance of eligible retirees or their surviving annuitants is increased by the lesser of 1% or \$500 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.

**NOTES TO FINANCIAL STATEMENTS  
TOWN OF SALUDA, SOUTH CAROLINA  
September 30, 2022**

**NOTE I - PENSION PLANS--continued**

• 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 1% or \$500 every July 1. Only those annuitants in receipt of a benefit on July 1 of the preceding year are eligible to receive the increase.

**Contributions**

Contributions are prescribed in Title 9 of the South Carolina Code of Laws. The PEBA Board may increase the SCRS and PORS employer and employee contribution rates on the basis of the actuarial valuations, but any such increase may not result in a differential between the employee and employer contribution rate that exceeds 2.9% of earnable compensation for SCRS and 5% for PORS. An increase in the contribution rates adopted by the Board may not provide for an increase of more than one-half of one percent in any one year. If the scheduled employee and employer contributions provided in statute or the rates last adopted by the board are insufficient to maintain a 30-year amortization schedule of the unfunded liabilities of the plans, the board shall increase the contribution rates in equal percentage amounts for the employer and employee as necessary to maintain the 30-year amortization period; this increase is not limited to one-half of one percent per year.

**Required employee contribution rates for fiscal year 2021-2022 are as follows:**

SCRS	
Class Two	9.00% for the entire fiscal year
Class Three	9.00% for the entire fiscal year
PORS	
Class Two	9.75% for the entire fiscal year
Class Three	9.75% for the entire fiscal year

**Required employer contribution rates for fiscal year 2021-2022 are as follows:**

SCRS	
Class Two	15.41% for the first 3 quarters and 16.41% for the last quarter
Class Three	15.41% for the first 3 quarters and 16.41% for the last quarter
Incidental Death Benefit	.15% for the entire fiscal year
PORS	
Class Two	17.84% for the first 3 quarters and 18.84% for the last quarter
Class Three	17.84% for the first 3 quarters and 18.84% for the last quarter
Incidental Death Benefit	.20% for the entire fiscal year
Accidental Death Benefit	.20% for the entire fiscal year

**NOTES TO FINANCIAL STATEMENTS**  
**TOWN OF SALUDA, SOUTH CAROLINA**  
**September 30, 2022**

**NOTE I - PENSION PLANS--continued**

The Town's required and actual employer contributions for the year ended September 30, 2022 are as follows:

	<u>SCRS</u>	<u>PORS</u>	<u>Total</u>
Required contributions	\$ 74,898	\$ 55,646	\$ 130,544
Actual contributions recognized by plan	<u>67,354</u>	<u>57,895</u>	<u>125,249</u>
Variance	<u>\$ 7,544</u>	<u>\$ (2,249)</u>	<u>\$ 5,295</u>

**Actuarial Assumptions and Methods**

Actuarial valuations 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 during the valuation process 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 most recent annual actuarial valuation reports adopted by the PEBA Board are as of July 1, 2021. The net pension liability of each defined benefit pension plan was therefore determined by the consulting actuary, Gabriel, Roeder, Smith and Company ("GRS"), based on the July 1, 2021, actuarial valuations using membership data as of July 1, 2020, projected forward to the end of the fiscal year, and financial information of the pension trust funds as of June 30, 2022, using generally accepted actuarial procedures. Information included in the following schedules is based on the certification provided by GRS.

The following provides a summary of the actuarial assumptions and methods used in the June 30, 2019, valuations for SCRS and PORS.

	<u>SCRS</u>	<u>PORS</u>
Actuarial cost method	Entry age	Entry age
Actuarial cost assumptions		
Investment rate of return	7.00%	7.00%
Projected salary increases	3.0% to 11.0% *	3.5% to 10.5% *
Benefit adjustments	Lesser of 1% or \$500	Lesser of 1% or \$500

\* - varies by service and includes inflation at 2.25%

The post-retiree mortality assumption is dependent upon the member's job category and gender. The base mortality assumptions, the 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.

<u>Former Job Class</u>	<u>Males</u>	<u>Females</u>
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%
2016 PRSC Females multiplied by 111%	2020 PRSC Males multiplied by 127%	2020 PRSC Females multiplied by 107%

**NOTES TO FINANCIAL STATEMENTS  
TOWN OF SALUDA, SOUTH CAROLINA  
September 30, 2022**

**NOTE I - PENSION PLANS--continued**

**Net Pension Liability**

The net pension liability (NPL) is calculated separately for each system and represents that particular system's total pension liability determined in accordance with GASB Statement No. 67 less that System's fiduciary net position. The Town's proportional share of the NPL amounts for SCRS and PORS are presented below:

Measurement Period Ended	Fiscal Year Ended				
<u>June 30.</u>	<u>September 30.</u>		<u>SCRS</u>	<u>PORS</u>	<u>Total</u>
2014	2014	\$	665,446	\$	620,786
2015	2015	\$	790,102	\$	620,786
2016	2016	\$	860,802	\$	650,073
2017	2017	\$	986,459	\$	806,088
2018	2018	\$	836,107	\$	770,052
2019	2019	\$	845,610	\$	665,593
2020	2020	\$	904,132	\$	803,743
2021	2021	\$	813,795	\$	534,309
2022	2022	\$	876,979	\$	603,299
					\$ 1,480,278

The total pension liability is calculated by the Systems' actuary, and each plan's fiduciary net position is reported in the Systems' financial statements. The Town's proportionate share of the net pension liability was calculated on the basis of historical employer contributions. Although GASB 68 encourages the use of the employer's projected long-term contribution effort to the retirement plan, allocating on the basis of historical employer contributions is considered acceptable. For the measurement period ended June 30, 2022, the Town's percentage of the SCRS and PORS net pension liability was 0.003758% and 0.020767%, respectively.

*Discount Rate*

The discount rate used to measure the total pension liability was 7.00%. 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 State Code of Laws. Based on those assumptions, each System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Long-term Expected Rate of Return*

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

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

**NOTES TO FINANCIAL STATEMENTS**  
**TOWN OF SALUDA, SOUTH CAROLINA**  
**September 30, 2022**

**NOTE I - PENSION PLANS--continued**

Allocation / Exposure	Policy Target	Expected Arithmetic Real Rate of Return	Long Term Expected Portfolio Real Rate of Return
Public Equity	46.00%	6.79%	3.12%
Bonds	26.00%	-35.00%	-0.09%
Private Equity <sup>1</sup>	9.00%	8.75%	0.79%
Private Debt <sup>2</sup>	7.00%	6.00%	0.42%
Real Assets			
Real Estate <sup>1</sup>	9.00%	4.12%	0.37%
Infrastructure <sup>1</sup>	3.00%	5.88%	0.18%
Total Expected Return <sup>3</sup>	100.00%		4.79%
Inflation for Actuarial Purposes			2.25%
			7.04%

1 RSIC staff and consultant will notify the Commission if the collective exposure to Private Equity, Private Debt and Private Real Assets exceeds 30 percent of total plan assets.

2 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 15% of total assets.

**Rate Sensitive**

Core Fixed Income	13%	1.60%	0.21%
Cash and Short Duration (Net)	1%	0.56%	0.01%
Total expected real rate of return	14%		0.22%
Inflation for actuarial purposes			2.25%
Total expected nominal return			2.47%

*Sensitivity Analysis*

The following table presents the Town's collective net pension liability calculated using the discount rate of 7.00%, as well as what the Town's net pension liability 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	1% Decrease 6.00%	Current Rate 7.00%	1% Increase 8.00%
SCRS	\$ 1,124,395	\$ 876,979	\$ 671,284
PORS	841,264	603,299	408,502
	<u>\$ 1,965,659</u>	<u>\$ 1,480,278</u>	<u>\$ 1,079,786</u>

**Plan Fiduciary Net Position**

Detailed information about the Plan's fiduciary net position is available in PEBA's separately issued financial report.

**NOTES TO FINANCIAL STATEMENTS**  
**TOWN OF SALUDA, SOUTH CAROLINA**  
**September 30, 2022**

**NOTE I - PENSION PLANS--continued**

**Pension Expense and Deferred Outflows (Inflows) of Resources**

At September 30, 2022, the Town reported deferred outflows (inflows) of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 17,741	\$ 15,748
Changes in assumptions	-	-
Changes in assumptions	53,249	-
Net difference between projected and actual earnings on pension plan investments	132,201	256,752
Changes in proportion and differences between employer contributions and proportionate share of plan contributions	32,727	103,818
Contributions subsequent to the measurement date	<u>32,388</u>	<u>-</u>
	<u><u>\$ 268,306</u></u>	<u><u>\$ 376,318</u></u>

The Town reported \$33,388 as deferred outflows of resources related to contributions subsequent to the measurement date which will be recognized as a reduction of the net pension liability in the year ending September 30, 2022. Other amounts reported as deferred outflows (inflows) of resources will be recognized in pension expense in future years. The following schedule reflects the amortization of the Town's proportional share of the net balance of remaining deferred outflows (inflows) of resources at June 30, 2022. Average remaining service lives of all employees provided with pensions through the pension plans at June 30, 2022, measurement date was 3.767 years for SCRS and 3.846 years for PORS.

Measurement Period Ending June 30,	Fiscal Year Ending September 30,	SCRS	PORS	Total
2023	2023	\$ 14,810	\$ (14,180)	\$ 630
2024	2024	14,926	(18,799)	(3,873)
2025	2025	(27,398)	(28,354)	(55,752)
2026	2026	<u>22,871</u>	<u>23,450</u>	<u>46,321</u>
		<u><u>\$ 25,209</u></u>	<u><u>\$ (37,883)</u></u>	<u><u>\$ (12,674)</u></u>

**Payables to the Pension Plans**

At September 30, 2022, the Town reported a payable of \$14,754 and \$10,648 for the outstanding amount of contributions due to SCRS and PORS, respectively. This liability will be paid in the normal course of paying year-end obligations.

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

**NOTES TO FINANCIAL STATEMENTS**  
**TOWN OF SALUDA, SOUTH CAROLINA**  
**September 30, 2022**

**NOTE J - RISK MANAGEMENT AND CONTINGENCIES**

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

**NOTE K - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

Interfund balances at September 30, 2022 were as follows:

	Receivables	Payables
Major Governmental Funds		
General Fund	\$ 21,951	\$ --
Agency Fund	--	21,951
	<u>\$ 21,951</u>	<u>\$ 21,951</u>

The interfund balances reflect amounts due from one fund to another for obligations of that fund that have been satisfied by the other. The Town has not addressed the repayment of these interfund repayments and historically has made repayment whenever funds are available for repayment and anticipates that repayment will be paid within one year.

**NOTE L - SUBSEQUENT EVENTS**

Management has evaluated subsequent events through August 8, 2023, which is the date financial statements were available to be issued. The Town has no other events requiring recording or disclosure.



## **REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF EMPLOYER PROPORTIONATE SHARE OF NET PENSION LIABILITY**  
**TOWN OF SALUDA, SOUTH CAROLINA**  
**Year Ended September 30, 2021**  
**With Annual Measurement Date of June 30th**

	SCRS								
	Measurement Period Year Ending June 30,								
	2022	2021	2020	2019	2018	2017	2016	2015	2014
Percentage of total net pension liability	0.003618%	0.003758%	0.003538%	0.003703%	0.003731%	0.004382%	0.004030%	0.004160%	0.386500%
Proportion share of net pension liability	\$ 876,979	\$ 813,795	\$ 904,132	\$ 845,610	\$ 770,052	\$ 986,459	\$ 860,802	\$ 790,102	\$ 665,446
Covered payroll	\$ 452,281	\$ 424,881	\$ 403,813	\$ 385,370	\$ 399,311	\$ 429,932	\$ 429,932	\$ 419,916	\$ 367,389
Proportion share of net pension liability as a percentage of covered payroll	193.90%	191.53%	223.90%	219.43%	192.85%	229.45%	200.22%	188.16%	181.13%
Plan's fiduciary net position as a percentage of total pension liability	57.10%	60.70%	50.70%	54.40%	54.10%	53.30%	52.90%	57.00%	59.90%
	PORS								
	Measurement Period Year Ending June 30,								
	2022	2021	2020	2019	2018	2017	2016	2015	2014
Percentage of total net pension liability	0.020117%	0.020767%	0.024237%	0.023224%	0.027176%	0.029420%	0.025630%	0.002848%	0.026020%
Proportion share of net pension liability	\$ 603,299	\$ 534,309	\$ 803,743	\$ 665,593	\$ 836,107	\$ 806,088	\$ 650,073	\$ 620,786	\$ 498,403
Covered payroll	\$ 292,256	\$ 312,266	\$ 364,131	\$ 336,247	\$ 371,481	\$ 338,256	\$ 338,256	\$ 326,085	\$ 301,601
Proportion share of net pension liability as a percentage of covered payroll	206.43%	171.11%	220.73%	197.95%	225.07%	238.31%	192.18%	190.38%	165.25%
Plan's fiduciary net position as a percentage of total pension liability	66.40%	70.40%	58.80%	62.70%	61.70%	60.90%	60.40%	64.60%	67.50%

Note: the Town implemented GASB Statement 68 during fiscal year ended September 30, 2015 (measurement period year ended June 30, 2015). Data beginning with fiscal year ended September 30, 2014 is available for presentation. Data prior to the year ended September 30, 2014 (measurement period year ended June 30, 2014) is unavailable. GASB Statement 68 requires this schedule to be a 10 year historical comparison, but allows for it to be built prospectively as trend data becomes available.

**SCHEDULE OF EMPLOYER CONTRIBUTIONS**  
**TOWN OF SALUDA, SOUTH CAROLINA**  
**Year Ended September 30, 2021**  
**With Annual Measurement Date of June 30th**

	SCRS								
	Measurement Period Year Ending June 30,								
	2022	2021	2020	2019	2018	2017	2016	2015	2014
Statutorily required contributions	\$ 74,898	\$ 66,111	\$ 61,674	\$ 56,110	\$ 54,147	\$ 48,405	\$ 48,288	\$ 46,141	\$ 39,295
Contributions recognized by the plan	\$ 67,354	\$ 62,120	\$ 61,425	\$ 52,957	\$ 48,454	\$ 51,115	\$ 43,165	\$ 42,577	\$ 37,191
Covered employee payroll	\$ 452,281	\$ 424,881	\$ 396,360	\$ 385,370	\$ 399,311	\$ 419,890	\$ 429,932	\$ 419,916	\$ 367,389
Percentage of recognized contributions to covered employee payroll	14.89%	14.62%	15.50%	13.74%	12.13%	12.17%	10.04%	10.14%	10.12%

	PORS								
	Measurement Period Year Ending June 30,								
	2022	2021	2020	2019	2018	2017	2016	2015	2014
Statutorily required contributions	\$ 55,646	\$ 56,333	\$ 66,231	\$ 57,296	\$ 59,586	\$ 46,416	\$ 46,242	\$ 48,610	\$ 43,140
Contributions recognized by the plan	\$ 57,895	\$ 53,598	\$ 66,783	\$ 53,896	\$ 57,729	\$ 56,425	\$ 44,894	\$ 47,320	\$ 40,180
Covered employee payroll	\$ 292,256	\$ 312,266	\$ 367,132	\$ 336,247	\$ 371,481	\$ 359,891	\$ 338,256	\$ 326,085	\$ 301,601
Percentage of recognized contributions to covered employee payroll	19.81%	17.16%	18.19%	16.03%	15.54%	15.68%	13.94%	14.51%	13.32%

Note: the Town implemented GASB Statement 68 during fiscal year ended September 30, 2015 (measurement period year ended June 30, 2015). Data beginning with fiscal year ended September 30, 2014 is available for presentation. Data prior to the year ended September 30, 2014 (measurement period year ended June 30, 2014) is unavailable. GASB Statement 68 requires this schedule to be a 10 year historical comparison, but allows for it to be built prospectively as trend data becomes available.

**SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET (GAAP) AND ACTUAL**  
**GENERAL FUND**  
**TOWN OF SALUDA, SOUTH CAROLINA**  
**Year Ended September 30, 2022**

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	Favorable (Unfavorable)
Revenues				
Taxes				
Property	230,000	230,000	330,124	100,124
Vehicle	40,000	40,000	62,826	22,826
	<u>270,000</u>	<u>270,000</u>	<u>392,950</u>	<u>122,950</u>
Licenses, fees and permits				
Franchise fees	539,000	539,000	576,212	37,212
Business licenses	75,000	75,000	79,072	4,072
Building permits	5,000	5,000	25,940	20,940
	<u>619,000</u>	<u>619,000</u>	<u>681,224</u>	<u>62,224</u>
Fines and forfeitures				
Law enforcement and municipal court	125,000	125,000	96,483	(28,517)
Code enforcement	1,000	1,000	-	(1,000)
	<u>126,000</u>	<u>126,000</u>	<u>96,483</u>	<u>(29,517)</u>
Intergovernmental				
Federal funds				
Environmental Protection Agency	20,000	20,000	32,614	12,614
Office for Victims Crime	-	-	30,000	30,000
	<u>20,000</u>	<u>20,000</u>	<u>62,614</u>	<u>42,614</u>
State distributed revenues				
Local option sales tax	410,000	410,000	424,723	14,723
Local government fund	88,000	88,000	89,020	1,020
Homestead exemption	38,000	38,000	38,482	482
Statewide accommodations tax	36,000	36,000	45,045	9,045
Merchant's inventory tax	16,400	16,400	16,486	86
Motor carrier property tax	10,000	10,000	15,407	5,407
	<u>598,400</u>	<u>598,400</u>	<u>629,163</u>	<u>30,763</u>
State and local grants				
Solar energy grants	-	-	1,512	1,512
	<u>-</u>	<u>-</u>	<u>1,512</u>	<u>1,512</u>
	<u>618,400</u>	<u>618,400</u>	<u>693,289</u>	<u>74,889</u>
Charges for services				
Sanitation fees	195,000	195,000	190,114	(4,886)
Other sources				
Miscellaneous	21,500	21,500	182,629	161,129
Interest	401	401	2,215	1,814
	<u>21,901</u>	<u>21,901</u>	<u>184,844</u>	<u>162,943</u>
	<u>43,802</u>	<u>43,802</u>	<u>369,688</u>	<u>325,886</u>
TOTAL REVENUES	1,850,301	1,850,301	2,238,904	388,603

**SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET (GAAP) AND ACTUAL--Continued**  
**GENERAL FUND**  
**TOWN OF SALUDA, SOUTH CAROLINA**  
**Year Ended September 30, 2022**

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	Favorable (Unfavorable)
Expenditures				
Departmental				
General government				
Personnel	181,205	181,205	174,700	6,505
Fringe benefits	-	-	81,081	(81,081)
Operating	158,933	158,933	164,932	(5,999)
Capital outlays	42,439	42,439	27,830	14,609
	<u>382,577</u>	<u>382,577</u>	<u>448,543</u>	<u>(65,966)</u>
Municipal court				
Personnel	48,014	48,014	52,599	(4,585)
Fringe benefits	-	-	23,756	(23,756)
Operating	87,500	87,500	53,021	34,479
	<u>135,514</u>	<u>135,514</u>	<u>129,376</u>	<u>6,138</u>
Public safety				
Law enforcement				
Personnel	353,257	353,257	337,713	15,544
Fringe benefits	-	-	152,410	(152,410)
Operating	55,700	55,700	82,788	(27,088)
Capital outlays	9,500	9,500	39,534	(30,034)
	<u>418,457</u>	<u>418,457</u>	<u>612,445</u>	<u>(193,988)</u>
Fire prevention				
Personnel	22,310	22,310	4,641	17,669
Fringe benefits	-	-	1,114	(1,114)
Operating	6,840	6,840	9,113	(2,273)
Capital outlays	1,000	1,000	31,597	(30,597)
	<u>30,150</u>	<u>30,150</u>	<u>46,465</u>	<u>(16,315)</u>
	<u>448,607</u>	<u>448,607</u>	<u>658,910</u>	<u>(210,303)</u>
Public works--streets and sanitation				
Personnel	182,106	182,106	197,438	(15,332)
Fringe benefits	-	-	88,108	(88,108)
Operating	205,950	205,950	239,410	(33,460)
Capital outlays	25,000	25,000	165,097	(140,097)
	<u>413,056</u>	<u>413,056</u>	<u>690,053</u>	<u>(276,997)</u>
Building code enforcement				
Operating	13,100	13,100	2,089	11,011
	<u>13,100</u>	<u>13,100</u>	<u>2,089</u>	<u>11,011</u>
Victims advocate				
Personnel	30,142	30,142	27,931	2,211
Fringe benefits	425,055	425,055	12,723	412,332
Operating	2,250	2,250	3,622	(1,372)
	<u>457,447</u>	<u>457,447</u>	<u>44,276</u>	<u>413,171</u>
Total departmental expenditures	1,850,301	1,850,301	1,973,247	(122,946)

**SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET (GAAP) AND ACTUAL--Continued**  
**GENERAL FUND**  
**TOWN OF SALUDA, SOUTH CAROLINA**  
**Year Ended September 30, 2022**

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	Favorable (Unfavorable)
Debt service				
Principal retirement	-	-	18,563	(18,563)
Interest and fiscal charges	-	-	15,091	(15,091)
Pass-through receipts-principal	-	-	(7,870)	7,870
Pass-through receipts-interest	-	-	(14,210)	14,210
	<u>-</u>	<u>-</u>	<u>11,574</u>	<u>(11,574)</u>
TOTAL EXPENDITURES	<u>1,850,301</u>	<u>1,850,301</u>	<u>1,984,821</u>	<u>(134,520)</u>
EXCESS OF REVENUE				
OVER EXPENDITURES	-	-	254,083	254,083
Fund balance at beginning of year	-	-	1,409,760	1,409,760
FUND BALANCE AT END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,663,843</u>	<u>\$ 1,663,843</u>

## **OTHER SUPPLEMENTARY INFORMATION**

**SCHEDULE OF FINES, ASSESSMENTS AND SURCHARGES**  
**TOWN OF SALUDA, SOUTH CAROLINA**  
**Year Ended September 30, 2022**

Court Fines and Assessments

Court fines and fees collected		
Fines collected	\$	40,384
Assessments		43,751
Surcharges		17,154
		<hr/>
Dispositions		101,289
Court fines due to State Treasurer's Office		
Municipal DUS DPS Pullout		686
Municipal Drug Surcharge		4,007
Municipal Law Enforcement Surcharge		10,555
Municipal Criminal Justice Academy Surcharge		140
Other Assessments		38,267
		<hr/>
		53,655
Court fines and fees retained by Town		40,384
		<hr/>
Total dispositions		94,039
		<hr/>
Court fines and fees retained for victims services	\$	7,250
		<hr/> <hr/>

Surcharges and Assessments Retained for Victims Services

Unexpended victim services funds at beginning of year		\$	7,075
Assessments collected and retained	\$	4,798	
Surcharges collected and retained		2,451	7,249
Expended for victims services			(8,699)
			<hr/>
Unexpended victim services funds at end of year		\$	5,625
			<hr/> <hr/>



## COMPLIANCE SECTION



## REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AN OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITNG STANDARDS

To the Honorable Mayor and Town Council  
Of the Town of Saluda, 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, each major fund, and the aggregate remaining fund information, of the Town of Saluda, South Carolina, (Town) as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements and have issued our report thereon dated August 8, 2023.

### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Town's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town'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 of 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 only one of the deficiencies described in the accompanying schedule of findings and questioned costs to be a material weakness, Finding #2022-1 Segregation of Duties.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies: Finding #2022-2 Preparation of Financial Statements; and Finding #2022-3 Capital Asset Ledgers.

### **Compliance and Other Matters**

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

**Compliance and Other Matters--continued**

We wish to communicate to you that there are no known material uncorrected misstatements, individually or in aggregate, to the financial statements taken as a whole; the significant accounting policies are described in the notes to the financial statements; the financial statements include no significant accounting estimates other than those, if any, reflected in the financial statements; all audit adjustments proposed have been reviewed and accepted by management and have been reflected in the financial statements; we have no knowledge of management consulting with other independent auditors; and we encountered no disagreements nor substantial difficulties in dealing with management in performing and completing our audit. We must also point out that although a financial statement audit is a component of good governance, it cannot, however, be construed as a substitute for, nor a reduction in, the total overall due diligence responsibilities of those charged with governance.

**Town's Responses to Findings**

The Town's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. *Government Auditing Standards* require the auditor to perform limited procedures on the Town's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The Town's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

**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.

*Hamilton, McHenry & Moss*

Columbia, South Carolina  
August 8, 2023

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**TOWN OF SALUDA SOUTH CAROLINA**  
**September 30, 2022**

**FINDINGS RELATING TO THE BASIC FINANCIAL STATEMENTS REPORTED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

**Finding 2022-1 Segregation of Duties**

**Criteria or specific requirement:** Internal control, originally referred to as internal check, is defined throughout accounting and auditing literature as the process of assuring achievement of an organization's objectives in operational effectiveness and efficiency, reliable financial reporting, and compliance with laws regulations and policies. It aims toward minimizing risks to an organization by directing, monitoring and measuring an organization's resources and are concerned with reliability of financial reporting, timely feedback on achievement of operational or strategic goals, and compliance with laws and regulations.

**Condition:** There is an absence of an absolute segregation of duties in the accounting process due primarily to an accounting department that lacks the size and resources to function in an ideal manner that could assist in reducing the likelihood of a material misstatement.

**Cause of condition:** It is virtually impossible or, in most cases as with the Town, cost prohibitive to have a perfect segregation of duties within the accounting process. The Town simply cannot justify the added costs implement an absolute separation of duties because it believes that cost far outweighs the perceived benefits.

**Potential effect of condition:** The lack of an absolute segregation of duties weakens the Town's internal control structure's ability to absolutely prevent and/or detect possible misstatements through second-party independent verification for safeguarding of assets and for potential material misstatement within the Town's financial statements.

**Recommendation:** We understand that the added costs of providing an absolute segregation of duties will, in most cases, out-weigh the projected benefits of the added controls, and therefore, may be considered unjustified. However, we are obligated by recently adopted auditing standards to bring this condition to your attention. Those charged with the Town's governance are obligated to consider the validity of these comments in light of the circumstances surrounding this condition and respond as they consider necessary. Their response may very well entail acceptance and continuance of this condition as the best perceived alternative under the circumstances.

**Response of responsible Town official:** Absolute separation of duties is rarely, if ever, seen within small-to-medium-sized organizations simply because of the lack of a cost-benefit justification for the added segregation of duties. In the absence of absolute segregation of duties, we implore mitigating controls that reduce the likelihood of material misstatement. We believe that the added costs of providing an absolute segregation of duties will far out-weigh the projected benefits of the added controls, and therefore, consider it as unjustifiable.

**Finding 2022-2 Preparation of Financial Statements**

**Criteria or specific requirement:** The Town is obligated by the State of South Carolina and various other regulatory and funding agencies, as well as due diligence responsibilities to the general-public, to provide audited full-disclosure financial statements.

**Condition:** The Town management does not internally prepare its own full-disclosure financial statements that it makes available to regulatory agencies or funding agencies and the general-public at large

**Cause of Condition:** Like most small-to-medium sized organizations, the Town lacks the personnel with the accounting expertise and training such as that possessed by a certified public accountant or a chief financial officer of a large organization who customarily and regularly prepares full-disclosure financial statements.

**Potential effect of condition:** Consequently, the Town's management is unable to prepare full-disclosure year-end financial statements and they are dependent upon its external auditors to prepare these financial statements as part of their audit process. The Town calls upon its external auditors to identify commitments and contingencies, concentrations, subsequent events, compliance with grantor restrictions, compliance with debt covenants, related party transactions, fair values of financial instruments, or other events and conditions that are significant to the preparation of financial statements, including disclosures. This has been a customary practice for small organizations.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**TOWN OF SALUDA, SOUTH CAROLINA**  
**September 30, 2022**

**FINDINGS RELATING TO THE BASIC FINANCIAL STATEMENTS REPORTED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS--continued**

**Recommendation:** This is a customary and fully-acceptable practice and will continue to be so in the foreseeable future. However, we are obligated by recently adopted auditing standards to bring this condition to your attention. You are obligated to consider the validity of these comments in light of the circumstances surrounding this condition and respond as you consider necessary. Your response may very well entail acceptance and continuation of this condition as the best perceived alternative under the circumstances.

**Response of responsible Town official:** We see no problem with this practice. It has worked well for us in the past and will continue to do so in the future. The primary goals and objectives of the Town are not to produce full-disclosure financial statements; they are to provide government services to its constituents. Financial statements are a byproduct of its goals and objectives that communicate accomplished. This will continue to be done effective in the present and future in much the same manner as it has in the past.

**Finding 2022-3 Capital Asset Ledgers**

**Criteria or specific requirement:** Capital-asset ledgers provide ready-available inventory and historical cost data for the assets that the Town owns along with provisions for depreciation (wear and tear) and accumulated depreciation, which is used by many organizations as a gage to fund reserves to replace these property and equipment assets over time.

**Condition:** The Town does not routinely maintain and update capital-asset (property and equipment) ledgers that appropriately itemize the capital assets acquired and owned by the Town. Such ledgers, customarily itemize the acquisition date, cost or adjusted basis, description, and identification model and/or serial numbers, depreciation expense and accumulated depreciation. The Town relies upon its external auditors to update and maintain its capital-asset ledgers for them as part of their audit process.

**Cause of condition:** Like most small-to-medium sized organizations, the Town lacks both the software and personnel with the accounting expertise and training such as that possessed by a certified public accountant or a chief financial officer of a large organization who customarily and regularly deals with the recording of capital asset transactions.

**Potential effect of condition:** The Town's management makes final decisions regarding the recording of capital asset transactions, but it is dependent upon its external auditors to make recommendations regarding the recording of capital asset transactions and to update and maintain these capital-asset ledgers for them as part of their audit process.

**Recommendation:** Our obligation as auditors is to bring this condition to your attention. You are obligated to consider the validity of these comments in light of the circumstances surrounding this condition and respond as you consider necessary. Your response may very well entail acceptance and continuation of this condition as the best-perceived alternative under the circumstances.

**Response of responsible Town official:** We see no problem with this practice. It has worked well for us in the past and will continue to do so in the future. This will continue to be effective in the present and future in much the same manner as it has in the past. We do not interpret this in the same manner as auditing standards and do not see it as a management control weakness.