

TOWN OF WARE SHOALS, SOUTH CAROLINA

AUDITED FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2023

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AUDITED FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2023

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Members of Town Council
Town of Ware Shoals
Ware Shoals, South Carolina

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Town of Ware Shoals, South Carolina (the "Town") as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

In our opinion, the financial statements present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Town of Ware Shoals as of June 30, 2023, and the respective changes in its 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 Opinion

We conducted our audit in accordance with 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. 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 Ware Shoals 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 opinion.

Responsibilities of Management for the Financial Statements

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

To the Honorable Mayor and Members of Town Council
Town of Ware Shoals
April 3, 2024

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 Ware Shoals's ability to continue as a going concern within 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 opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town of Ware Shoals, South Carolina'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 Ware Shoals, South Carolina's ability to continue as 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.

To the Honorable Mayor and Members of Town Council
Town of Ware Shoals
April 3, 2024

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison, and the Schedule of Pension Plan Contributions and Schedule of Proportionate Share of Net Pension Liability, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 3, 2024, on our consideration of the Town of Ware Shoal'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 Ware Shoals' 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 Ware Shoals' internal control over financial reporting and compliance.

Phillips CPAs and Advisors

Greenville, South Carolina
April 3, 2024

Management's Discussion and Analysis

As management of the Town of Ware Shoals, South Carolina (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 June 30, 2023.

Financial Highlights

- The total government-wide net position at the close of the most recent fiscal year was \$11,957,786 of which \$1,182,863 was unrestricted.
- The government-wide net position increased by \$51,894 or 0.4%.
- Total long-term debt decreased by \$49,470 or 3.7%.
- Total assets of the governmental funds exceeded its liabilities at the close of the 2023 fiscal year by \$774,286.
- Total fund balances of the governmental funds increased by \$89,610 or 13.1%.
- Total governmental funds revenues of \$1,861,999 exceeded total governmental funds expenditures of \$1,772,389 by \$89,610.
- The net change in the fund balance for the general fund was an increase of \$401,864, while the fund balance for the other governmental fund balance decreased \$312,254.
- The net change in the water and sewer enterprise fund was a decrease of \$214,888.

Overview of the Annual Financial Report

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements and supplementary information. 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.

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. This statement also focuses on both the gross and net costs of the various functions of the Town, based only on direct functional revenues and expenses. This is designed to show the extent to which the various functions depend on general revenues for support.

The activities of the Town are presented in two columns on these statements – governmental activities and business-type activities. A total column for the Town is also provided. The governmental activities include the Town's basic services including general government, police, fire, public works, administrative, council, legal, judicial, and non-departmental. Taxes, licenses, permits and charges for services generally support these activities. The business-type activities include private sector-type activities such as the Town's own water and sewer system. These activities are primarily supported by user charges and fees.

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: governmental funds 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 two individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and the other governmental fund. Only the general fund 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 utility 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

The following tables and analysis discuss the financial position and changes to the financial position for the Town as a whole as of and for the years ended June 30, 2023 and 2022.

Net Position

As noted earlier, net position may serve over time as a useful indicator for the Town's financial position. The combined total assets of the Town's governmental activities and business-type activities exceeded liabilities by \$11,957,786 at the close of the most recent fiscal year.

The largest portion of the Town's net position (76.2%) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that are still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future

spending. Restricted net position amounts to \$1,662,450. The remaining balance of unrestricted net position, \$1,182,863, may be used to meet the government's ongoing obligations to citizens and creditors.

The following table presents a summary of the Town's net position as of June 30, 2023, with comparative data for fiscal year 2022:

Town of Ware Shoals, South Carolina Net Position

	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
Current and other assets	\$ 766,655	\$ 743,315	\$ 1,668,631	\$ 1,381,140	\$ 2,435,286	\$ 2,124,455
Capital assets, net	2,355,350	2,269,498	8,050,562	8,530,574	10,405,912	10,800,072
Restricted assets	76,762	80,503	1,585,688	1,551,080	1,662,450	1,631,583
Total assets	3,198,767	3,093,316	11,304,881	11,462,794	14,503,648	14,556,110
Deferred outflows	117,285	234,745	6,362	11,912	123,647	246,657
Current liabilities	95,388	139,142	296,714	166,736	392,102	305,878
Long-term liabilities	845,014	851,080	1,271,974	1,339,384	2,116,988	2,190,464
Total liabilities	940,402	990,222	1,568,688	1,506,120	2,509,090	2,496,342
Deferred inflows	143,995	372,966	16,424	27,567	160,419	400,533
Net position:						
Invested in capital assets, net of related debt	2,317,631	2,212,828	6,794,842	7,244,335	9,112,473	9,457,163
Unrestricted	(162,738)	(328,458)	1,345,601	1,145,604	1,182,863	817,146
Restricted	76,762	80,503	1,585,688	1,551,080	1,662,450	1,631,583
Total net position	\$ 2,231,655	\$ 1,964,873	\$ 9,726,131	\$ 9,941,019	\$ 11,957,786	\$ 11,905,892

The following table shows a recap of revenues and expenses for fiscal year 2023, with comparative data for fiscal year 2022:

Town of Ware Shoals, South Carolina Net Position

	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
Revenue:						
Program revenue	\$ 876,551	\$ 826,116	\$ 1,826,915	\$ 1,429,491	\$ 2,703,466	\$ 2,255,607
General revenue	985,448	926,144	37,190	4,350	1,022,638	930,494
Total revenues	1,861,999	1,752,260	1,864,105	1,433,841	3,726,104	3,186,101
Expenses:						
Governmental activities	1,595,217	1,428,070	-	-	1,595,217	1,428,070
Business-type activities	-	-	2,078,993	1,626,473	2,078,993	1,626,473
Total expenses	1,595,217	1,428,070	2,078,993	1,626,473	3,674,210	3,054,543
Increase (decrease) in net position	266,782	324,190	(214,888)	(192,632)	51,894	131,558
Net position, July 1	1,964,873	1,640,683	9,941,019	10,133,651	11,905,892	11,774,334
Net position, June 30	\$ 2,231,655	\$ 1,964,873	\$ 9,726,131	\$ 9,941,019	\$ 11,957,786	\$ 11,905,892

At the end of the current fiscal year, the Town is able to report positive balances in both categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

Governmental activities. Governmental activities increased the Town's net position by \$266,782. This is due mainly to revenues in excess of expenditures.

Business-type activities. Business-type activities decreased the Town's net position by \$214,888. This is due mainly to expenses exceeding 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. The following is a brief discussion of the financial highlights from the fund financial statements.

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, *unassigned 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 Town's total governmental funds reported a combined ending fund balance of \$774,286, an increase of \$89,610 in comparison with the prior year. The non-spendable fund balance constitutes \$6,705 in inventory. Restricted fund balance of \$76,762 is considered unavailable for appropriation for general operations. These amounts are restricted for drug enforcement, the Veteran's Memorial project, capital projects, Mill Site remediation, and Hospitality. A balance of \$195,601 is assigned for economic development and the Mill Site.

The General Fund is the chief operating fund of the Town and accounts for the major functions of the government including general government, public safety, public works, administrative, council, legal, judicial, and non-departmental. The fund balance increased \$401,864 during the current fiscal year.

Proprietary funds. The Town's Proprietary Fund statements provide the same type of information as the government-wide financial statements but in more detail.

The net position of the water and sewer enterprise proprietary fund decreased \$214,888 from the prior fiscal year.

General Fund Budgetary Highlights

The Town's annual budget is the legally adopted expenditure control document of the Town. A budgetary comparison statement is included for the General Fund. This statement compares the original adopted budget, the final budget, and the actual revenues and expenditures prepared on a budgetary basis. Amendments to the adopted budget may occur throughout the year in a legally permissible manner.

There are no material differences between the original budget and the final budget.

Capital Asset and Debt Administration

Capital assets. The Town's investment in capital assets net of accumulated depreciation for its government-wide activities as of June 30, 2023, is \$10,405,912. This is a decrease of \$394,160 from the prior year balance. This

investment in capital assets includes improvements other than buildings, buildings and systems, and machinery and equipment. The major capital asset additions included the improvements to the Town's Senior Center, equipment, and police vehicles.

Debt administration. At year-end the Town had \$1,293,439 in notes and bonds payable for its government-wide activities. This is a decrease of \$49,470 from the previous year amount of \$1,342,909.

Additional information on the Town's capital assets can be found in the Notes to Financial Statements in Note 5.

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 2024 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 Town'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 Ware Shoals, Post Office Box 510, Ware Shoals, South Carolina 29692.

TOWN OF WARE SHOALS, SOUTH CAROLINA
STATEMENT OF NET POSITION
JUNE 30, 2023

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 732,141	\$ 1,482,669	\$ 2,214,810
Cash and cash equivalents, restricted	76,762	1,585,688	1,662,450
Receivables, net of allowances for uncollectibles	17,345	122,584	139,929
Interest receivable	-	2,828	2,828
Intergovernmental receivables	10,464	-	10,464
Inventory	6,705	60,550	67,255
Capital assets			
Non-depreciable	353,052	16,928	369,980
Depreciable, net	2,002,298	8,033,634	10,035,932
Total Assets	3,198,767	11,304,881	14,503,648
Deferred Outflows of Resources	117,285	6,362	123,647
Liabilities			
Accounts payable	57,740	198,985	256,725
Due to other funds	11,391	5,401	16,792
Accrued expenses	-	2,836	2,836
Customer security deposits	-	55,269	55,269
Long-term liabilities			
Due within one year			
Revenue bonds	-	29,305	29,305
Notes payable	19,066	-	19,066
Compensated absences	7,191	4,918	12,109
Due in more than one year			
Revenue bonds	-	1,226,415	1,226,415
Notes payable	18,653	-	18,653
Compensated absences	7,485	-	7,485
Net pension liability	818,876	45,559	864,435
Total Liabilities	940,402	1,568,688	2,509,090
Deferred Inflows of Resources	143,995	16,424	160,419
Net Position			
Invested in capital assets, net of related debt	2,317,631	6,794,842	9,112,473
Restricted for:			
Drug enforcement	10,445	-	10,445
Hospitality	60,467	-	60,467
Veterans memorial	5,753	-	5,753
Capital projects	97	-	97
Debt service	-	83,279	83,279
Repairs and maintenance	-	1,502,409	1,502,409
Unrestricted	(162,738)	1,345,601	1,182,863
Total Net Position	\$ 2,231,655	\$ 9,726,131	\$ 11,957,786

TOWN OF WARE SHOALS, SOUTH CAROLINA
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2023

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Government		Total
				Governmental Activities	Business-type Activities	
Primary Government						
Governmental Activities:						
Police	\$ 595,498	\$ 72,239	\$ -	\$ (523,259)	\$ -	\$ (523,259)
Fire	131,547	-	-	(131,547)	-	(131,547)
Streets, parks, and recreation	408,984	187,556	-	(221,428)	-	(221,428)
Administrative	107,201	42,773	-	(64,428)	-	(64,428)
Nondepartmental	229,523	-	573,983	344,460	-	344,460
Town Council, legal, and judicial	54,725	-	-	(54,725)	-	(54,725)
Community development	67,739	-	-	(67,739)	-	(67,739)
Total Governmental Activities	<u>1,595,217</u>	<u>302,568</u>	<u>573,983</u>	<u>(718,666)</u>	<u>-</u>	<u>(718,666)</u>
Business-type Activities:						
Utility System	2,078,994	1,826,916	-	-	(252,078)	(252,078)
Total Primary Government	<u>\$ 3,674,211</u>	<u>\$ 2,129,484</u>	<u>\$ 573,983</u>	<u>(718,666)</u>	<u>(252,078)</u>	<u>(970,744)</u>
General Revenues						
Taxes and penalties				546,232	-	546,232
Business licenses				312,658	-	312,658
Intergovernmental				113,864	-	113,864
Interest earnings				3,345	37,190	40,535
Miscellaneous				9,349	-	9,349
Total General Revenues				<u>985,448</u>	<u>37,190</u>	<u>1,022,638</u>
Change in Net Position				266,782	(214,888)	51,894
Net Position, beginning				<u>1,964,873</u>	<u>9,941,019</u>	<u>11,905,892</u>
Net Position, ending				<u>\$ 2,231,655</u>	<u>\$ 9,726,131</u>	<u>\$ 11,957,786</u>

TOWN OF WARE SHOALS, SOUTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2023

	General Fund	Other Governmental	Total Governmental Funds
Assets			
Cash and cash equivalents	\$ 622,128	\$ 110,013	\$ 732,141
Cash and cash equivalents, restricted	76,762	-	76,762
Receivables, net of allowances for uncollectibles	560	-	560
Due from other funds	16,785	-	16,785
Due from other governments	10,464	-	10,464
Inventory	6,705	-	6,705
Total assets	<u>733,404</u>	<u>110,013</u>	<u>843,417</u>
Liabilities			
Accounts payable and other current liabilities	57,740	11,391	69,131
Total liabilities	<u>57,740</u>	<u>11,391</u>	<u>69,131</u>
Fund Balances			
Nonspendable for:			
Inventory	6,705	-	6,705
Restricted for:			
Drug enforcement	10,445	-	10,445
Hospitality	60,467	-	60,467
Veterans memorial	5,753	-	5,753
Capital projects	97	-	97
Assigned to:			
Economic development	-	98,622	98,622
Riegel Mill site	96,979	-	96,979
Unassigned	495,218	-	495,218
Total fund balances	<u>675,664</u>	<u>98,622</u>	<u>774,286</u>
Total liabilities and fund balances	<u>\$ 733,404</u>	<u>\$ 110,013</u>	<u>\$ 843,417</u>

TOWN OF WARE SHOALS, SOUTH CAROLINA

**RECONCILIATION OF THE GOVERNMENTAL FUNDS - BALANCE SHEET
TO THE STATEMENT OF NET POSITION
YEAR ENDED JUNE 30, 2023**

Total fund balance - Governmental Funds	\$ 774,286
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and therefore, are not reported in these funds.	2,355,350
Other long-term assets are not available to pay for current period expenditures and therefore, are not reported in these funds.	117,285
Long-term liabilities are not due and payable in the current period and therefore, are not reported in these funds.	
Compensated absences	(14,676)
Notes payable	(37,719)
Net pension liability	(818,876)
Other long-term liabilities are not due and payable in the current period and, therefore are not reported in the funds.	<u>(143,995)</u>
Total net position of Governmental Activities	<u><u>\$ 2,231,655</u></u>

*The notes to the financial statements are an integral part of this statement.
See accompanying independent auditor's report.*

TOWN OF WARE SHOALS, SOUTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2023

	General Fund	Other Governmental Funds	Total Governmental Funds
Revenues			
Taxes and penalties	\$ 546,232	\$ -	\$ 546,232
Licenses and permits	312,658	-	312,658
Intergovernmental	113,864	-	113,864
Fines	56,987	-	56,987
Charges for services	245,581	-	245,581
Investment earnings	2,874	471	3,345
Contributions and donations	500	2,750	3,250
Grants	34,555	536,178	570,733
Miscellaneous	3,410	5,939	9,349
Total Revenues	<u>1,316,661</u>	<u>545,338</u>	<u>1,861,999</u>
Expenditures			
Police	595,227	3,472	598,699
Fire	33,128	966	34,094
Streets, parks, and recreation	404,370	8,625	412,995
Administrative	112,522	-	112,522
Town Council, legal, and judicial	60,562	-	60,562
Community development	26,088	41,651	67,739
Non-departmental	124,692	63,803	188,495
Capital outlay	-	276,681	276,681
Debt service			
Principal	18,951	-	18,951
Interest	1,651	-	1,651
Total Expenditures	<u>1,377,191</u>	<u>395,198</u>	<u>1,772,389</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(60,530)</u>	<u>150,140</u>	<u>89,610</u>
Other Financing Sources (Uses)			
Transfers from (to) other funds	462,394	(462,394)	-
Total Other Financing Sources (Uses)	<u>462,394</u>	<u>(462,394)</u>	<u>-</u>
Net Change in Fund Balances	401,864	(312,254)	89,610
Fund Balances, beginning of year	<u>273,800</u>	<u>410,876</u>	<u>684,676</u>
Fund Balances, end of year	<u>\$ 675,664</u>	<u>\$ 98,622</u>	<u>\$ 774,286</u>

TOWN OF WARE SHOALS, SOUTH CAROLINA

**RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2023**

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

Net change in fund balances - total governmental funds	\$ 89,610
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. Capital outlay of \$276,681 exceeded depreciation expense of \$190,829 in the current period.	85,852
Changes in the Town's proportionate share of the net pension liability, deferred outflows of resources, and deferred inflows of resources for the current year for its participation in the State Retirement Plan are not reported in the governmental funds but are reported in the statement of activities.	69,200
Changes in notes payable are recorded as either an increase or decrease in the governmental funds, but the change reduces or increases the long-term liabilities in the statement of net position.	18,951
Changes in accrued compensated absences are recorded as either an increase or decrease in the governmental funds, but the change reduces or increases the long-term liabilities in the statement of net position.	<u>3,169</u>
Change in net position of governmental activities	<u><u>\$ 266,782</u></u>

*The notes to the financial statements are an integral part of this statement.
See accompanying independent auditor's report.*

TOWN OF WARE SHOALS, SOUTH CAROLINA

**STATEMENT OF NET POSITION
PROPRIETARY FUND - WATER AND SEWER
JUNE 30, 2023**

Assets

Current assets

Cash and cash equivalents	\$ 1,482,669
Receivables, net of allowance	122,584
Interest receivable	2,828
Inventory	60,550
Total current assets	<u>1,668,631</u>

Non-current assets

Restricted cash, cash equivalents, and investments:	
Repairs and maintenance	1,502,409
Note payable covenant deposit	83,279
Capital assets, net of accumulated depreciation	8,050,562
Total non-current assets	<u>9,636,250</u>
Total assets	<u><u>11,304,881</u></u>

Deferred outflows of resources

6,362

Liabilities

Current liabilities

Accounts payable	198,985
Due to other funds	5,401
Compensated absences	4,918
Accrued expenses	2,836
Customer security deposits	55,269
Bonds payable - current portion	29,305
Total current liabilities	<u>296,714</u>

Non-current liabilities

Bonds payable - longterm portion	1,226,415
Net pension liability	45,559
Total non-current liabilities	<u>1,271,974</u>
Total liabilities	<u><u>1,568,688</u></u>

Deferred inflows of resources

16,424

Net position

Invested in capital assets, net of related debt	6,794,842
Restricted for:	
Debt service	83,279
Repairs and maintenance	1,502,409
Unrestricted	1,345,601
Total net position	<u><u>\$ 9,726,131</u></u>

*The notes to the financial statements are an integral part of this statement.
See accompanying independent auditor's report.*

TOWN OF WARE SHOALS, SOUTH CAROLINA

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUND - WATER AND SEWER FUND
YEAR ENDED JUNE 30, 2023**

Operating Revenues

Water revenue	\$ 559,861
Sewer revenue	940,475
Service charges	4,750
Other operating income	321,830
Total operating revenues	<u>1,826,916</u>

Operating Expenses

Water department	533,569
Sewer department	953,859
Depreciation	505,585
Total operating expenses	<u>1,993,013</u>

Operating income (loss)	<u>(166,097)</u>
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Non-Operating Revenues (Expenses)

Investment earnings	37,190
Fraud losses	(85,981)
Total non-operating revenues (expenses)	<u>(48,791)</u>

Change in net position	(214,888)
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Net position, beginning of year	9,941,019
Net position, end of year	<u>\$ 9,726,131</u>

*The notes to the financial statements are an integral part of this statement.
See accompanying independent auditor's report.*

TOWN OF WARE SHOALS, SOUTH CAROLINA

**STATEMENT OF CASH FLOWS
PROPRIETARY FUND - WATER AND SEWER
YEAR ENDED JUNE 30, 2023**

Cash Flows from Operating Activities	
Receipts from customers	\$ 1,858,617
Payments to suppliers	(1,435,340)
Payments to employees	<u>(50,575)</u>
Net Cash Provided (Used) by Operating Activities	<u>372,702</u>
Cash Flows from Capital and Related Financing Activities	
Purchase of capital assets	(25,573)
Principal payments on bonds	<u>(30,519)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(56,092)</u>
Cash Flows from Investing Activities	
Interest income	<u>37,190</u>
Net Cash Provided (Used) by Investing Activities	<u>37,190</u>
Net Increase (Decrease) in Cash	353,800
Cash and Cash Investments, Beginning	<u>2,714,557</u>
Cash and Cash Investments, Ending	<u><u>\$ 3,068,357</u></u>
Reconciliation of operating income (loss) to net cash provided by operating activities	
Operating income	\$ (166,097)
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation expense	505,585
Fraud losses	(85,981)
Changes in assets and liabilities	
Receivables, net	31,701
Deferred outflows of resources	5,550
Accounts payable	113,354
Accrued liabilities	(6,215)
Deferred inflows of resources	(11,143)
Due to/from other funds	(11,384)
Compensated absences	1,348
Net pension liability	<u>(4,016)</u>
Net Cash Provided by Operating Activities	<u><u>\$ 372,702</u></u>

*The notes to the financial statements are an integral part of this statement.
See accompanying independent auditor's report.*

TOWN OF WARE SHOALS, SOUTH CAROLINA

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
JUNE 30, 2023

	<u>Firemen's Fund</u>
Assets	
Cash and cash equivalents	<u>\$ 8,132</u>
Total Assets	<u><u>\$ 8,132</u></u>
 Net Position	
Held as agent	<u><u>\$ 8,132</u></u>

*The notes to the financial statements are an integral part of this statement.
See accompanying independent auditor's report.*

TOWN OF WARE SHOALS, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2023

NOTE 1 – DESCRIPTION OF ENTITY

The Town of Ware Shoals, South Carolina (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 and 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 and the Town is not included in any other governmental “reporting entity” as defined by GASB, since Council members are elected by the public and have decision-making authority, the authority to levy taxes, the power to designate management, the ability to significantly influence operations, and have primary accountability for fiscal matters.

The financial statements of the Town of Ware Shoals, South Carolina have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing accounting and financial reporting principles. The Town’s reporting entity applies all relevant GASB pronouncements. Proprietary funds apply Financial Accounting Standards Board (FASB) Statements and Interpretations and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

Accounting principles generally accepted in the United States of America require that the reporting entity include (1) the primary government; (2) organizations for which the primary government is financially accountable; and (3) other organizations for which the nature and significance of their relationship with the primary government are such that the exclusion would cause the reporting entity’s financial statements to be misleading or incomplete. Based on the application of these criteria, there were no organizations which met the criteria described above.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Town’s basic financial statements consist of government-wide financial statements that include a statement of net position, a statement of activities and fund financial statements that provide a more detailed level of financial information.

Government-wide Financial Statements

The statement of net position and the statement of activities display information about the Town as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the Town that are governmental in nature, which normally are supported by taxes and intergovernmental revenues, and those that are considered business-type activities, which rely to a significant extent on fees and charges for support. The statement of net position presents the financial condition of the governmental and business-type activities of the Town at year-end.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is 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 or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. 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.

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.

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

Fund Financial Statements

The Town segregates transactions related to certain Town functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Town at this more detailed level. The focus of governmental and proprietary fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

The accounts of the government are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures/expenses. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

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. Property taxes collected within this sixty-day period is an example of such revenue. In determining when to recognize intergovernmental revenues (grants and entitlements), the legal and contractual requirements of the individual programs are used as guidance. Revenues are recognized when the eligibility requirements have been met. Expenditures generally are recorded when a liability is incurred, except for debt service expenditures, as well as expenditures related to compensated absences and claims and judgments which are recorded only when payment is due.

Property taxes, licenses, state shared revenues, grants and interest associated with the current fiscal period are all considered to be susceptible to accrual and 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, or specifically identified.

Governmental funds include the following types:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government.

The *proprietary fund (enterprise fund)* is used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through the user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The water and sewer fund is accounted for as an enterprise fund operation.

The *fiduciary fund* accounts for the assets held by the government in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or funds. The *firemen's fund* accounts for assets the government holds for others in an agency capacity.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's general fund, special revenue fund, and enterprise fund. Elimination of these charges would distort the direct costs and program revenues reported for the various functions covered.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business type activities and enterprise funds, subject to the same limitation. The government has elected not to follow subsequent private-sector guidance.

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.

Cash and Cash Equivalents

The Town considers all highly liquid investments, including cash on hand, demand deposits and short-term investments to be cash and cash equivalents. The Town's investment policy is designed to operate within existing statutes of the State of South Carolina.

Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet.

Receivables

The Town has an agreement with Abbeville County and Greenwood County to maintain property tax rolls and to levy and collect property taxes. The taxes collected are remitted to the Town at the end of each month. The County charges per notice for collection.

Property taxes become a lien on real and personal property (except vehicles) owned on December 31. These taxes are usually levied on or before October 31 and are due without penalty by January 15.

Penalties are added to the taxes depending on the date paid as follows:

January 16 through February 1	3% of Tax
February 2 through March 16	10% of Tax
March 17 through March 31	15% of Tax

Both lien and the collection date for motor vehicles taxes are the last day of the month in which the motor vehicle license expires.

An annual millage rate is established by Town Council as part of the budget process. All the Town's real and personal property taxes are assessed and collected by Abbeville County and Greenwood County.

All trade and property taxes receivable are shown net of an allowance for uncollectible amounts. Trade receivables are comprised of amounts due from entities and individuals for a variety of types of fees, charges, and services.

Inventory

Inventories are carried at average cost and are used on a first-in, first-out basis. Inventories are charged to expenses when consumed rather than when purchased. Proprietary fund inventories include supplies and materials required for the repair, maintenance, and extension of the utility plants, as well as small tools.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as inventory or prepaid items using the consumption method. A current asset for the inventory or prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which inventory or services are consumed.

Restricted Assets

Restricted assets include cash and investments of both governmental activities and business-type activities that are legally restricted as to their use by applicable laws, grant agreements, contributors, or bond covenants.

Capital Assets

The Town's capital assets are recorded at cost for the government-wide financial statements but are not capitalized in the Town's fund financial statements. Capital assets in the Water and Sewer Department are capitalized at cost in the proprietary fund statements. Donated capital assets are recorded at estimated fair market value at the date of donation. The cost of land is not depreciated. Depreciation is calculated principally on the straight-line method over the estimated useful lives of the respective assets.

Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years.

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

Depreciation of property, plant, equipment and vehicles is computed using the straight-line method, over periods of four to fifty years.

Compensated Absences

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it in accordance with accounting principles generally accepted in the United States of America.

Long-term Obligations

In the government-wide financial statements and proprietary fund type 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 position.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Fund Balance Reporting

In 2015, in the fund financial statements, the Town implemented GASB No. 54 Fund Balance Reporting and Governmental Fund Type Definitions. GASB No. 54 established that fund balance for governmental funds should be reported in the classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purpose for which amounts in these funds can be spent. These classifications may consist of the following:

Non-spendable - generally, amounts that are not expected to be converted to cash, such as inventories or prepaid amounts. This classification also includes some long-term amounts such as property acquired for resale or the long-term portion of loans receivable. However, if the eventual proceeds or collections from these would be restricted, committed, or assigned, these amounts would be included in that other classification.

Legally or Contractually Required to be Maintained Intact - amounts that are required to be maintained intact, such as the principal of a permanent fund.

Restricted - amounts that can be used only for specific purposes because of (a) constitutional provisions of enabling legislation or (b) externally imposed constraints. External constraints might be imposed by creditors, grantors, contributors, or even the laws or regulations of other governments.

Committed - amounts that can be used only for specific purposes because of a formal action by the government's highest level of decision-making authority. This classification might also include contractual obligation if existing resources have been committed for use in satisfying those contractual requirements. The formal action to establish constraints should be taken before year-end, even if the amount might not be determined until the subsequent period.

Assigned - amounts intended to be used for specific purposes but that do not meet the criteria to be classified as restricted or committed. Intent can be stipulated by the governing body, another body (such as a finance committee), or by an official to whom that authority has been given. This is the residual fund balance classification for all governmental funds except the general fund. Assigned fund balances should not be reported in the general fund if doing so causes the government to report a negative unassigned general fund balance.

Unassigned - this is the residual classification for the general fund (i.e., everything that is not in another classification or in another fund). The general fund is the only governmental fund that can report a positive unassigned fund balance. Other governmental funds might have a negative unassigned fund balance as a result of overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The Town Council establishes, modifies or rescinds fund balance commitments and assignments by passage of an ordinance or resolution. This is done through adoption of the budget and subsequent budget amendments that occur throughout the year.

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, followed by the unrestricted, committed, assigned and unassigned resources as they are needed.

Net Position

Net position represents the difference between assets and liabilities in the statement of net position. Net position is classified as invested in capital assets net of related debt, restricted and unrestricted. Net position invested in capital assets, net of related debt; consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Outstanding debt that has not been spent is included in the same net position component as the unspent proceeds. Net position is reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, contributors, or laws or regulations of other governments.

Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts or other commitments for expenditures are recorded to reserve a portion of an applicable appropriation, is utilized in governmental funds, primarily the General Fund. Encumbrances outstanding at year-end are reported as reservations of fund balance as they do not constitute expenditures or liabilities under accounting principles generally accepted.

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 that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses and expenditures during the reporting period. Accordingly, actual results could differ from those estimates.

Financial Instruments

Financial instruments that potentially subject the Town to concentration of credit risk are trade receivables, interest bearing investments and cash. Due to the large number of diversities of the Town's proprietary fund customer base, concentrations of credit risk with respect to receivables are limited. The Town places all of its cash and cash equivalents with high-quality financial institutions and requires deposits to be collateralized.

Budgets and Budgetary Accounting

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the general fund. All annual appropriations lapse at fiscal yearend.

Fair Value Measurement

The Town categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

At June 30, 2023, the Town's carrying values of cash and cash equivalents, accounts receivable, prepaid expenses, accounts payable, and accrued expenses approximate fair value due to the terms and relatively short maturity of financial instruments. The carrying values of notes payable approximate their fair values, as interest approximates market rates.

NOTE 3 – DEPOSITS AND INVESTMENTS

The State of South Carolina General Statutes permits the Town to invest in certain types of financial instruments. Cash is maintained in demand deposits or savings accounts, certificates of deposits, repurchase agreements, or U.S. Government Securities. There were no deposit or investment transactions during the year that were in violation of the state statutes. The Town has not formally adopted a policy governing deposits and investments.

As of June 30, 2023, bank balances of the Town's deposits were \$2,268,782.

Interest rate risk - The Town manages its exposure to declines in fair values by limiting its investments to certificates of deposit and federal notes which can be sold and withdrawn on demand.

Credit risk - As of June 30, 2023, the Town's investment with the federal agencies is allowed under state laws.

Concentration of credit risk - The Town's investment policy currently involves investment in multiple federal notes. It limits investments in certificates of deposit to amounts covered by FDIC or the National Credit Union Share Insurance Fund (NCUSIF).

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. As of June 30, 2023, \$2,118,181 of deposits were either FDIC insured or fully collateralized. As of June 30, 2023, \$150,601 of deposits were not fully collateralized. Management is of the opinion that the financial institutions utilized are in sound financial position.

Custodial credit risk - investments - For an investment, this is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

NOTE 4 – RECEIVABLES

Receivables as of June 30, 2023, including the applicable allowances for uncollectible accounts, are as follows:

	Governmental Activities	Business-type Activities	Total
Receivables:			
Taxes	\$ 560	\$ -	\$ 560
Accounts (net of allowance for uncollectibles of \$0 for Governmental and \$323,428 for Business-type Activities)	16,785	122,584	139,369
Interest	-	2,828	2,828
	<u>17,345</u>	<u>125,412</u>	<u>142,757</u>
Due from other governments:			
State Treasurer's Office	10,464	-	10,464
Total receivables	<u>\$ 27,809</u>	<u>\$ 125,412</u>	<u>\$ 153,221</u>

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NOTE 5 – CAPITAL ASSETS

A summary of capital assets accounted for in the governmental funds is as follows:

Governmental activities

	Balance July 1, 2022	Additions	Dispositions	Balance June 30, 2023
Capital assets, not being depreciated:				
Land	\$ 353,052	\$ -	\$ -	\$ 353,052
Total capital assets, not being depreciated	<u>353,052</u>	<u>-</u>	<u>-</u>	<u>353,052</u>
Capital assets, being depreciated:				
Buildings	1,242,964	13,980	-	1,256,944
Improvements other than buildings	1,007,219	50,334	-	1,057,553
Machinery and equipment	<u>2,661,223</u>	<u>212,367</u>	<u>-</u>	<u>2,873,590</u>
Total capital assets being depreciated	<u>4,911,406</u>	<u>276,681</u>	<u>-</u>	<u>5,188,087</u>
Less accumulated depreciation for:				
Buildings	(721,842)	(37,501)	-	(759,343)
Improvements other than buildings	(146,346)	(33,384)	-	(179,730)
Machinery and equipment	<u>(2,126,772)</u>	<u>(119,944)</u>	<u>-</u>	<u>(2,246,716)</u>
Total accumulated depreciation	<u>(2,994,960)</u>	<u>(190,829)</u>	<u>-</u>	<u>(3,185,789)</u>
Total capital assets, being depreciated, net	<u>1,916,446</u>	<u>85,852</u>	<u>-</u>	<u>2,002,298</u>
Governmental activities, capital assets, net	<u>\$ 2,269,498</u>	<u>\$ 85,852</u>	<u>\$ -</u>	<u>\$ 2,355,350</u>

Depreciation expense for the year ended June 30, 2023 was charged to functions/programs of the primary government as follows:

Governmental Activities	
Police	\$ 37,212
Fire	99,231
Streets, parks, and recreation	11,450
Administrative	1,908
Non-departmental	<u>41,028</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 190,829</u>

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A summary of capital assets accounted for in the proprietary fund is as follows:

Business-type activities

	Balance July 1, 2022	Additions	Dispositions	Balance June 30, 2023
Capital assets, not being depreciated:				
Land	\$ 16,928	\$ -	\$ -	\$ 16,928
Total capital assets, not being depreciated	<u>16,928</u>	<u>-</u>	<u>-</u>	<u>16,928</u>
Capital assets, being depreciated:				
Water system	6,764,759	-	-	6,764,759
Sewer system	11,807,894	-	-	11,807,894
Waste treatment plant	6,187,904	25,573	-	6,213,477
Vehicles and equipment	772,000	-	-	772,000
Total capital assets being depreciated	<u>25,532,557</u>	<u>25,573</u>	<u>-</u>	<u>25,558,130</u>
Less accumulated depreciation for:				
Water system	(2,129,816)	(140,779)	-	(2,270,595)
Sewer system	(8,818,506)	(291,439)	-	(9,109,945)
Waste treatment plant	(5,305,233)	(59,982)	-	(5,365,215)
Vehicles and equipment	(765,356)	(13,385)	-	(778,741)
Total accumulated depreciation	<u>(17,018,911)</u>	<u>(505,585)</u>	<u>-</u>	<u>(17,524,496)</u>
Total capital assets, being depreciated, net	<u>8,513,646</u>	<u>(480,012)</u>	<u>-</u>	<u>8,033,634</u>
Business-type activities, capital assets, net	<u>\$ 8,530,574</u>	<u>\$ (480,012)</u>	<u>\$ -</u>	<u>\$ 8,050,562</u>

NOTE 6 – LONG-TERM DEBT

Changes in governmental activities long-term debt for the year ended June 30, 2023 was as follows:

	Balance July 1, 2022	Additions	Reductions	Balance June 30, 2023	Due Within One Year
Governmental activities					
Note payable	\$ 56,670	\$ -	\$ (18,951)	\$ 37,719	\$ 19,066
Compensated absences	17,845	-	(3,169)	14,676	7,191
Governmental activity totals	<u>\$ 74,515</u>	<u>\$ -</u>	<u>\$ (22,120)</u>	<u>\$ 52,395</u>	<u>\$ 26,257</u>

For the governmental activities, claims and judgments and compensated absences are generally liquidated by the general fund.

On June 1, 2020, the Council entered into a note payable with a financial institution in the amount of \$90,960. The note is payable in monthly installments of \$1,717 at an interest rate of 4.623 percent and has a maturity date of June 1, 2025. Equipment of the Town is pledged as collateral.

The annual governmental activities debt service requirements to maturity as of June 30, 2023 is as follows:

Fiscal year ending June 30,	Note Payable	
	Principal	Interest
2024	\$ 19,236	\$ 1,368
2025	18,483	458
Totals	<u>\$ 37,719</u>	<u>\$ 1,826</u>

Changes in business-type activities long-term debt for the year ended June 30, 2023 was as follows:

	Balance July 1, 2022	Additions	Reductions	Balance June 30, 2023	Due Within One Year
Business-type activities					
Revenue bond	\$ 1,286,239	\$ -	\$ (30,519)	\$ 1,255,720	\$ 29,305
	<u>1,286,239</u>	<u>-</u>	<u>(30,519)</u>	<u>1,255,720</u>	<u>29,305</u>
Compensated absences	3,570	1,348	-	4,918	4,918
Business-type activity totals	<u>\$ 1,289,809</u>	<u>\$ 1,348</u>	<u>\$ (30,519)</u>	<u>\$ 1,260,638</u>	<u>\$ 34,223</u>

REVENUE BONDS

The government issues bonds where the government pledges income derived from the acquired or constructed assets to pay debt service. Revenue bonds currently outstanding are as follows:

<u>Purpose</u>	<u>Interest Rate</u>	<u>Balance at June 30, 2023</u>
Water tank - 2009 Bond	4.125%	\$ 1,255,720

The annual debt service requirements to maturity as of June 30, 2023 are as follows:

Fiscal year ending June 30,	Revenue Bonds	
	Principal	Interest
2024	\$ 29,305	\$ 50,087
2025	30,537	48,855
2026	31,820	47,572
2027	33,157	46,235
2028	34,551	44,841
2029-2033	187,901	209,059
2034-2038	230,860	166,100
2039-2043	283,640	113,320
2044-2048	348,488	48,472
2049	45,461	13,324
Totals	<u>\$ 1,255,720</u>	<u>\$ 787,865</u>

NOTE 7 – RESTRICTED ASSETS

As of June 30, 2023, cash and cash equivalents restricted by external sources included:

	Governmental Activities	Business-type Activities
Drug Enforcement	\$ 10,445	\$ -
Hospitality	60,467	-
Veterans Memorial	5,753	-
Loan Covenant	-	83,279
Capital Projects	97	-
Repairs and Maintenance	-	1,502,409
	<u>\$ 76,762</u>	<u>\$ 1,585,688</u>

NOTE 8 – EMPLOYEE BENEFITS - RETIREMENT

Description of the Entity

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

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

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

Plan Descriptions

- The South Carolina Retirement System (SCRS), a cost-sharing multiple-employer defined benefit pension plan, was established effective July 1, 1945, pursuant to the provisions of Section 9-1-20 of the South Carolina Code of Laws for the purpose of providing retirement allowances and other benefits for teachers and employees of the state and its political subdivisions. SCRS covers employees of state agencies, public school districts and participating charter schools, public higher education institutions, other participating local subdivisions of government and first-term individuals elected to the South Carolina General Assembly.
- The State Optional Retirement Program (State ORP) is a defined contribution plan that is offered as an alternative to SCRS to newly hired state, public higher education institution and public school district employees, as well as first-term individuals elected to the South Carolina General Assembly. 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 first-term individuals elected to the South Carolina General Assembly. 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, newly hired state, public higher education institution and public school district employees, as well as first-term individuals elected to the South Carolina General Assembly 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 membership prior to July 2012, is a Class Two member. An employee member of the system with an effective date of membership on or after July 1, 2012, is a Class Three member.

Benefits

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

- SCRS – A Class Two member who has separated from service with at least five or more years of earned service is eligible for a monthly pension at age 65 or with 28 years credited service regardless of age. A member may elect early retirement with reduced pension benefits payable at age 55 with 25 years of service credit. A Class Three member who has separated from service with at least eight or more years of earned service is eligible for a monthly pension upon satisfying the Rule of 90 requirement that the total of the member's age and the member's creditable service equals at least 90 years. Both Class Two and Class three members are eligible to receive a reduced deferred annuity at age 60 if they satisfy the five- or eight-year earned service requirements, 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 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 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. The Retirement Funding and Administrative Act of 2017 increased, but also established a ceiling for SCRS and PORS employee contribution rates. Effective July 1, 2017, employee rates were increased to a capped rate of 9.00 percent for SCRS and 9.75 percent for PORS. The legislation also increased employer contribution rates beginning July 1, 2017 for both SCRS and PORS by two percentage points and further scheduled employer contribution rates to increase by a minimum of one percentage point each year in accordance with state statute. 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. In accordance with the legislative funding schedule, employer contribution rates will continue to increase by 1 percentage point each year until reaching 18.56 percent for SCRS and 21.24 percent for PORS but may be increased further, if the scheduled contributions are not sufficient to meet the funding periods set for the applicable year. The board shall increase the employer contribution rates as necessary to meet the amortization period set in the statute.

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

Required employee contribution rates¹ are as follows:

	Fiscal Year 2023 ¹	Fiscal Year 2022 ¹
SCRS		
Employee Class Two	9.00%	9.00%
Employee Class Three	9.00%	9.00%
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:

	Fiscal Year 2023 ¹	Fiscal Year 2022 ¹
SCRS		
Employer Class Two	17.41%	16.41%
Employer Class Three	17.41%	16.41%
Employer Incidental Death Benefit	0.15%	0.15%
State ORP		
Employer Contribution ²	17.41%	16.41%
Employer Incidental Death Benefit	0.15%	0.15%
PORS		
Employer Class Two	19.84%	18.84%
Employer Class Three	19.84%	18.84%
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 service provider to be allocated to the member's account with the remainder of the employer contribution remitted to SCRS.

Actuarial Assumptions and Methods

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

The June 30, 2022, total pension liability (TPL), net pension liability (NPL), and sensitivity information shown in this report were determined by our consulting actuary, Gabriel, Roeder, Smith & Company (GRS) and are based on an actuarial valuation performed as of July 1, 2021. The total pension liability was rolled-forward from the valuation date to the plans' fiscal year end, June 30, 2022, using generally accepted actuarial principles. There was no legislation enacted during the 2022 legislative session that had a material change in the benefit provisions for any of the systems.

The following table provides a summary of the actuarial assumptions and methods used to calculate the TPL as of June 30, 2022:

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

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

Assumptions used in the determination of the June 30, 2022, TPL are as follows:

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

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

At June 30, 2023, the Town reported a liability of \$864,435, consisting of \$325,421 SCRS and \$539,014 PORS, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Town's 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 June 30, 2023, the Town recognized pension expense totaling \$3,159, which consisted of contributions to the Systems of \$72,359 and decreases in expense of \$69,200 as a result of the increase in the net pension liability related to GASB 68 requirements.

At June 30, 2023, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
SCRS		
Differences between expected and actual experience	\$ 2,827	\$ 1,418
Assumption changes	10,437	-
Net difference between projected and actual earnings on pension plan investments	502	-
Changes in proportionate share and differences between employer contributions and proportionate share of total plan employer contributions	3,286	115,898
Town contributions subsequent to the measurement date	28,391	-
Total SCRS	45,443	117,316
PORS		
Differences between expected and actual experience	9,044	10,655
Assumption changes	22,445	-
Net difference between projected and actual earnings on pension plan investments	1,628	-
Changes in proportionate share and differences between employer contributions and proportionate share of total plan employer contributions	1,119	32,448
Town contributions subsequent to the measurement date	43,968	-
Total PORS	78,204	43,103
Total SCRS and PORS	\$ 123,647	\$ 160,419

The amounts of \$28,391 and \$43,968 reported as deferred outflows of resources related to the Town's contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources (deferred pension charges) and deferred inflows of resources (deferred pension credits) will increase (decrease) pension expense as follows:

Year Ended June 30,	SCRS	PORS	Total
2024	\$ (42,256)	\$ (6,215)	\$ (48,471)
2025	(44,880)	(1,741)	(46,621)
2026	(21,616)	(21,864)	(43,480)
2027	8,488	20,953	29,441
Total	\$ (100,264)	\$ (8,867)	\$ (109,131)

Net Pension Liability

The NPL is calculated separately for each system and represents that particular system's TPL determined in accordance with GASB 67 less that system's fiduciary net position. NPL totals, as of June 30, 2022, for SCRS and PORS are presented below.

System	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	\$ 56,454,779,872	\$ 32,212,626,932	\$ 24,242,152,940	57.1%
PORS	8,937,686,946	5,938,707,767	2,998,979,179	66.4%

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

Long-term Expected Rate of Return

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

The expected returns, along with the expected inflation rate, form the basis for the target asset allocation adopted at the beginning of the 2022 fiscal year. The long-term expected rate of return is produced by weighting the expected future real rates of return by the target allocation percentage and adding expected inflation and is summarized in the table on the following page. For actuarial purposes, the 7 percent assumed annual investment rate of return used in the calculation of the TPL includes a 4.75 percent real rate of return and a 2.25 percent inflation component.

Allocation/Exposure	Policy Target	Expected Arithmetic Real Rate of Return	Long-term Expected Portfolio Real Rate of Return
Public Equity	46.0%	6.79%	3.12%
Bonds	26.0%	-0.35%	-0.09%
Private Equity¹	9.0%	8.75%	0.79%
Private Debt¹	7.0%	6.00%	0.42%
Real Assets	12.0%		
Real Estate ¹	9.0%	4.12%	0.37%
Infrastructure ¹	3.0%	5.88%	0.18%
Total Expected Real Return ²	100.0%		4.79%
Inflation for Actuarial Purposes			2.25%
			7.04%

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

² Portable Alpha Strategies, which are not included in the Policy Target, will be capped at 12% of total assets; hedge funds (including all hedge funds used in portable alpha implementation) are capped at 15% of total assets.

Discount Rate

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

Sensitivity Analysis

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

System	1.00% Decrease (6%)	Current Discount Rate (7%)	1.00% Increase (8%)
SCRS	\$ 417,230	\$ 325,421	\$ 249,094
PORS	\$ 751,623	\$ 539,014	\$ 364,974

Additional Financial 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, 2022, and the accounting valuation as of June 30, 2022. Additional financial information supporting the preparation of the Schedules (including the unmodified audit opinion on the financial statements and required supplementary information) is available in the Systems' ACFR.

NOTE 9 – RISK MANAGEMENT

The Town is exposed to various risks of loss relating to liability, theft or impairment of assets, errors or omissions, injuries to employees and natural disasters. Commercial liability and property insurance coverage is purchased to protect against losses from these risks. The Town does not maintain a self-insurance fund.

The Town pays premiums semi-annually to SCMIRF for its general insurance coverage. The SCMIRF is self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of \$1,000,000 for each insured event.

The Town also has joined together with other municipalities in the state to form the South Carolina Municipal Insurance Trust (SCMIT), a public entity risk pool operating as a common risk management and insurance program for workers' compensation. The Town pays premiums quarterly to SCMIT for its workers' compensation coverage. The SCMIT is self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of \$2,000,000 for each insured event.

During the fiscal year ended June 30, 2023, the Town did not experience any significant uninsured claims. Accordingly, there was no liability or expense recorded for actual claims, and management does not believe any provision for unasserted claims is necessary.

NOTE 10 – CONTINGENT LIABILITIES

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the granter cannot be determined at this time although the government expects such amounts, if any, to be immaterial.

NOTE 11 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

Plan Description. The Town provides healthcare insurance (the "Retiree Health Plan") to include dental and vision for eligible employees until the age is reached to qualify for Medicare benefits. Employees with 28 years of service as of June 30, 2006, were eligible for the Retiree Health Plan. Provisions of the Plan are established and may be amended by the Town Council. Only one retiree is eligible and is receiving benefits. The Retiree Health Plan does not issue a publicly available financial report.

Funding Policy. The Town contributes 100 percent of the cost of current-year premiums for the eligible retired plan member. The Town's contributions are financed on a pay-as-you-go basis.

Membership. As of June 30, 2023, the valuation date, no retired employees were part of the membership.

NOTE 12 – 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. During the year, the Town made payments for fraudulent invoices totaling \$85,981. The fraudulent payments are included in "Fraud losses" on the financial statements. The Town entered into an investigation with SLED in hopes of recovering the funds. The investigation is still ongoing at the time of the auditor's report.

TOWN OF WARE SHOALS, SOUTH CAROLINA

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2023**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenue				
Taxes and penalties	\$ 427,197	\$ 427,197	\$ 546,232	\$ 119,035
Licenses and Permits	376,500	376,500	312,658	(63,842)
Intergovernmental	95,500	95,500	113,864	18,364
Fines	45,000	45,000	56,987	11,987
Charges for services	232,426	232,426	245,581	13,155
Investment earnings	100	100	2,874	2,774
Contributions and donations	-	-	500	500
Grants	-	-	34,555	34,555
Miscellaneous	6,200	6,200	3,410	(2,790)
Total Revenues All Sources	<u>1,182,923</u>	<u>1,182,923</u>	<u>1,316,661</u>	<u>133,738</u>
Expenditures				
Current:				
Police	617,496	617,496	595,227	22,269
Fire	15,341	15,341	33,128	(17,787)
Streets, parks, and recreation	374,328	374,328	404,370	(30,042)
Administrative	85,873	85,873	112,522	(26,649)
Town Council, legal, and judicial	65,035	65,035	60,562	4,473
Community development	24,850	24,850	26,088	(1,238)
Nondepartmental	-	-	124,692	(124,692)
Debt Service				
Principal	-	-	18,951	(18,951)
Interest	-	-	1,651	(1,651)
Total Expenditures	<u>1,182,923</u>	<u>1,182,923</u>	<u>1,377,191</u>	<u>(173,666)</u>
Excess (Deficiency) of Revenues Over Expenditures/Net Changes in Fund Balance	<u>-</u>	<u>-</u>	<u>(60,530)</u>	<u>(39,928)</u>
Other Financing Sources (Uses)				
Transfers from (to) other funds			462,394	462,394
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>462,394</u>	<u>462,394</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>401,864</u>	<u>\$ 422,466</u>
Fund Balance, Beginning of Year			<u>273,800</u>	
Fund Balance, End of Year			<u>\$ 675,664</u>	

The budget is presented on the modified accrual basis of accounting, which is consistent with accounting principles generally accepted in the United States of America.

TOWN OF WARE SHOALS

SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
SOUTH CAROLINA RETIREMENT SYSTEM AND POLICE OFFICER RETIREMENT SYSTEM
LAST 9 FISCAL YEARS

	2023	2022	2021	2020	2019	2018	2017	2016	2015
<u>SCRS</u>									
Town's proportion of the net pension liability	0.0013%	0.0016%	0.0022%	0.0021%	0.0025%	0.0025%	0.0023%	0.0024%	0.0024%
Town's proportionate share of the net pension liability	\$ 325,421	\$ 354,106	\$ 563,473	\$ 489,921	\$ 561,719	\$ 556,937	\$ 497,898	\$ 449,672	\$ 404,936
Town's covered-employee payroll	\$ 163,365	\$ 184,963	\$ 246,022	\$ 226,566	\$ 259,777	\$ 249,608	\$ 225,721	\$ 222,342	\$ 222,342
Town's proportionate share of the net pension liability as a percentage of its covered-employee payroll	199.2%	191.4%	229.0%	216.2%	216.2%	223.1%	220.6%	202.24%	182.1%
Plan fiduciary net position as a percentage of the total pension liability	57.1%	60.7%	50.7%	54.4%	54.1%	53.3%	52.9%	57.0%	59.9%
<u>PORS</u>									
Town's proportion of the net pension liability	0.01797%	0.01835%	0.01907%	0.20870%	0.01999%	0.02174%	0.02198%	0.02019%	0.01903%
Town's proportionate share of the net pension liability	\$ 539,014	\$ 472,034	\$ 632,546	\$ 598,120	\$ 566,689	\$ 595,471	\$ 557,492	\$ 439,953	\$ 364,239
Town's covered-employee payroll	\$ 284,443	\$ 275,870	\$ 288,254	\$ 302,710	\$ 276,821	\$ 292,714	\$ 280,204	\$ 250,077	\$ 250,077
Town's proportionate share of the net pension liability as a percentage of its covered-employee payroll	189.5%	171.1%	219.4%	197.6%	204.7%	203.4%	199.0%	175.9%	145.7%
Plan fiduciary net position as a percentage of the total pension liability	66.4%	70.4%	58.8%	62.7%	61.7%	60.9%	60.4%	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 WARE SHOALS

SCHEDULE OF PENSION PLAN CONTRIBUTIONS
SOUTH CAROLINA RETIREMENT SYSTEM AND POLICE OFFICER RETIREMENT SYSTEM
LAST 9 FISCAL YEARS

	2023	2022	2021	2020	2019	2018	2017	2016	2015
<u>SCRS</u>									
Contractually required contribution	\$ 28,391	\$ 26,808	\$ 28,503	\$ 37,912	\$ 32,648	\$ 34,837	\$ 28,480	\$ 24,627	\$ 23,902
Contributions in relation to the contractually required contribution	(28,391)	(26,808)	(28,503)	(37,912)	(32,648)	(34,837)	(28,480)	(24,627)	(23,902)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Town's covered-employee payroll	\$ 163,072	\$ 163,365	\$ 184,963	\$ 246,022	\$ 226,566	\$ 259,777	\$ 249,608	\$ 225,721	\$ 222,342
Contributions as a percentage of covered-employee payroll	17.41%	16.41%	15.41%	15.41%	14.41%	13.41%	11.41%	10.91%	10.75%
	2023	2022	2021	2020	2019	2018	2017	2016	2015
<u>PORS</u>									
Contractually required Contribution	\$ 43,968	\$ 53,589	\$ 59,215	\$ 51,424	\$ 50,976	\$ 43,848	\$ 40,512	\$ 37,379	\$ 32,535
Contributions in relation to the contractually required contribution	(43,968)	(53,589)	(59,215)	(51,424)	(50,976)	(43,848)	(40,512)	(37,379)	(32,535)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Town's covered-employee payroll	\$ 221,613	\$ 284,443	\$ 275,870	\$ 288,254	\$ 302,710	\$ 276,821	\$ 292,714	\$ 280,204	\$ 250,077
Contributions as a percentage of covered-employee payroll	19.84%	18.84%	17.84%	17.84%	16.84%	15.84%	13.84%	13.34%	13.01%

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 WARE SHOALS, SOUTH CAROLINA

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2023**

Method and Assumptions Used in Calculations of Actuarially Determined Contributions: The actuarially determined contribution rates in the schedule of contributions are calculated as of June 30, 2022, 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 June 30, 2023 reported in that schedule can be found in Note 8 of the basic financial statements.

TOWN OF WARE SHOALS

UNIFORM SCHEDULE OF COURT FINES, ASSESSMENTS,
AND SURCHARGES
YEAR ENDED JUNE 30, 2023

FOR THE STATE TREASURER'S OFFICE

COUNTY/MUNICIPAL FUNDS COLLECTED BY THE CLERK OF COURT	General Sessions	Magistrate Court	Municipal Court	Total
Court Fines and Assessments				
Court fines and assessments collected	\$ -	\$ -	\$ 56,987	\$ 56,987
Court fines and assessments remitted to State Treasurer	-	-	(28,653)	(28,653)
Total Court Fines and Assessments Retained	\$ -	\$ -	\$ 28,334	\$ 28,334
Surcharges and Assessments Retained for Victim Services				
Surcharges collected and retained	\$ -	\$ -	\$ 987	\$ 987
Assessments retained	-	-	2,492	2,492
Total Surcharges and Assessments Retained for Victim Services	\$ -	\$ -	\$ 3,479	\$ 3,479

FOR THE DEPARTMENT OF CRIME VICTIM COMPENSATION (DCVC)

VICTIM SERVICE FUNDS COLLECTED	Municipal	County	Total
Carryforward from Previous Year - Beginning Balance	\$ -	\$ -	\$ -
Victim Service Revenue			
Victim Service fines retained by Town/County Treasurer	-	-	-
Victim Service assessments retained by Town/County Treasurer	2,492	-	2,492
Victim Service surcharges retained by Town/County Treasurer	987	-	987
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) Town of	-	-	-
Total Funds Allocated to Victim Service Fund + Beginning Balance (A)	\$ 3,479	\$ -	\$ 3,479

(continued)

TOWN OF WARE SHOALS

UNIFORM SCHEDULE OF COURT FINES, ASSESSMENTS,
AND SURCHARGES - Continued
YEAR ENDED JUNE 30, 2023

	<u>Municipal</u>	<u>County</u>	<u>Total</u>
Expenditures for Victim Service Program			
Salaries and benefits	\$ -	\$ -	\$ -
Operating expenditures	-	-	-
Victim Service Contract(s)	-	-	-
(1) Abbeville / Greenwood Counties	3,479	-	3,479
(2) Entity's name	-	-	-
Victim Service Donation(s)	-	-	-
(1) Domestic Violence Shelter	-	-	-
(2) Rape Crisis Center	-	-	-
(3) Other local direct crime victims service agency	-	-	-
Transferred to General Fund	-	-	-
Total Expenditures from Victim Service Fund/Program (B)	<u>3,479</u>	<u>-</u>	<u>3,479</u>
 Total Victim Service Funds Retained by Municipal/County Treasurer (A-B)	 -	 -	 -
Carryforward Funds - End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</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*

To the Honorable Mayor and Members of Town Council
Town of Ware Shoals
Ware Shoals, South Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Town of Ware Shoals, South Carolina (the "Town"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements and have issued our report thereon dated April 3, 2024.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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 may exist that have not been identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2023-1 and 2023-2 that we consider to be significant deficiencies.

To the Honorable Mayor and Members of Town Council
Town of Ware Shoals
April 3, 2024

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free from material misstatement, we performed tests of 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*.

We noted certain matters that we reported to management of the Town in a separate letter dated April 3, 2024.

Town's Response to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town'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 Town's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Phillips CPAs and Advisors

Greenville, South Carolina
April 3, 2024

TOWN OF WARE SHOALS, SOUTH CAROLINA

**SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2023**

SUMMARY OF AUDITOR'S RESULTS

An unmodified opinion was issued on the financial statements for the year ended June 30, 2023. The audit disclosed no instances of noncompliance which were material to the financial statements of the Town. The significant deficiencies disclosed during the audit of the financial statements is reported in the Findings - Financial Statements Audit section.

FINDINGS – FINANCIAL STATEMENTS AUDIT

Finding Number 2023-1: Significant Deficiency

Condition: There is a lack of segregation of accounting duties that enables the same individuals to have access to both physical assets and the related accounting records or to all phases of a transaction.

Criteria: A fundamental concept in a system of good internal control is the segregation of duties.

Questioned Cost: None

Corrective Action: Duties should be segregated to the extent possible. The Members of Town Council must remain involved in the financial affairs of the Town to provide oversight and independent review functions.

Response: The Town does not anticipate hiring additional staff in the foreseeable future but is attempting to segregate duties as much as possible with the available staff.

Finding Number 2023-2: Significant Deficiency

Condition: The Town's financial statements had accounts that were not reconciled to actual amounts.

Criteria: Internal controls should be in place that provide reasonable assurance that accounts are reconciled and that the financial statements are free from material misstatements.

Questioned Cost: None

Corrective Action: The Town should work to ensure that accounts are reconciled and that the financial statements are complete and accurate.

Response: The Town will work to ensure that accounts are reconciled and that the financial statements are complete and accurate.