

TOWN OF HONEA PATH
AUDITED FINANCIAL STATEMENTS
YEAR ENDED MAY 31, 2022

TOWN OF HONEA PATH
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YEAR ENDED MAY 31, 2022

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INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and Members of Town Council
Town of Honea Path
Honea Path, South Carolina

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Honea Path, as of and for the year ended May 31, 2022, and the related notes to the financial statements, which collectively comprise the Town of Honea Path's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Honea Path, as of May 31, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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 of Honea Path, 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 of Honea Path's ability to



The Honorable Mayor and Members of Town Council
Town of Honea Path
April 4, 2023

continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Honea Path's basic financial statements. The supplemental schedules, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental schedules are 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 April 4, 2023, on our consideration of the Town of Honea Path's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town of Honea Path'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 of Honea Path's internal control over financial reporting and compliance.

McKinley, Cooper & Co., LLC

Greenville, South Carolina
April 4, 2023

Management's Discussion and Analysis

As management of the Town of Honea Path (the "Town"), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended May 31, 2022.

Financial Highlights

- The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by \$3,612,523 (*net position*). Of this amount, \$(1,558,737) (*unrestricted net position*) is the deficit amount which the Town needs to meet the government's ongoing obligations to citizens and creditors.
- The government's total net position increased by \$254,434.
- As of the close of the current fiscal year, the Town's governmental fund reported an ending fund balance of \$1,314,539, an increase of \$574,966 from the prior year.
- As of the close of the current fiscal year, the Town's proprietary fund reported an ending net position balance of \$3,148,213, a decrease of \$262,891 from the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$1,207,568, or 27 percent of total general fund expenditures.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the Town's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the Town's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes).

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into two categories: the governmental fund and the proprietary fund.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *inflows and outflows of spendable*

resources, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Town maintains one governmental fund. The General Fund is the general operating fund of the Town and is considered to be a major fund. The Town adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

Proprietary fund. The Town maintains one proprietary fund. The *enterprise fund* is used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Town uses the enterprise fund to account for its water and sewer services provided to the Town's residents.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Town, assets exceeded liabilities by \$3,612,523 at the close of the most recent fiscal year.

By far the largest portion of the Town's net position (140 percent) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment). The Town uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the Town's investment in its capital assets is reported net of related debt, the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The balance of *unrestricted net position* (\$1,558,737) represents the amount needed to meet the government's ongoing obligations to citizens and creditors. The category of restricted net position represents resources that are subject to restrictions that are externally imposed.

The following table presents a summary of the Town's net position as of May 31, 2022, with comparative data for May 31, 2021.

Town of Honea Path's Net Position

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Current and other assets	\$ 1,569,632	\$ 1,077,228	\$ 636,174	\$ 929,755	\$ 2,205,806	\$ 2,006,983
Capital assets	\$ 2,185,666	\$ 2,730,858	\$ 3,439,095	\$ 3,235,346	\$ 5,624,761	\$ 5,966,204
Total assets	\$ 3,755,298	\$ 3,808,086	\$ 4,075,269	\$ 4,165,101	\$ 7,830,567	\$ 7,973,187
Deferred Outflows	\$ 596,595	\$ 853,200	\$ 65,230	\$ 88,706	\$ 661,825	\$ 941,906
Long-term liabilities outstanding	\$ 2,670,095	\$ 4,238,336	\$ 554,017	\$ 762,631	\$ 3,224,112	\$ 5,000,967
Other liabilities	\$ 255,093	\$ 337,655	\$ 312,625	\$ 56,992	\$ 567,718	\$ 394,647
Total liabilities	\$ 2,925,188	\$ 4,575,991	\$ 866,642	\$ 819,623	\$ 3,791,830	\$ 5,395,614
Deferred Inflows	\$ 962,395	\$ 138,310	\$ 125,644	\$ 23,080	\$ 1,088,039	\$ 161,390
Net position:						
Invested in capital assets, net of related debt	\$ 1,868,193	\$ 2,097,499	\$ 3,196,573	\$ 2,944,383	\$ 5,064,766	\$ 5,041,882
Restricted	\$ 106,494	\$ 125,557	\$ -	\$ -	\$ 106,494	\$ 125,557
Unrestricted	\$ (1,510,377)	\$ (2,276,071)	\$ (48,360)	\$ 466,721	\$ (1,558,737)	\$ (1,809,350)
Total net position	\$ 464,310	\$ (53,015)	\$ 3,148,213	\$ 3,411,104	\$ 3,612,523	\$ 3,358,089

The following table shows a recap of revenues and expenses for fiscal year 2022, with comparative data for fiscal year 2021:

Town of Honea Path's Statement of Activities

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Revenue:						
Program revenues:						
Charges for services	\$ 1,419,513	\$ 1,765,136	\$ 1,821,825	\$ 1,718,600	\$ 3,241,338	\$ 3,483,736
Capital grants and contributions	\$ -	\$ -	\$ -	\$ 465,234	\$ -	\$ 465,234
Operating grants and contributions	\$ 981,971	\$ 272,776	\$ -	\$ -	\$ 981,971	\$ 272,776
General Revenues:						
Taxes	\$ 1,269,693	\$ 1,252,293	\$ -	\$ -	\$ 1,269,693	\$ 1,252,293
Other	\$ 951,823	\$ 541,504	\$ -	\$ -	\$ 951,823	\$ 541,504
Total revenues	\$ 4,623,000	\$ 3,831,709	\$ 1,821,825	\$ 2,183,834	\$ 6,444,825	\$ 6,015,543
Expenses:						
General government	\$ 1,659,114	\$ 1,096,631	\$ -	\$ -	\$ 1,659,114	\$ 1,096,631
Public safety	\$ 1,678,192	\$ 2,472,938	\$ -	\$ -	\$ 1,678,192	\$ 2,472,938
Public works	\$ 702,388	\$ 537,791	\$ -	\$ -	\$ 702,388	\$ 537,791
Parks, recreation, and tourism	\$ 151,092	\$ 133,505	\$ -	\$ -	\$ 151,092	\$ 133,505
Combined electric, water, and sewer utilities	\$ -	\$ -	\$ 1,999,605	\$ 1,587,237	\$ 1,999,605	\$ 1,587,237
Total expenses	\$ 4,190,786	\$ 4,240,865	\$ 1,999,605	\$ 1,587,237	\$ 6,190,391	\$ 5,828,102
Increase (decrease) in net position before transfers	\$ 432,214	\$ (409,156)	\$ (177,780)	\$ 596,597	\$ 254,434	\$ 187,441
Transfers	\$ 85,111	\$ 50,000	\$ (85,111)	\$ (50,000)		
Increase (decrease) in net position	\$ 517,325	\$ (359,156)	\$ (262,891)	\$ 546,597	\$ 254,434	\$ 187,441
Net position, June 1	\$ (53,015)	\$ 306,141	\$ 3,411,104	\$ 2,864,507	\$ 3,358,089	\$ 3,170,648
Net position, May 31	\$ 464,310	\$ (53,015)	\$ 3,148,213	\$ 3,411,104	\$ 3,612,523	\$ 3,358,089

The government's net position increased by \$254,434 during the current fiscal year. Governmental activities increased the Town's net position by \$517,325. This is due to operating revenues in excess of expenses. Business-type activities decreased the Town's net position \$262,891. This is due to operating expenses in excess of revenues.

Financial Analysis of the Government's Funds

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the Town's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Town's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The general fund is the chief operating fund of the Town. At the end of the current fiscal year, the fund balance total is \$1,315,539, of which \$1,207,568 is unassigned.

The fund balance of the Town's general fund increased by \$1,574,966 during the current fiscal year.

- Total revenues increased from the prior year.
- Capital outlay expenditures decreased significantly from the prior year.

General Fund Budgetary Highlights

There was not a reported difference between the original budget and the final budget. The Town adopted a budget with budgeted expenditures exceeding budgeted revenues by \$30,247.

Capital Asset Administration

Capital assets. The Town's investment in capital assets for its governmental activities as of May 31, 2022 amounts to \$1,868,193 (net of accumulated depreciation and related debt). This investment in capital assets includes land, buildings, machinery, and equipment. The total decrease of \$229,306 in net capital assets is the net of asset disposals of \$258,021, depreciation expense of \$287,171, and payments on related debt of \$315,886.

The Town's investment in capital assets for its business-type activities as of May 31, 2022, amounts to \$3,196,573 (net of accumulated depreciation and related debt). The net increase in capital assets of \$252,190 is the net of asset additions of \$373,164, depreciation expense of \$169,415, and payments on related debt of \$48,441.

The major capital asset additions in the business-type activities during the year were equipment purchases by the water and sewer departments.

Long-term debt. The long-term debt of the Town consists of notes payable on machinery and equipment, revenue bonds payable backed by water and sewer revenue, and a revenue bond backed by the hospitality fees.

Economic Factors and Next Year's Budgets and Rates

- Inflationary trends in the region compare favorably to national indices.

This was considered in preparing the Town's budget for the 2023 fiscal year.

Requests for Information

This financial report is designed to provide a general overview of the Town's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Town of Honea Path, 204 South Main Street, Honea Path, South Carolina 29654.

BASIC FINANCIAL STATEMENTS

TOWN OF HONEA PATH

STATEMENT OF NET POSITION

MAY 31, 2022

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 1,341,702	\$ 542,962	\$ 1,884,664
Receivables (net of allowance for uncollectibles)	108,812	212,330	321,142
Internal receivables/payables	119,118	(119,118)	-
Capital assets, not being depreciated			
Land	311,805	6,504	318,309
Capital assets, net of accumulated depreciation			
Buildings	1,241,569	916	1,242,485
Improvements other than buildings	173,630	-	173,630
Utility systems	-	3,295,522	3,295,522
Machinery and equipment	458,662	136,153	594,815
Total assets	3,755,298	4,075,269	7,830,567
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources related to pensions	596,595	65,230	661,825
Total deferred outflows of resources	596,595	65,230	661,825
LIABILITIES			
Accounts payable and other current liabilities	57,246	312,625	369,871
Customer deposits	197,847	-	197,847
Noncurrent liabilities			
Bonds payable			
Due within one year	22,217	40,827	63,044
Due in more than one year	88,439	201,695	290,134
Notes payable			
Due within one year	24,627	-	24,627
Due in more than one year	182,190	-	182,190
Net pension liability	2,352,622	311,495	2,664,117
Total liabilities	2,925,188	866,642	3,791,830
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources related to pensions	962,395	125,644	1,088,039
Total deferred inflows of resources	962,395	125,644	1,088,039
NET POSITION			
Net investment in capital assets	1,868,193	3,196,573	5,064,766
Restricted	106,494	-	106,494
Unrestricted	(1,510,377)	(48,360)	(1,558,737)
Total net position	\$ 464,310	\$ 3,148,213	\$ 3,612,523

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

TOWN OF HONEA PATH

STATEMENT OF ACTIVITIES
YEAR ENDED MAY 31, 2022

Function/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
Primary government							
Governmental activities							
General government	\$ 1,659,114	\$ 410,468	\$ 981,971	\$ -	\$ (266,675)	\$ -	\$ (266,675)
Police	893,984	111,142	-	-	(782,842)	-	(782,842)
Fire	43,887	4,500	-	-	(39,387)	-	(39,387)
Street	342,972	-	-	-	(342,972)	-	(342,972)
Sanitation	359,416	350,838	-	-	(8,578)	-	(8,578)
Honea Path fire/EMS	740,321	447,232	-	-	(293,089)	-	(293,089)
Recreation	151,092	95,333	-	-	(55,759)	-	(55,759)
Total governmental activities	4,190,786	1,419,513	981,971	-	(1,789,302)	-	(1,789,302)
Business-type activities							
Utility system	1,999,605	1,821,825	-	-	-	(177,780)	(177,780)
Total business-type activities	1,999,605	1,821,825	-	-	-	(177,780)	(177,780)
Total primary government	\$ 6,190,391	\$ 3,241,338	\$ 981,971	\$ -	(1,789,302)	(177,780)	(1,967,082)
General revenues							
Property taxes					1,130,540	-	1,130,540
Hospitality tax					139,153	-	139,153
Franchise fees					200,780	-	200,780
State-shared revenues					463,390	-	463,390
Unrestricted investment earnings					11	-	11
Transfers in (out)					85,111	(85,111)	-
Other revenues					287,642	-	287,642
Total general revenues					2,306,627	(85,111)	2,221,516
Change in net position					517,325	(262,891)	254,434
Net position, beginning					(53,015)	3,411,104	3,358,089
Net position, ending					\$ 464,310	\$ 3,148,213	\$ 3,612,523

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

TOWN OF HONEA PATH

BALANCE SHEET
GOVERNMENTAL FUND
MAY 31, 2022

	General Fund
ASSETS	
Cash and cash equivalents	\$ 1,341,702
Due from other funds	119,118
Receivables	108,812
Total assets	\$ 1,569,632
LIABILITIES AND FUND BALANCE	
Liabilities	
Accounts payable and accrued liabilities	\$ 57,246
Customer deposits	197,847
Total liabilities	255,093
Fund Balances	
Restricted	106,494
Committed	477
Unassigned	1,207,568
Total fund balances	1,314,539
Total liabilities and fund balances	\$ 1,569,632

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

TOWN OF HONEA PATH

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION

MAY 31, 2022

Amounts reported for governmental activities in the statement of net position are different because:

Ending fund balance - governmental funds	\$ 1,314,539
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	2,185,666
Some long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(317,473)
The proportionate shares of the net pension liability, deferred outflows of resources, and deferred inflows of resources related to its participation in the State retirement plans are not recorded in the governmental funds but are recorded in the statement of net position.	<u>(2,718,422)</u>
Net position of governmental activities	<u>\$ 464,310</u>

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

TOWN OF HONEA PATH

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
YEAR ENDED MAY 31, 2022

	General
REVENUES	
Property taxes	\$ 1,114,086
Delinquent tax penalty	16,454
Shared state taxes	463,390
Hospitality tax	139,153
Licenses and permits	410,468
Grants	981,971
Fines and forfeits	42,614
Honea Path fire/EMS billings	447,232
Garbage fees	350,838
Franchise fees	200,780
Fire contract fees	4,500
Recreation fees	95,333
School resource officer	68,528
Interest	11
Miscellaneous	111,266
Total revenues	4,446,624
EXPENDITURES	
Current	
Administrative	243,828
Police	895,868
Fire	12,409
Street	305,873
Sanitation	359,416
Recreation	144,465
Honea Path fire/EMS	729,226
Nondepartmental	1,351,684
Debt service	
Principal retirement	315,886
Interest and fiscal charges	32,511
Total expenditures	4,391,166
Excess of revenues (under) expenditures	55,458
OTHER FINANCING SOURCES	
Sale of assets	434,397
Transfers in (out)	85,111
Total other financing sources	519,508
Net change in fund balances	574,966
Fund Balance, beginning	739,573
Fund Balance, ending	\$ 1,314,539

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

TOWN OF HONEA PATH

RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUND
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED MAY 31, 2022

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balance - total governmental fund	\$ 574,966
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.	(545,192)
Changes in proportionate shares of the net pension liability, deferred outflows of resources, and deferred inflows of resources related to its participation in the State retirement plans are not reported in the governmental funds but are reported in the statement of activities.	171,665
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.	315,886
Change in net position of governmental activities	<u>\$ 517,325</u>

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

TOWN OF HONEA PATH

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
YEAR ENDED MAY 31, 2022

	Original	Final	Amounts	Variance with Final Budget
REVENUES				
Property taxes	\$ 1,013,000	\$ 1,013,000	\$ 1,114,086	\$ 101,086
Delinquent tax penalty	8,500	8,500	16,454	7,954
Shared state taxes	120,000	120,000	463,390	343,390
Hospitality tax	74,822	74,822	139,153	64,331
Licenses and permits	360,479	360,479	410,468	49,989
Grants	-	-	981,971	981,971
Fines and forfeits	50,000	50,000	42,614	(7,386)
Honea Path fire/EMS billings	1,117,500	1,117,500	447,232	(670,268)
Garbage fees	325,000	325,000	350,838	25,838
Franchise fees	230,000	230,000	200,780	(29,220)
Fire contract fees	4,500	4,500	4,500	-
Recreation fees	135,250	135,250	95,333	(39,917)
School resource officer	-	-	68,528	68,528
Interest	150	150	11	(139)
Miscellaneous	10,000	10,000	111,266	101,266
Total revenues	3,449,201	3,449,201	4,446,624	997,423
EXPENDITURES				
Current				
Administrative	122,627	122,627	243,828	(121,201)
Police	747,761	747,761	895,868	(148,107)
Fire	4,861	4,861	12,409	(7,548)
Street	316,369	316,369	305,873	10,496
Sanitation	145,688	145,688	359,416	(213,728)
Humane	6,300	6,300	-	6,300
Recreation	151,563	151,563	144,465	7,098
Honea Path fire/EMS	1,171,965	1,171,965	729,226	442,739
Nondepartmental	621,453	621,453	1,351,684	(730,231)
Capital outlay	47,000	47,000	-	47,000
Debt service				
Principal retirement	143,861	143,861	315,886	(172,025)
Interest and fiscal charges	-	-	32,511	(32,511)
Total expenditures	3,479,448	3,479,448	4,391,166	(911,718)
Excess of revenues (under) expenditures	(30,247)	(30,247)	55,458	(314,675)
OTHER FINANCING SOURCES				
Sale of assets	-	-	434,397	434,397
Transfers in (out)	-	-	85,111	50,000
Total other financing sources	-	-	519,508	484,397
Net changes in fund balance	(30,247)	(30,247)	574,966	605,213
Fund Balance, beginning	739,573	739,573	739,573	-
Fund Balance, ending	\$ 709,326	\$ 709,326	\$ 1,314,539	\$ 605,213

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

TOWN OF HONEA PATH
STATEMENT OF FUND NET POSITION
PROPRIETARY FUND
MAY 31, 2022

ASSETS

Current Assets

Cash	\$ 542,962
Receivables (net of allowance for uncollectibles)	212,330
Total current assets	<u>755,292</u>

Noncurrent Assets

Capital assets

Land	6,504
Buildings	18,769
Utility systems	7,620,280
Machinery and equipment	1,318,719
Less accumulated depreciation	(5,525,177)
Total noncurrent assets	<u>3,439,095</u>

Total assets	<u>4,194,387</u>
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DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows related to pensions	65,230
Total deferred outflows of resources	<u>65,230</u>

LIABILITIES

Current Liabilities

Accounts payable and accrued liabilities	312,625
Due to other funds	119,118
Bonds payable - current	40,827
Total current liabilities	<u>472,570</u>

Noncurrent Liabilities

Bond payable	201,695
Net pension liability	311,495
Total noncurrent liabilities	<u>513,190</u>

Total liabilities	<u>985,760</u>
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DEFERRED INFLOWS OF RESOURCES

Deferred inflows related to pensions	125,644
Total deferred inflows of resources	<u>125,644</u>

NET POSITION

Net investment in capital assets	3,196,573
Unrestricted	(48,360)
Total net position	<u>\$ 3,148,213</u>

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

TOWN OF HONEA PATH

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND
YEAR ENDED MAY 31, 2022

OPERATING REVENUES

Utility sales - sewer	\$ 947,532
Utility sales - water	837,152
Penalties	37,141
Total operating revenues	<u>1,821,825</u>

OPERATING EXPENSES

Utility system	1,824,762
Depreciation	169,415
Total operating expenses	<u>1,994,177</u>

Operating loss	<u>(172,352)</u>
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NONOPERATING REVENUES (EXPENSES)

Transfers in (out)	(85,111)
Interest expense	(5,428)
Total nonoperating revenues (expenses)	<u>(90,539)</u>

Change in net position	(262,891)
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Net position, beginning of year	<u>3,411,104</u>
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Net position, end of year	<u>\$ 3,148,213</u>
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The accompanying notes are an integral part of these financial statements.

TOWN OF HONEA PATH
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED MAY 31, 2022

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from customers and users	\$ 1,807,667
Payments to suppliers	(1,421,027)
Payments to employees	(209,281)
Net cash provided by operating activities	<u>177,359</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Transfers in (out)	(85,111)
Net cash (used by) noncapital financing activities	<u>(85,111)</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Purchase of capital assets	(373,164)
Principal payments on bonds and notes payable	(48,441)
Interest and other fees paid	(5,428)
Net cash (used by) capital and related financing activities	<u>(427,033)</u>

NET DECREASE IN CASH	(334,785)
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CASH AND CASH INVESTMENTS, beginning	<u>877,747</u>
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CASH AND CASH INVESTMENTS, ending	<u><u>\$ 542,962</u></u>
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Reconciliation of operating income to net cash provided by operating activities

Operating loss	\$ (172,352)
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation expense	169,415
Changes in assets and liabilities	
Increase in accounts receivable	(14,158)
Increase in accounts payable and other current liabilities	255,633
Decrease in deferred inflows/outflows related to pensions	126,040
Decrease in net pension liability	(160,173)
Decrease in due to/from other funds	(27,046)

Net cash provided by operating activities	<u><u>\$ 177,359</u></u>
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The accompanying notes are an integral part of these financial statements.

TOWN OF HONEA PATH

NOTES TO FINANCIAL STATEMENTS MAY 31, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Town of Honea Path was incorporated in 1912. The Town operates under a Mayor – Council form of government and provides the following services as authorized by its charter: public safety (police and fire), highways and streets, sanitation, culture – recreation, public improvements, planning and zoning, and general administrative services. The Town also owns and operates a utility system which provides water and sewer services. The financial statements of the Town include all of the above operations. No other organizations are included in the financial statements.

In evaluating how to define the government, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The criteria used to determine whether or not an organization is included in the financial statements are financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, accountability for fiscal matters, scope of public service, and financing relationships. Based upon the application of these criteria, there are no component units that should be included along with the Town of Honea Path as part of the reporting entity.

The accounting policies of the Town of Honea Path conform to accounting principles generally accepted in the United States of America as applicable to governments.

The following is a summary of the more significant policies:

Basis of Presentation

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. Governmental activities, which are normally supported by taxes and intergovernmental revenues or from specific revenue sources such as grants, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as *general revenues*. Separate financial statements are provided for the governmental fund and proprietary fund.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-wide Financial Statements

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary and fiduciary fund financial statements.

Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental Fund Financial Statements

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

The government reports the following major governmental fund:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The government reports the following major proprietary fund:

The *enterprise fund* accounts for the activities of the utility services.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise fund

are charges to customers for sales and services. Operating expenses for the enterprise fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Assets, Liabilities, and Net Assets or Equity

Cash and Cash Equivalents

The Town's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Investments are stated at cost, which approximates market value.

Receivables and Payables

Outstanding balances between funds are reported as "due to/from other funds." Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

Property Taxes

Property taxes, other than vehicle taxes, are normally levied in October and are payable between November 1 and December 31. Vehicle taxes are assessed and collected on a monthly, cyclical basis. The Town has by contract authorized the county to assess and collect all vehicle property taxes. These collections are remitted from the County Treasurer to the Town on a monthly basis.

Inventory

Materials and supplies are recorded at invoice cost and stated at lower of such cost or market value.

Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$500 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Property, plant, and equipment of the primary government is depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40
Building improvements	15
Vehicles	3-5
Machinery and equipment	5-10
Streets and sidewalks	7

Compensated Absences

It is not the policy of the Town to allow employees to accumulate vacation time from one calendar year to the next. Upon leaving employment for any reason, employees are not reimbursed for unused sick leave. No liability for vacation or sick pay is recorded.

Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

Fund Balance Classifications

Fund balance is classified in five categories: Nonspendable, Restricted, Committed, Assigned, and Unassigned. Nonspendable fund balances include amounts that are not in spendable form or are legally required to remain intact. Restricted fund balances include amounts that have external restrictions by either grantors, debt covenants, laws, or other governments. Committed fund balances include amounts that are committed to a specific purpose by council ordinance. Assigned fund balances include amounts that are constrained by limitations resulting from intended uses as established by Town Council or by the Town Mayor. Unassigned fund balance includes amounts that have not been assigned to any purpose.

Unless specifically designated otherwise, fund expenditures and encumbrances are from restricted fund balance to the extent of restricted fund balance revenue, followed by committed fund balance, assigned fund balance, and unassigned fund balance, respectively.

Below are the fund balance classifications for the governmental funds at May 31, 2022:

	General Fund
Fund Balances	
Restricted-victim's assistance	\$ 23,163
Restricted-hospitality tax	83,331
Committed	477
Unassigned	1,471,795
Total Fund Balances	<u>\$ 1,578,766</u>

Net Position

Classifications of net position in government-wide statements are net investment in capital assets, restricted, and unrestricted. Restricted net position represents constraints on resources that are either externally imposed by creditors, grantors, contributors, laws or regulations of other governments or imposed by law through state statute. Restricted net position consists of third-party gifts and donations that are reserved for branch expenditures.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

Transactions Between Funds

Transactions that would be treated as revenues, expenditures, or expenses if they involved organizations external to the governmental unit are accounted for as revenues, expenditures, or expenses in the funds

involved. Transactions which constitute reimbursements of a fund for expenditures or expenses initially made from that fund which are properly applicable to another fund are recorded as expenditures or expenses in the reimbursing fund and as reductions of the expenditure or expense in the fund that is reimbursed.

These transactions are treated as transfers and are included in the results of operations of the governmental funds.

Statement of Cash Flows

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

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. Those estimates and assumptions affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements. In addition, they affect the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates and assumptions.

Lease Recognition

The Town recognizes leases in accordance with the Accounting Standards Update (ASU) 2016-02, Leases. This standard requires balance sheet (statement of net position) recognition of lease agreements with terms exceeding 12 months and disclosure of significant terms of the lease. The Town has evaluated lease contracts and determined that current leases do not result in a material impact on the financial statements.

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year end.

The appropriated budget is prepared by fund, function, and department. The Town's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the council. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the department level.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year.

NOTE 3 – DETAILED NOTES ON ALL FUNDS

Deposits and Investments

The State of South Carolina General Statutes permit the Town to invest in obligations of the U.S. Treasury,

commercial paper, corporate bonds, repurchase agreements, and the State Treasurer's Investment Pool.

Cash is maintained in demand deposits or savings accounts and certificates of deposits. There were no deposit or investment transactions during the year that were in violation of either the state statutes or the policy of the Town.

As of May 31, 2022, the Town had deposits as follows:

Deposits with financial institutions	\$ 1,751,812
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Interest rate risk. The Town manages its exposure to declines in fair values by limiting its investments to deposits with short-term maturity dates at financial institutions.

Credit risk. As of May 31, 2022, the Town's investments are limited to deposits with financial institutions.

Concentration of credit risk. The Town's investment policy currently does not involve investment in any individual issuers.

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. The Town's policy is that all deposits in excess of federal insurance amounts be collateralized with securities held by the pledging financial institution's trust department or agent in the Town's name. As of May 31, 2022, all deposits are either insured or fully collateralized.

Receivables

Receivables as of yearend for the Town, including the applicable allowances for uncollectible accounts, are as follows:

	General	Proprietary Enterprise	Total
Taxes	\$ 14,665	\$ -	\$ 14,665
Sanitation services	48,194	-	48,194
Fines and forfeits	4,178	-	4,178
SRO	5,711	-	5,711
Franchise fees	26,731	-	26,731
Other	9,333	-	9,333
Water and sewer services	-	212,330	212,330
	<u>\$ 108,812</u>	<u>\$ 212,330</u>	<u>\$ 321,142</u>

Capital assets

Capital asset activity for the year ended May 31, 2022 was as follows:

Primary Government

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets, not being depreciated:				
Land	\$ 311,805	\$ -	\$ -	\$ 311,805
Total capital assets, not being depreciated	311,805	-	-	311,805
Capital assets, being depreciated:				
Buildings	2,683,717	-	(74,753)	2,608,964
Improvements other than buildings	651,193	-	(36,583)	614,610
Streets and sidewalks	424,802	-	-	424,802
Machinery and equipment	4,408,326	-	(574,431)	3,833,895
Total capital assets being depreciated	8,168,038	-	(685,767)	7,482,271
Less accumulated depreciation for:				
Buildings	(1,348,449)	(71,039)	52,093	(1,367,395)
Improvements other than buildings	(409,064)	(31,916)	-	(440,980)
Streets and sidewalks	(424,802)	-	-	(424,802)
Machinery and equipment	(3,566,670)	(184,216)	375,653	(3,375,233)
Total accumulated depreciation	(5,748,985)	(287,171)	427,746	(5,608,410)
Total capital assets, being depreciated, net	2,419,053	(287,171)	(258,021)	1,873,861
Governmental activities, capital assets, net	\$ 2,730,858	\$ (287,171)	\$ (258,021)	\$ 2,185,666

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities	
General government	\$ 80,075
Police	71,812
Fire	31,478
Street and sanitation	37,099
Honea Path fire/EMS	60,080
Recreation	6,627
Total depreciation expense - governmental activities	<u>\$ 287,171</u>

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities				
Capital assets, not being depreciated				
Land	\$ 6,504	\$ -	\$ -	\$ 6,504
Construction in progress	829,405	-	(829,405)	-
Total capital assets, not being depreciated	835,909	-	(829,405)	6,504
Capital assets, being depreciated				
Buildings	18,769	-	-	18,769
Sewer system	3,033,290	1,202,569	-	4,235,859
Water system	3,384,421	-	-	3,384,421
Machinery and equipment	1,318,719	-	-	1,318,719
Total capital assets, being depreciated	7,755,199	1,202,569	-	8,957,768
Less accumulated depreciation for:				
Buildings	(17,732)	(121)	-	(17,853)
Sewer system	(2,491,597)	(57,468)	-	(2,549,065)
Water system	(1,730,411)	(45,282)	-	(1,775,693)
Machinery and equipment	(1,116,022)	(66,544)	-	(1,182,566)
Total accumulated depreciation	(5,355,762)	(169,415)	-	(5,525,177)
Total capital assets being depreciated, net	2,399,437	1,033,154	-	3,432,591
Business-type activities capital assets, net	\$ 3,235,346	\$ 1,033,154	\$ (829,405)	\$ 3,439,095

In proprietary funds, the following estimated useful lives are used to compute depreciation:

Sewer service	35 - 40 years
Water service	15 - 60 years
Service vehicles	3 - 10 years
Equipment	5 - 10 years

Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of May 31, 2022 is as follows:

Due to/from other funds:		
Receivable Fund	Payable Fund	Amount
General	Proprietary-Enterprise	\$ 119,118

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Long-term Debt

The following is a summary of the change in long-term debt owed by the Town during the year ended May 31, 2022:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities					
Notes payable	\$ 501,249	\$ -	\$ (294,432)	\$ 206,817	\$ 81,566
Revenue bond, series 2012	132,110	-	(21,454)	110,656	21,454
Governmental activity Long-term liabilities	<u>\$ 633,359</u>	<u>\$ -</u>	<u>\$ (315,886)</u>	<u>\$ 317,473</u>	<u>\$ 103,020</u>
Business-type activities					
Note payable	\$ 8,422	\$ -	\$ (8,422)	\$ -	\$ -
Revenue bond, series 2002	282,541	-	(40,019)	242,522	40,827
Business-type activity Long-term liabilities	<u>\$ 290,963</u>	<u>\$ -</u>	<u>\$ (48,441)</u>	<u>\$ 242,522</u>	<u>\$ 40,827</u>

Notes Payable

The Town has entered into multiple financing agreements with financial institutions for financing of equipment for the police, fire, streets and sanitation, and water and sewer departments. The following is a schedule of future minimum payments and the present value of the net minimum payments:

Year Ending May 31,	Governmental Activities
2023	\$ 30,546
2024	33,323
2025	33,323
2026	33,323
2027	32,298
Thereafter	66,207
Total Minimum Lease Payments	229,020
Less Amount Representing Interest	(22,203)
Present Value of Future Minimum Lease Payments	<u>\$ 206,817</u>

Revenue Bond

The Town has issued a revenue bond to provide for the acquisition and construction of major water and sewer facilities. The Combined Waterworks and Sewer System Revenue Bond, Series 2002, dated April 9, 2002, is held by a bank. Monthly payments of \$7,146, including interest, were due monthly through May 1, 2011. On May 1, 2011, the bank extended the due date of the bond to January 1, 2013. The monthly payment and interest rate remained the same. On January 11, 2018, the bank extended the due date of the bond to January 10, 2023. Monthly payments in the amount of \$3,851 at an interest rate of 3.90% are due through January 2023. On November 24, 2020, the bank extended the due date of the bond to November 24, 2025. Monthly payments in the amount of \$3,775 at an interest rate of 2.0% are due through November 2025. Bonds currently outstanding are as follows:

Purpose	Interest Rate	Amount
Business-type activities	2.00%	<u>\$ 242,522</u>

Annual debt service requirements to maturity for revenue bonds are as follows:

Year Ending May 31,	Business-type Activities	
	Principal	Interest
2023	\$ 40,827	\$ 4,478
2024	41,651	3,653
2025	42,492	2,813
2026	117,552	1,086
Total	<u>\$ 242,522</u>	<u>\$ 12,030</u>

Revenue Bond

The Town has issued a revenue bond to provide for the construction of a parking lot for the Watkins Building. The Hospitality Fee Revenue Bond, Series 2012, dated January 12, 2012, is held by a bank. Monthly payments of \$2,145, including interest, are due monthly through January 12, 2027. Bonds currently outstanding are as follows:

Purpose	Interest Rate	Amount
Governmental activities	3.50%	<u>\$ 110,656</u>

Annual debt service requirements to maturity for revenue bonds are as follows:

Year Ending May 31,	Governmental Activities	
	Principal	Interest
2023	\$ 22,217	\$ 3,519
2024	23,007	2,729
2025	23,825	1,910
2026	24,673	1,063
2027	16,934	224
Total	<u>\$ 110,656</u>	<u>\$ 9,445</u>

Building Lease

The Town entered into a lease to manage and develop the Watkins Community Center. The Center's purpose is to enhance the quality of life in the Honea Path community. The Center will operate in the Watkins School Building and failure to develop or manage the Watkins Community Center in a manner consistent with its purpose shall constitute default on the lease. Under the terms of the lease, the Center shall pay the Town one dollar per year. The lease will continue indefinitely until the Town or Center decides to terminate the agreement.

The Town entered into a lease to provide space in Town Hall to Anderson Free Clinic, Inc. for the purpose of which to provide free or low-cost medical care to the Honea Path community. Under the terms of the lease, the Clinic shall pay the Town one dollar per year. The lease will continue for ten years until the Town or Clinic decides to terminate the agreement or the Clinic fails to maintain and operate a minimum of one day per month.

NOTE 4 – OTHER INFORMATION

Employee Retirement Systems

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

For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Systems and additions to/deductions from the Systems fiduciary net position have been determined on the accrual basis of accounting as they are reported by the Systems in accordance with generally accepted accounting principles (GAAP). For

this purpose, revenues are recognized when earned and expenses are recognized when incurred. Benefit and refund expenses are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value.

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

Plan Descriptions

- The South Carolina Retirement System (SCRS), a cost-sharing multiple-employer defined benefit pension plan, was established July 1, 1945, pursuant to the provisions of Section 9-1-20 of the South Carolina Code of Laws for the purpose of providing retirement and other benefits for teachers and employees of the state and its political subdivisions. SCRS covers employees of state agencies, public school districts, higher education institutions, other participating local subdivisions of government and individuals newly elected to the South Carolina General Assembly at or after the 2012 general election.
- The State Optional Retirement Program (ORP) is a defined contribution plan that is offered as an alternative to certain newly hired employees of state agencies, institutions of higher education, public school districts and individuals first elected to the S.C. General Assembly at or after the general election in November 2012. State ORP participants direct the investment of their funds into an account administered by one of four third party service providers. PEBA assumes no liability for state ORP benefits. Rather, the benefits are the liability of the four third party service providers. For this reason, state ORP assets are not part of the retirement systems' trust funds for financial statement purposes.
- The South Carolina Police Officers Retirement System (PORS), a cost-sharing multiple-employer defined benefit pension plan, was established July 1, 1962, pursuant to the provisions of Sections 9-11-20 of the South Carolina Code of Laws for the purpose of providing retirement and other benefits to police officers and firefighters. PORS also covers peace officers, coroners, probate judges and magistrates.

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

Membership

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

- SCRS – Generally, all employees of covered employers are required to participate in and contribute to the system as a condition of employment. This plan covers general employees and teachers and

individuals newly elected to the South Carolina General Assembly beginning with the November 2012 general election. An employee member of the system with an effective date of membership prior to July 1, 2012, is a Class Two member. An employee member of the system with an effective date of membership on or after July 1, 2012, is a Class Three member.

- State ORP – As an alternative to membership in SCRS, certain newly hired state, public school, and higher education employees and individuals first elected to the S.C. General Assembly at or after the November 2012 general election have the option to participate in the State ORP. Contributions to the State ORP are at the same rates as SCRS. A direct remittance is required from the employer to the member's account with the ORP service provider for the employee contribution and a portion of the employer contribution (5 percent). A direct remittance is also required to SCRS for the remaining portion of the employer contribution and an incidental death benefit contribution, if applicable, which is retained by SCRS.
- PORS – To be eligible for PORS membership, an employee must be required by the terms of his employment, by election or appointment, to preserve public order, protect life and property, and detect crimes in the state; to prevent and control property destruction by fire; be a coroner in a full-time permanent position; or be a peace officer employed by the Department of Corrections, the Department of Juvenile Justice or the Department of Mental Health. Probate judges and coroners may elect membership in PORS. Magistrates are required to participate in PORS for service as a magistrate. PORS members, other than magistrates and probate judges, must also earn at least \$2,000 per year and devote at least 1,600 hours per year to this work, unless exempted by statute. An employee member of the system with an effective date of membership prior to July 1, 2012, is a Class Two member. An employee member of the system with an effective date of membership on or after July 1, 2012, is a Class Three member.

Benefits

Benefit terms are prescribed in Title 9 of the South Carolina Code of Laws. PEBA does not have the authority to establish or amend benefit terms without a legislative change in the code of laws. Key elements of the benefit calculation include the benefit multiplier, years of service, and average final compensation/current annual salary. A brief summary of the benefit terms for the 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 credible service equals at least 90 years. Both Class Two and Class Three members are eligible to receive a reduced deferred annuity at age 60 if they satisfy the five- or eight-year earned service requirement, respectively. An incidental death benefit is also available to beneficiaries of active and retired members of employers who participate in the death benefit program.

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

retirement provisions at age 55 with 25 years of service are not eligible for the benefit adjustment until the second July 1 after reaching age 60 or the second July 1 after the date they would have had 28 years of service credit had they not retired.

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

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

Contributions

Actuarial valuations are performed annually by an external consulting actuary to ensure applicable contribution rates satisfy the funding parameters specified in Title 9 of the South Carolina Code of Laws. Under these provisions, SCRS and PORS contribution requirements must be sufficient to maintain an amortization period for the financing of the unfunded actuarial accrued liability (UAAL) over a period that does not exceed the number of years scheduled in state statute. Legislation in 2017 increased, but also established a ceiling for SCRS and PORS employee contribution rates. Effective July 1, 2017, employee rates were increased to a capped rate of 9.00 percent for SCRS and 9.75 percent for PORS. The legislation also increased employer contribution rates beginning July 1, 2017 for both SCRS and PORS by two percentage points and further scheduled employer contribution rates to increase by a minimum of one percentage point each year in accordance with the state statute. However, the General Assembly postponed the one percent increase in the SCRS and PORS employer contribution rates that was scheduled to go into effect beginning July 1, 2020. If the scheduled contributions are not sufficient to meet the funding periods set in state statute, the Board shall increase the employer contribution rates as necessary to meet the funding period set for the applicable year. The maximum funding period of SCRS and PORS is scheduled to be reduced over a ten-year schedule from 30 years beginning fiscal year 2018 to 20 years by fiscal year 2028.

Additionally, the Board is prohibited from decreasing the SCRS and PORS contribution rates until the funded ratio is at least 85 percent. If the most recent annual actuarial valuation of the Systems for funding purposes shows a ratio of the actuarial value of system assets to the actuarial accrued liability of the system (the funded ratio) that is equal to or greater than 85 percent, then the Board, effective on the following July 1, may decrease the then current contribution rates upon making a finding that the decrease will not result in a funded ratio of less than 85 percent. If contribution rates are decreased pursuant to this provision, and the most recent annual actuarial valuation of the system shows a funded ratio of less than 85 percent, then effective on the following July 1, and annually thereafter as necessary, the Board shall increase the then current contribution rates until a subsequent annual actuarial valuation of the system shows a funded ratio that is equal to or greater than 85 percent.

Required employee contribution rates¹ are as follows:

	<u>Fiscal Year 2022¹</u>	<u>Fiscal Year 2021</u>
SCRS		
Employee Class Two	9.00%	9.00%
Employee Class Three	9.00%	9.00%
State ORP		
Employee	9.00%	9.00%
PORS		
Employee Class Two	9.75%	9.75%
Employee Class Three	9.75%	9.75%

Required employer contribution rates¹ are as follows:

	<u>Fiscal Year 2022¹</u>	<u>Fiscal Year 2021</u>
SCRS		
Employee Class Two	16.41%	15.41%
Employee Class Three	16.41%	15.41%
Employer Incidental Death Benefit	0.15%	0.15%
State ORP		
Employer Contribution ²	16.41%	15.41%
Employer Incidental Death Benefit	0.15%	0.15%
PORS		
Employee Class Two	18.84%	17.84%
Employee Class Three	18.84%	17.84%
Employer Incidental Death Benefit	0.20%	0.20%
Employer Accidental Death Program	0.20%	0.20%

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

² Of this employer contribution, 5% of earnable compensation must be remitted by the employer directly to the ORP vendor to be allocated to the member's account with the remainder of the employer contribution remitted to the SCRS.

Actuarial Assumptions and Methods

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

The June 30, 2021, total pension liability (TPL), net pension liability (NPL), and sensitivity information shown in this report were determined by our consulting actuary, Gabriel, Roeder, Smith and Company (GRS) and are based on an actuarial valuation performed as of July 1, 2020. The total pension liability was

rolled-forward from the valuation date to the plans' fiscal year end, June 30, 2021, using generally accepted actuarial principles. There was no legislation enacted during the 2021 legislative session that had a material change in the benefit provisions for any of the systems. In FY 2021 the Board adopted updated demographic assumptions. Also, the General Assembly permitted the investment return assumption at July 1, 2021 to decrease from 7.25% to 7.00%, as provided by Section 9-16-335 in South Carolina State Code.

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

Actuarial Cost Method Investment rate of return ¹ Projected salary increases Benefit adjustments ¹ Includes inflation at 2.25%	SCRS	PORS
	Entry age normal 7.00%	Entry age normal 7.00%
	3.0% to 11.0% (varies by service) ¹	3.5% to 10.5% (varies by service) ¹
	Lesser of 1% or \$500 annually	Lesser of 1% or \$500 annually

The post-retiree mortality assumption is dependent upon the member's job category and gender. The base mortality assumptions, the 2020 Public Retirees of South Carolina mortality table (2020 PRSC), was developed using the Systems' mortality experience. These base rates are adjusted for future improvement in mortality using 80% of Scale UMP projected from the year 2020.

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

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

Net Pension Liability

The NPL is calculated separately for each system and represents that particular system's TPL determined in accordance with GASB No. 67 less that System's fiduciary net position. NPL totals, as of June 30, 2021, for SCRS and PORS are presented below:

System	Total Pension Liability	Plan Fiduciary Net Position	Employers' Net Position Liability (Asset)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
SCRS	\$ 55,131,579,363	\$ 33,490,305,970	\$ 21,641,273,393	60.7%
PORS	\$ 8,684,586,488	\$ 6,111,672,064	\$ 2,572,914,424	70.4%

The TPL is calculated by the Systems' actuary, and each plan's fiduciary net position is reported in the Systems' financial statements. The NPL is disclosed in accordance with the requirements of GASB 67 in the Systems' notes to the financial statements and required supplementary information. Liability calculations performed by the Systems' actuary for the purpose of satisfying the requirements of GASB Nos. 67 and 68 are

not applicable for other purposes, such as determining the plans' funding requirements.

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 rate of returns represent assumptions developed using an arithmetic building block approach primarily based on consensus expectations and market based inputs. Expected returns are net of investment fees.

The expected returns, along with the expected inflation rate, form the basis for the revised target asset allocation adopted at the beginning of the 2021 fiscal year. The long-term expected rate of return is produced by weighing the expected future real rates of return by the target allocation percentage and adding expected inflation and is summarized in the table below. For actuarial purposes, the 7 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.

<u>Allocation/ Exposure</u>	<u>Target Asset Allocation</u>	<u>Expected Arithmetic Real Rate of Return</u>	<u>Long-term Expected Portfolio Real Rate of Return</u>
Public Equity	46.0%	6.87%	3.16
Bonds	26.0%	0.27%	0.07%
Private Equity	9.0%	9.68%	0.87%
Private Debt	7.0%	5.47%	0.39%
Real Assets	12.0%		
Real Estate	9.0%	6.01%	0.54%
Infrastructure	3.0%	5.08%	0.15%
Total Expected Real Return	100.0%		5.18%
Inflation for Actuarial Purposes			2.25%
			7.43%

Discount Rate

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

Sensitivity Analysis

The following table presents the Town's proportionate share of net pension liability of the Plan calculated using the discount rate of 7.00 percent, as well as what the employers' NPL would be if it were calculated using a discount rate that is 1.00 percent lower (6.00 percent) or 1.00 percent higher (8.00 percent) than the current rate.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

System	1.00% Decrease (6.00%)	Current Discount Rate (7.00%)	1.00% Increase (8.00%)
SCRS	\$ 2,400,115	\$ 1,832,323	\$ 1,360,370
PORS	\$ 1,206,827	\$ 831,794	\$ 524,585

Additional Financial and Actuarial Information

Information contained in these Notes to the Schedules of Employer and Nonemployer Allocations and Schedules of Pension Amounts by Employer (Schedules) was compiled from the Systems' audited financial statements for the fiscal year ended June 30, 2021, and the accounting valuation report as of June 30, 2021. Additional financial information supporting the preparation of the Schedules (including the unmodified audit opinion on the financial statements and required supplementary information) is available in the Systems' CAFR.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At May 31, 2022, the Town reported a liability of \$2,664,117 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Town's portion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

For the year ended May 31, 2022, the Town recognized pension expense of \$21,124 for its participation in the Plan. The expense amount includes actual employer contributions, changes in deferred outflows and/or inflows of resources related to changes in the employer's proportionate share of the collective pension liability, and differences between actual employer contributions and proportionate share of total employer contributions as reported by PEBA for the year ended June 30, 2022.

At May 31, 2022, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
SCRS		
Differences between expected and actual experience	\$ 31,212	\$ 2,473
Assumption changes	100,295	-
Net difference between projected and actual earnings on pension plan investments	-	266,169
Changes in proportionate share and differences between employer contributions and proportionate share of total plan employer contributions	58,442	470,441
Town contributions subsequent to the measurement date	193,759	-
Total SCRS	383,708	739,083
PORS		
Differences between expected and actual experience	28,297	2,591
Assumption changes	59,328	-
Net difference between projected and actual earnings on pension plan investments	-	186,485
Changes in proportionate share and differences between employer contributions and proportionate share of total plan employer contributions	81,443	159,880
Town contributions subsequent to the measurement date	109,049	-
Total PORS	278,117	348,956
Total SCRS and PORS	\$ 661,825	\$ 1,088,039

\$193,759 and \$109,049 that were reported as deferred outflows of resources related to the Town's contributions subsequent to the measurement date to the SCRS and PORS, respectively, will be recognized as a reduction of the net pension liabilities in the year ended May 31, 2023. Other amounts reported as deferred outflows of resources (deferred pension charges) and deferred inflows of resources (deferred pension credits) related to the SCRS and PORS will increase (decrease) pension expense as follows:

Measurement Period Ending May 31,	SCRS	PORS	Total
2022	\$ (175,472)	\$ (26,672)	\$ (202,144)
2023	(120,479)	(22,617)	(143,096)
2024	(153,585)	(58,330)	(211,915)
2025	(99,598)	(72,269)	(171,867)
Net Balance of Deferred Outflow/(Inflow) of Resources	\$ (549,134)	\$ (179,888)	\$ (729,022)

Pension Plan Fiduciary Net Position

Detailed information regarding the fiduciary net position of the plans administered by PEBA is available in the separately issued CAFR containing financial statements and required supplementary information for SCRS and PORS. The CAFR of the Pension Trust Funds is publicly available on PEBA's Retirement Benefits' website at www.retirement.sc.gov, or a copy may be obtained by submitting a request to PEBA, PO Box 11960, Columbia, SC 29211-1960.

NOTE 5 – TAX ABATEMENTS

Other Tax Abatements

The Town's property tax revenues were reduced by approximately \$0 under agreements entered into by Anderson County.

NOTE 6 – SUBSEQUENT EVENTS

Subsequent events have been evaluated through the date of the auditor's report, which is the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF HONEA PATH

SCHEDULE OF PENSION PLAN CONTRIBUTIONS
SOUTH CAROLINA RETIREMENT SYSTEM AND POLICE OFFICER RETIREMENT SYSTEM
LAST 8 FISCAL YEARS

	2022	2021	2020	2019	2018	2017	2016	2015
<u>SCRS</u>								
Contractually required contribution	\$ 193,760	\$ 193,384	\$ 181,121	\$ 159,758	\$ 156,246	\$ 137,057	\$ 116,467	\$ 113,115
Contributions in relation to the contractually required contribution	(193,760)	(193,384)	(181,121)	(159,758)	(156,246)	(137,057)	(116,467)	(113,115)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Town's covered-employee payroll	\$ 1,126,206	\$ 1,254,926	\$ 1,179,463	\$ 1,114,705	\$ 1,179,742	\$ 1,206,532	\$ 1,066,317	\$ 1,057,150
Contributions as a percentage of covered-employee payroll	16.4%	15.4%	15.4%	14.3%	13.2%	11.6%	10.9%	10.7%
<u>PORS</u>								
Contractually required Contribution	\$ 109,048	\$ 120,097	\$ 108,687	\$ 77,153	\$ 74,900	\$ 64,697	\$ 58,267	\$ 58,561
Contributions in relation to the contractually required contribution	(109,048)	(120,097)	(108,687)	(77,153)	(74,900)	(64,697)	(58,267)	(58,561)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Town's covered-employee payroll	\$ 581,330	\$ 620,782	\$ 612,780	\$ 460,346	\$ 477,117	\$ 469,186	\$ 438,098	\$ 450,469
Contributions as a percentage of covered-employee payroll	18.8%	17.7%	17.7%	16.8%	15.7%	13.8%	13.3%	13.0%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the government will present information for those years for which information is available.

TOWN OF HONEA PATH

SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
SOUTH CAROLINA RETIREMENT SYSTEM AND POLICE OFFICER RETIREMENT SYSTEM
LAST 8 FISCAL YEARS

	2022	2021	2020	2019	2018	2017	2016	2015
SCRS								
Town's proportion of the net pension liability	0.008%	0.011%	0.010%	0.011%	0.011%	0.011%	0.010%	0.010%
Town's proportionate share of the net pension liability	\$ 1,832,323	\$ 2,774,520	\$ 2,359,311	\$ 2,526,730	\$ 2,639,036	\$ 2,441,218	\$ 2,171,737	\$ 1,785,887
Town's covered-employee payroll	\$ 1,254,926	\$ 1,179,463	\$ 1,114,705	\$ 1,114,705	\$ 1,206,532	\$ 1,066,317	\$ 1,057,150	\$ 941,593
Town's proportionate share of the net pension liability as a percentage of its covered-employee payroll	146.0%	235.2%	211.7%	226.7%	218.7%	202.3%	203.7%	189.7%
Plan fiduciary net position as a percentage of the total pension liability	60.7%	50.7%	54.4%	54.1%	53.3%	52.9%	57.0%	59.9%
PORS								
Town's proportion of the net pension liability	0.032%	0.039%	0.034%	0.035%	0.034%	0.036%	0.040%	0.040%
Town's proportionate share of the net pension liability	\$ 831,794	\$ 1,302,125	\$ 961,650	\$ 983,148	\$ 924,985	\$ 901,869	\$ 819,142	\$ 685,154
Town's covered-employee payroll	\$ 620,782	\$ 612,780	\$ 460,346	\$ 460,346	\$ 469,189	\$ 438,098	\$ 450,469	\$ 464,229
Town's proportionate share of the net pension liability as a percentage of its covered-employee payroll	133.9%	212.5%	208.9%	213.7%	197.1%	192.2%	187.0%	147.6%
Plan fiduciary net position as a percentage of the total pension liability	70.4%	58.8%	62.7%	61.7%	60.9%	60.4%	64.6%	67.5%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the government will present information for those years for which information is available.

TOWN OF HONEA PATH

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED MAY 31, 2022**

Method and Assumptions Used in Calculations of Actuarially Determined Contributions: The actuarially determined contribution rates in the schedule of contributions are calculated as of May 31, 2021, one year prior to the end of the fiscal year in which contributions are reported. The actuarial methods and assumptions used to determine the contractually required contributions for the year ended May 31, 2022 reported in that schedule can be found in Note 4 of the basic financial statements.

OTHER SUPPLEMENTARY INFORMATION

**TOWN OF HONEA PATH
GENERAL FUND**

**SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
YEAR ENDED MAY 31, 2022**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
ADMINISTRATION				
Salaries	\$ 111,527	\$ 111,527	\$ 229,377	\$ (117,850)
Office supplies/travel	3,000	3,000	4,513	(1,513)
Telephone	6,500	6,500	278	6,222
Equipment maintenance	500	500	9,105	(8,605)
Insurance and bonds	600	600	555	45
Capital outlay				
Equipment	500	500	-	500
Total administration	122,627	122,627	243,828	(121,201)
POLICE DEPARTMENT				
Salaries - officers	500,000	500,000	607,207	(107,207)
Salaries - humane	7,800	7,800	8,190	(390)
Salaries - judge	12,492	12,492	34,074	(21,582)
Salaries - judge admin	20,000	20,000	-	20,000
Supplies - judge	500	500	-	500
Retirement	94,200	94,200	99,959	(5,759)
Juror fees	500	500	-	500
Recorder expense	-	-	860	(860)
Indigent defense	4,090	4,090	4,090	-
Insurance	1,050	1,050	1,246	(196)
Supplies	17,000	17,000	2,058	14,942
Vehicle maintenance	16,000	16,000	17,160	(1,160)
Gas and oil	45,000	45,000	61,320	(16,320)
Telephone	3,500	3,500	3,717	(217)
Equipment repair	1,000	1,000	-	1,000
Uniforms	9,000	9,000	4,581	4,419
Utilities	9,000	9,000	8,374	626
Food and lodging - prisoners	-	-	350	(350)
Training assessment	-	-	27,335	(27,335)
Training and conference	3,000	3,000	-	3,000
Miscellaneous	-	-	7,813	(7,813)
Software	3,529	3,529	3,564	(35)
Building repairs	100	100	1,136	(1,036)
Victim's advocate	-	-	2,831	(2,831)
Capital outlay				
Equipment and building	6,000	6,000	-	6,000
Debt service	20,000	20,000	-	20,000
Total police department	773,761	773,761	895,865	(122,104)
FIRE DEPARTMENT				
Anderson training facility	461	461	461	-
Drug/physical	1,400	1,400	272	1,128
Building maintenance	3,000	3,000	1,692	1,308
Equipment	-	-	9,984	(9,984)
Capital outlay	10,000	10,000	-	10,000
Debt service	33,324	33,324	36,101	(2,777)
Total fire department	48,185	48,185	48,510	(325)
STREET DEPARTMENT				
Salaries	164,869	164,869	166,358	(1,489)
Supplies	2,000	2,000	1,041	959
Vehicle and equipment maintenance	25,000	25,000	18,382	6,618
Gas and oil	10,000	10,000	13,592	(3,592)
Utilities	90,000	90,000	86,424	3,576
Street maintenance	20,000	20,000	6,425	13,575

(continued)

**TOWN OF HONEA PATH
GENERAL FUND**

**SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
YEAR ENDED MAY 31, 2022**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
STREET DEPARTMENT (continued)				
Phones	\$ 2,500	\$ 2,500	\$ 1,833	\$ 667
Sign maintenance	2,000	2,000	732	1,268
Equipment	-	-	11,086	(11,086)
Capital outlay				
Equipment	2,000	2,000	-	2,000
Total street department	318,369	318,369	305,873	12,496
SANITATION DEPARTMENT				
Salaries	99,943	99,943	111,991	(12,048)
Supplies	1,500	1,500	949	551
Vehicle maintenance	30,000	30,000	31,356	(1,356)
Gas and oil	12,000	12,000	11,110	890
Fuelmaster	745	745	1,960	(1,215)
Other equipment	-	-	196,708	(196,708)
Phone service	1,500	1,500	849	651
Capital outlay				
Equipment	15,000	15,000	-	15,000
Debt Service	36,000	36,000	-	-
Total sanitation department	196,688	196,688	354,923	(158,235)
JANITORIAL DEPARTMENT				
Salaries	6,000	6,000	4,493	1,507
Supplies	200	200	-	200
Repairs	100	100	-	100
Total janitorial department	6,300	6,300	4,493	1,807
RECREATION DEPARTMENT				
Recreation	151,563	151,563	144,465	7,098
Total recreation department	151,563	151,563	144,465	7,098
HONEA PATH FIRE/EMS				
Salaries	634,950	634,950	379,206	255,744
Payroll taxes	48,574	48,574	-	48,574
Retirement	98,824	98,824	44,851	53,973
Health insurance	64,000	64,000	36,228	27,772
Medical supplies	35,000	35,000	17,431	17,569
Vehicle maintenance	39,800	39,800	56,963	(17,163)
Software	3,000	3,000	20,720	(17,720)
Professional Services	-	-	3,926	(3,926)
Gas and oil	30,000	30,000	28,647	1,353
Telephone	5,000	5,000	257	4,743
Utilities	17,500	17,500	14,935	2,565
Equipment repair	10,000	10,000	10,839	(839)
Uniform	9,000	9,000	1,789	7,211
Training	4,500	4,500	287	4,213
Miscellaneous	-	-	24,711	(24,711)
Office supplies	2,500	2,500	4,911	(2,411)
Medlink services	55,000	55,000	8,782	46,218
Radio repairs	4,000	4,000	449	3,551
Employment taxes	5,000	5,000	-	5,000
Workers' compensation	50,000	50,000	18,074	31,926
Tort liabilities insurance	40,668	40,668	29,841	10,827
Fire fees	11,149	11,149	6,066	5,083
Licenses and fees	500	500	13	487
Building repairs/capital	3,000	3,000	20,300	(17,300)

(continued)

TOWN OF HONEA PATH
GENERAL FUND

SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
YEAR ENDED MAY 31, 2022

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
HONEA PATH FIRE/EMS (continued)				
Capital outlay	\$ 14,000	\$ 14,000	\$ -	\$ 14,000
Debt service	54,537	54,537	286,560	(232,023)
Total Honea Path fire/EMS	<u>1,240,502</u>	<u>1,240,502</u>	<u>1,015,786</u>	<u>224,716</u>
NONDEPARTMENTAL				
Retirement	97,106	97,106	95,111	1,995
Group health insurance	180,000	180,000	142,393	37,607
Social security	86,700	86,700	100,614	(13,914)
Workers' compensation	37,740	37,740	31,049	6,691
Unemployment	2,000	2,000	18	1,982
Miscellaneous dues	1,750	1,750	1,695	55
Miscellaneous	23,500	23,500	27,244	(3,744)
Meetings and travel	1,500	1,500	5,243	(3,743)
Utilities	18,190	18,190	27,633	(9,443)
Parking lot lease	810	810	814	(4)
Professional services	10,000	10,000	104,568	(94,568)
Attorney	15,000	15,000	18,900	(3,900)
Donations	1,335	1,335	909	426
Building maintenance	1,000	1,000	637	363
Brownfield Grant	25,000	25,000	1,760	23,240
Insurance - vehicles and buildings	45,000	45,000	673	44,327
Tort liability	-	-	52,334	(52,334)
Hospitality tax expenditures	74,822	74,822	133,120	(58,298)
ARP Grant	-	-	606,972	(606,972)
Debt service	-	-	25,736	(25,736)
Total nondepartmental	<u>621,453</u>	<u>621,453</u>	<u>1,377,423</u>	<u>(755,970)</u>
TOTAL GENERAL FUND EXPENDITURES	<u>\$ 3,479,448</u>	<u>\$ 3,479,448</u>	<u>\$ 4,391,166</u>	<u>\$ (911,718)</u>

**TOWN OF HONEA PATH
UTILITY FUND**

**SCHEDULE OF EXPENSES - BUDGET AND ACTUAL
YEAR ENDED MAY 31, 2022**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
WATER DEPARTMENT				
Salaries	\$ 153,109	\$ 153,109	\$ 165,954	\$ (12,845)
Retirement	23,594	23,594	7,035	16,559
Health insurance	15,000	15,000	4,934	10,066
Social Security expense	11,713	11,713	15,054	(3,341)
Workers' compensation	13,000	13,000	11,608	1,392
Office supplies	3,000	3,000	5,462	(2,462)
Office supplies - billing	3,000	3,000	684	2,316
Phone service	750	750	-	750
Vehicle maintenance	2,500	2,500	19,840	(17,340)
Utilities	4,000	4,000	1,354	2,646
Lab supplies/equipment	-	-	6,951	(6,951)
Gas and oil	7,500	7,500	11,373	(3,873)
Water purchases	309,000	309,000	260,059	48,941
Water maintenance and upgrade	50,000	50,000	115,892	(65,892)
Water tank maintenance	67,715	67,715	17,260	50,455
Rental of property	2,640	2,640	-	2,640
DHEC annual fee	6,680	6,680	-	6,680
Professional services	23,000	23,000	41,858	(18,858)
Travel/schooling	500	500	274	226
Miscellaneous supplies	-	-	9,246	(9,246)
Mandated EPA regulations - lead/copper	1,500	1,500	-	1,500
Tort liability	25,000	25,000	26,042	(1,042)
Interest	-	-	5,308	(5,308)
Depreciation	-	-	84,708	(84,708)
OSHA mandated safety program	3,500	3,500	5,375	(1,875)
Paving expense	2,500	2,500	-	2,500
Capital items	20,000	20,000	-	20,000
Bond repayment	45,305	45,305	-	45,305
Total water department	794,506	794,506	816,271	(21,765)
SEWER DEPARTMENT				
Salaries	171,482	171,482	43,327	128,155
Retirement	26,425	26,425	-	26,425
Health insurance	15,000	15,000	25,645	(10,645)
Social Security expense	13,118	13,118	16,686	(3,568)
Workers' compensation	10,000	10,000	11,950	(1,950)
Office supplies	1,852	1,852	527	1,325
Vehicle maintenance	5,000	5,000	18,663	(13,663)
Gas and oil	3,000	3,000	7,835	(4,835)
Sewer maintenance and upgrade	65,000	65,000	197,077	(132,077)
Utilities	35,000	35,000	30,987	4,013
OSHA mandated safety program	2,000	2,000	4,878	(2,878)
Lab supplies/equipment	250	250	-	250
Miscellaneous	-	-	27,782	(27,782)
Pump station maintenance	-	-	107,362	(107,362)
Professional services	20,000	20,000	39,084	(19,084)
Travel/schooling	500	500	355	145
Miscellaneous supplies	1,000	1,000	3,641	(2,641)
Tort liability	25,000	25,000	26,042	(1,042)
Phone service	2,000	2,000	1,000	1,000
Building maintenance	2,000	2,000	4,279	(2,279)
Ware Shoals sewer fee	400,000	400,000	531,387	(131,387)
Paving expense	1,500	1,500	-	1,500
Replacement reserve fund	40,000	40,000	-	40,000

(continued)

TOWN OF HONEA PATH
UTILITY FUND

SCHEDULE OF EXPENSES - BUDGET AND ACTUAL
YEAR ENDED MAY 31, 2022

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
SEWER DEPARTMENT (continued)				
Interest	\$ -	\$ -	\$ 120	\$ (120)
Depreciation	-	-	84,707	(84,707)
Debt service	12,867	12,867	-	12,867
Total sewer department	<u>852,994</u>	<u>852,994</u>	<u>1,183,334</u>	<u>(330,340)</u>
 TOTAL UTILITY FUND EXPENSES	 <u>\$ 1,647,500</u>	 <u>\$ 1,647,500</u>	 <u>\$ 1,999,605</u>	 <u>\$ (352,105)</u>

TOWN OF HONEA PATH

UNIFORM SCHEDULE OF COURT FINES, ASSESSMENTS
AND SURCHARGES (per ACT 96)
YEAR ENDED MAY 31, 2022

FOR THE STATE TREASURER'S OFFICE

**COUNTY/MUNICIPAL FUNDS COLLECTED
BY THE CLERK OF COURT**

	<u>General Sessions</u>	<u>Magistrate Court</u>	<u>Municipal Court</u>	<u>Total</u>
Court Fines and Assessments				
Court fines and assessments collected	\$ -	\$ -	\$ 3,415	\$ 3,415
Court fines and assessments remitted to State Treasurer	-	-	1,290	1,290
Total Court Fines and Assessments Retained	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,125</u>	<u>\$ 2,125</u>
Surcharges and Assessments Retained for Victim Services				
Surcharges collected and retained	\$ -	\$ -	\$ 1,037	\$ 1,037
Assessments retained	-	-	2,125	2,125
Total Surcharges and Assessments Retained for Victim Services	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,162</u>	<u>\$ 3,162</u>

FOR THE DEPARTMENT OF CRIME VICTIM COMPENSATION (DCVC)

VICTIM SERVICE FUNDS COLLECTED

	<u>Municipal</u>	<u>County</u>	<u>Total</u>
Carryforward from Previous Year - Beginning Balance	\$ 30,349	\$ -	\$ 30,349
Victim Service Revenue			
Victim Service fines retained by City/County Treasurer	-	-	-
Victim Service assessments retained by City/County Treasurer	2,125	-	2,125
Victim Service surcharges retained by City/County Treasurer	1,037	-	1,037
Interest earned	-	-	-
Grant funds received	-	-	-
Grant from:	-	-	-
General funds transferred to Victim Service Fund	-	-	-
Contribution Received from Victim Service Contracts	-	-	-
(1) Town of	-	-	-
(2) Town of	-	-	-
(3) City of	-	-	-
Total Funds Allocated to Victim Service Fund + Beginning Balance (A)	<u>\$ 33,511</u>	<u>\$ -</u>	<u>\$ 33,511</u>

(continued)

TOWN OF HONEA PATH

UNIFORM SCHEDULE OF COURT FINES, ASSESSMENTS
AND SURCHARGES (per ACT 96) - Continued
YEAR ENDED MAY 31, 2022

	<u>Municipal</u>	<u>County</u>	<u>Total</u>
Expenditures for Victim Service Program			
Salaries and benefits	\$ -	\$ -	\$ -
Operating expenditures	2,831	-	2,831
Victim Service Contract(s)	-	-	-
(1) Entity's name	-	-	-
(2) Entity's name	-	-	-
Victim Service Donation(s)	-	-	-
(1) Domestic Violence Shelter	-	-	-
(2) Rape Crisis Center	-	-	-
(3) SVAP	-	-	-
Transferred to General Fund	-	-	-
Total Expenditures from Victim Service Fund/Program (B)	<u>2,831</u>	<u>-</u>	<u>2,831</u>
Total Victim Service Funds Retained by Municipal/County Treasurer (A-B)	30,680	-	30,680
Less: Prior Year Fund Deficit Repayment	-	-	-
Carryforward Funds - End of Year	<u>\$ 30,680</u>	<u>\$ -</u>	<u>\$ 30,680</u>

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

The Honorable Mayor and Members of Town Council
Town of Honea Path
Honea Path, South Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Honea Path, as of and for the year ended May 31, 2022, and the related notes to the financial statements, which collectively comprise the Town of Honea Path's basic financial statements, and have issued our report thereon dated April 4, 2023.

Report on Internal Control over Financial Reporting

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

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

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To the Honorable Mayor and Members of Town Council
Town of Honea Path
April 4, 2023

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

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

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.

Mckinley, Cooper & Co., LLC

Greenville, South Carolina
April 4, 2023