

City of New Ellenton, South Carolina
Financial Statements
Year Ended June 30, 2022
(With Independent Auditor's Report Thereon)

City of New Ellenton, South Carolina
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Certified Public Accountants

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Member
American Institute of
Certified Public Accountants

Independent Auditor's Report

The Honorable Mayor and
Members of City Council
City of New Ellenton
New Ellenton, South Carolina

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of New Ellenton, South Carolina, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City of New Ellenton, South Carolina's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of New Ellenton, South Carolina, as of June 30, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 City of New Ellenton, South Carolina and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the

design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison, schedule of the proportionate share of the net pension

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of New Ellenton, South Carolina's basic financial statements. The accompanying Independent Accountant's Report is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 2, 2023, on our consideration of the City of New Ellenton, South Carolina's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of New Ellenton, South Carolina's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of New Ellenton, South Carolina's internal control over financial reporting and compliance.

Highsmith & Highsmith, LLC

Highsmith & Highsmith, LLC
New Ellenton, South Carolina

October 2, 2023

City of New Ellenton, South Carolina
Management's Discussion and Analysis
June 30, 2022

As management of the City of New Ellenton, South Carolina (the City), we offer readers of the City's financial statements this narrative overview and analyses of the financial activities of the City for the fiscal year ended June 30, 2022.

FINANCIAL HIGHLIGHTS

Management believes the City's financial condition is strong. The following are key financial highlights:

- The total government-wide net position at the close of the most recent fiscal year was \$5,062,433 of which \$766,995 was unrestricted.
- The government-wide net position increased by \$362,086 or 7.89%.
- Total long-term debt decreased by \$339,196 or 8.03%.
- The total assets of the governmental funds exceeded its liabilities at the close of the 2022 fiscal year by \$1,640,465.
- Total fund balances of the governmental funds increased by \$328,462 or 25.03%.
- The total governmental funds revenues were \$2,912,395 which was more than total governmental funds expenditures of \$2,509,239 by \$403,156.
- Other financing sources and uses for governmental funds totaled \$74,694 for the recent fiscal year.
- The net change in the water and sewer enterprise fund was an increase of \$15,320.

OVERVIEW OF THE ANNUAL FINANCIAL REPORT

Management's Discussion and Analysis (MD&A) serves as an introduction to the basic financial statements and supplementary information. The City'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 a broad overview of the City's finances in a manner similar to private businesses. The statements provide both short-term and long-term information about the City's financial position. All assets and liabilities of the City are included in the statement of net position.

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

The *statement of activities* presents information showing how the City's net position changed over the most recent fiscal year. All changes to net position are reported at the time that the underlying event giving rise to the change occurs, regardless of the timing on the related cash flows. This statement also focuses on

City of New Ellenton, South Carolina
Management's Discussion and Analysis
June 30, 2022

both the gross and net costs of the various functions of the City, 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 City are presented in two columns on these statements – governmental activities and business-type activities. A total column for the City is also provided. The governmental activities include the City'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 City's own water and sewer system. These activities are primarily supported by user charges and fees.

Fund Financial Statements

These statements provide more detailed information about the City's most significant funds – not the City as a whole. 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 City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements as well as for managerial control to demonstrate fiduciary responsibility over the assets of the City. Traditional fund financial statements are presented for governmental funds and proprietary funds.

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 near-term inflows and outflows of spendable resources as well as on balances of spendable resources available at the end of the fiscal year. Such information is useful in evaluating the City's near-term financing requirements. Since governmental fund financial statements focus on near-term spendable resources, while the governmental activities on the government-wide financial statements have a longer-term focus, a reconciliation of the differences between the two is provided with the fund financial statements.

Proprietary funds – Proprietary funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The proprietary fund financial statements are prepared on the same long-term focus as the government-wide financial statements. The proprietary funds provide the same information as the government-wide financial statements, only with more detail.

Fiduciary funds – Fiduciary funds are used to account for resources held for the benefit of others outside the City government. Fiduciary funds are reported separately because the money is not available to support the City's programs.

Notes to the financial statements – The notes to the financial statements provide information that is essential to the full understanding of the data provided in the government-wide and fund financial statements and should be read in conjunction with the financial statements.

Other information – Governments have an option of including the budgetary comparison statements for the General Fund and major special revenue funds as either part of the fund financial statements within the basic financial statements or as required supplementary information after the notes to the financial statements. The City has chosen to present these budgetary statements as part of the required supplementary information.

City of New Ellenton, South Carolina
Management's Discussion and Analysis
June 30, 2022

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following tables and analysis discuss the financial position and changes to the financial position for the City as a whole as of and for the years ended June 30, 2022 and 2021.

Net Position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position for the City. The combined total assets of the City's governmental activities and business-type activities exceeded liabilities by \$4,586,486 at the close of the most recent fiscal year.

By far, the largest portion of the City's total net position (69%) reflects its investment in capital assets (e.g. land, buildings, machinery and equipment, and vehicles), less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Condensed Statement of Net Position

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Assets						
Current and other assets	\$ 1,645,441	\$ 1,302,858	\$ 812,734	\$ 809,079	\$ 2,458,175	\$ 2,111,937
Capital assets, net	3,632,113	3,787,420	3,768,288	3,857,484	7,400,401	7,644,904
Restricted assets	22,046	26,709	755,640	684,558	777,686	711,267
Total assets	5,299,600	5,116,987	5,336,662	5,351,121	10,636,262	10,468,108
Deferred outflows	244,864	291,049	242,709	141,507	487,573	432,556
Total assets and deferred outflows	<u>5,544,464</u>	<u>5,408,036</u>	<u>5,579,371</u>	<u>5,492,628</u>	<u>11,123,835</u>	<u>10,900,664</u>
Liabilities and Net Position						
Current liabilities	27,022	17,564	152,508	163,395	179,530	180,959
Non-current liabilities	2,269,351	2,741,827	3,154,467	3,301,111	5,423,818	6,042,938
Total liabilities	2,296,373	2,759,391	3,306,975	3,464,506	5,603,348	6,223,897
Deferred inflows	294,029	73,371	164,025	16,910	458,054	90,281
Total liabilities and deferred inflows	<u>2,590,402</u>	<u>2,832,762</u>	<u>3,471,000</u>	<u>3,481,416</u>	<u>6,061,402</u>	<u>6,314,178</u>
Net Position						
Net investment in capital assets	2,166,842	2,088,138	1,350,910	1,334,921	3,517,752	3,423,059
Restricted	22,046	26,709	755,640	684,558	777,686	711,267
Unrestricted	765,174	460,427	1,821	(8,267)	766,995	452,160
Total net position	<u>\$ 2,954,062</u>	<u>\$ 2,575,274</u>	<u>\$ 2,108,371</u>	<u>\$ 2,011,212</u>	<u>\$ 5,062,433</u>	<u>\$ 4,586,486</u>

The net position increased \$362,086 in fiscal year 2022. The governmental activities increased \$378,788, while the business-type activities increased \$15,320. Net position of the City's governmental activities is \$2,954,062, while the business-type activity is \$2,026,532.

\$777,686 of the City's net position represents resources that are subject to restrictions on how they may be used. Restricted net position is 22,046 for governmental activities and \$755,640 for business-type activities. The remaining balance of *unrestricted net position*, \$766,995 may be used to meet the City's ongoing obligations to citizens and creditors.

**City of New Ellenton, South Carolina
Management's Discussion and Analysis
June 30, 2022**

Change in Net Position

The following table shows the revenues and expenses of the City for the fiscal year ended June 30, 2022 and 2021.

Changes in Net Position

	Governmental Activities		Business-type Activities		Totals	
	2022	2021	2022	2021	2022	2021
Revenue:						
Program Revenue	\$ 950,595	\$ 909,449	\$ 1,933,408	\$ 1,828,051	\$ 2,884,003	\$ 2,737,500
General Revenue	1,887,106	1,516,174	67,570	40,678	1,954,676	1,556,852
Total Revenue	<u>2,837,701</u>	<u>2,425,623</u>	<u>2,000,978</u>	<u>1,868,729</u>	<u>4,838,679</u>	<u>4,294,352</u>
Expenses:						
Governmental Activities	2,458,913	1,969,765	-	-	2,458,913	1,969,765
Business-type Activities	-	-	1,985,658	1,865,793	1,985,658	1,865,793
Total Expenses	<u>2,458,913</u>	<u>1,969,765</u>	<u>1,985,658</u>	<u>1,865,793</u>	<u>4,444,571</u>	<u>3,835,558</u>
Change in Net Position	\$ <u>378,788</u>	\$ <u>455,858</u>	\$ <u>15,320</u>	\$ <u>2,936</u>	\$ <u>394,108</u>	\$ <u>458,794</u>

Governmental activities

Governmental activities increased the City's net position by \$378,788.

Business-type activities

Net position of business-type activities increased in the current year by \$15,320.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As previously mentioned, the City 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 City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. Unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The City's total governmental funds reported a combined ending fund balance of \$1,640,465 an increase of \$328,462 in comparison with the prior year. Restricted fund balance of \$22,046 is considered unavailable for appropriation for general operations. These amounts are restricted for victims' assistance.

The General Fund is the chief operating fund of the City and accounts for the major functions of the

City of New Ellenton, South Carolina
Management's Discussion and Analysis
June 30, 2022

government including general government, public safety, public works, administrative, council, legal, judicial, and non-departmental. The fund balance increased \$328,462 (25.03%) during the current fiscal year.

Proprietary funds – The City'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 increased \$15,320 from the prior fiscal year.

BUDGETARY HIGHLIGHTS

The City's annual budget is the legally adopted expenditure control document of the City. 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.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets – The City's investment in capital assets net of accumulated depreciation for its government-wide activities as of June 30, 2022, is \$7,400,401. This is a decrease of \$244,503 from the June 30, 2021, balance of \$7,644,904. This investment in capital assets includes improvements other than buildings, buildings and systems, and machinery and equipment. The major capital asset additions included the purchase of vehicles and equipment.

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

Debt administration – At year-end the City had \$3,882,649 in notes and bonds payable for its government-wide activities. This is an increase of \$339,196 (8.03%) from the previous year amount of \$4,221,845.

Additional information on the City's long-term debt can be found in the Notes to Financial Statements in Note 6.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Inflationary trends in the region compare favorably to national indices. This factor, among others, was considered in preparing the City's budget for the 2022 fiscal year.

Contacting the City's financial management

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Zoryada El, City Clerk/ Treasurer, City of New Ellenton, PO Box 459, New Ellenton, South Carolina 29809.

City of New Ellenton

**Statement of Net Position
June 30, 2022**

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 1,535,723	\$ 571,374	\$ 2,107,097
Restricted cash and cash equivalents	22,046	755,640	777,686
Receivables, net	82,073	195,575	277,648
Internal balances	27,645	(27,645)	-
Inventory	-	67,811	67,811
Property, plant and equipment, net	3,632,113	3,768,288	7,400,401
Bond issuance costs, net of accumulated amortization of \$56,612	-	5,619	5,619
Total assets	5,299,600	5,336,662	10,636,262
Deferred outflows - pensions	244,864	242,709	487,573
 Total assets and deferred outflows of resources	 \$ 5,544,464	 \$ 5,579,371	 \$ 11,123,835
Liabilities and Net Position			
Accounts payable and accrued liabilities	\$ 27,022	\$ 64,340	\$ 91,362
Deposit liabilities	-	88,168	88,168
Long-term liabilities			
Due within one year	190,641	103,643	294,284
Due in more than one year	1,274,630	2,313,735	3,588,365
Net pension liability	804,080	737,089	1,541,169
Total liabilities	2,296,373	3,306,975	5,603,348
Deferred inflows - pensions	294,029	164,025	458,054
 Total liabilities and deferred inflows of resources	 2,590,402	 3,471,000	 6,061,402
Net Position:			
Invested in capital assets, net of related debt	2,166,842	1,350,910	3,517,752
Restricted			
Victim's assistance	22,046	-	22,046
Debt service	-	405,724	405,724
Capital outlay	-	349,916	349,916
Unrestricted	765,174	1,821	766,995
Total net position	2,954,062	2,108,371	5,062,433
Total liabilities and net position	\$ 5,544,464	\$ 5,579,371	\$ 11,123,835

City of New Ellenton

**Statement of Activities
Year Ended June 30, 2022**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Totals
<u>Governmental activities:</u>							
Civic Center	\$ (26,987)	\$ 14,656	\$ -	\$ -	\$ (12,331)	\$ -	\$ (12,331)
Fire Department	(787,980)	637,738	-	-	(150,242)	-	(150,242)
General Government	(522,205)	27,855	585,431	-	91,081	-	91,081
Library	(33,349)	-	-	-	(33,349)	-	(33,349)
Police Department	(642,069)	120,214	-	-	(521,855)	-	(521,855)
Recreation	(37,743)	5,925	-	-	(31,818)	-	(31,818)
Sanitation	(124,564)	131,360	-	-	6,796	-	6,796
Streets and Grounds	(249,066)	-	-	-	(249,066)	-	(249,066)
Atomic City Festival	(27,982)	12,847	-	-	(15,135)	-	(15,135)
Victims Assistance	(6,968)	-	-	-	(6,968)	-	(6,968)
Total governmental activities	<u>(2,458,913)</u>	<u>950,595</u>	<u>585,431</u>	<u>-</u>	<u>(922,887)</u>	<u>-</u>	<u>(922,887)</u>
<u>Business-type activities:</u>							
Sewer and water	<u>(1,985,658)</u>	<u>1,933,408</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(52,250)</u>	<u>(52,250)</u>
Total business-type activities	<u>(1,985,658)</u>	<u>1,933,408</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(52,250)</u>	<u>(52,250)</u>
Total functions and programs	<u>\$ (4,444,571)</u>	<u>\$ 2,884,003</u>	<u>\$ 585,431</u>	<u>\$ -</u>	<u>(922,887)</u>	<u>(52,250)</u>	<u>(975,137)</u>
<u>General revenues and transfers</u>							
State shared and unallocated intergovernmental					281,281	-	281,281
Licenses, permits and franchise fees					178,314	-	178,314
Property taxes					679,948	-	679,948
Hospitality taxes					32,022		
Interest income					1	(7,124)	(7,123)
Miscellaneous					46,523	-	46,523
Transfers in (out)					(74,694)	74,694	-
Total general revenues and transfers					<u>1,301,675</u>	<u>67,570</u>	<u>1,337,223</u>
Change in net position					378,788	15,320	362,086
Net position, beginning					2,575,274	2,011,212	4,586,486
Net position, ending					<u>\$ 2,954,062</u>	<u>\$ 2,026,532</u>	<u>\$ 4,948,572</u>

See accompanying notes to financial statements.

City of New Ellenton

**Balance Sheet
Governmental Funds
June 30, 2022**

	<u>General Fund</u>	<u>Total Governmental Funds</u>
Assets		
Cash and cash equivalents	\$ 1,535,723	\$ 1,535,723
Receivables, net	82,073	82,073
Due from other funds	27,645	27,645
Restricted assets:		
Cash and cash equivalents	22,046	22,046
Total assets	\$ <u>1,667,487</u>	\$ <u>1,667,487</u>
Liabilities and Fund Balances		
Liabilities:		
Accounts payable and accrued liabilities	\$ <u>27,022</u>	\$ <u>27,022</u>
Total liabilities	<u>27,022</u>	<u>27,022</u>
Fund balances:		
Restricted		
Victims assistance	22,046	22,046
Unassigned	1,618,419	1,618,419
Total fund balances	<u>1,640,465</u>	<u>1,640,465</u>
Total liabilities and fund balances	\$ <u>1,667,487</u>	\$ <u>1,667,487</u>

City of New Ellenton

**Reconciliation of the Governmental Funds - Balance Sheet
to the Statement of Net Position
June 30, 2022**

Total fund balance - Governmental Funds	\$ 1,640,465
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.	3,632,113
Long-term liabilities are not due and payable in the current period and therefore are not reported in these funds.	
Note payable	(1,465,271)
Net pension liability	(804,080)
Deferred outflows for pensions	244,864
Deferred inflows for pensions	<u>(294,029)</u>
Total net position of Governmental Activities	\$ <u><u>2,954,062</u></u>

City of New Ellenton

**Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
Year Ended June 30, 2022**

	General Fund	Total Governmental Funds
Revenues		
Local option sales tax	\$ 158,280	\$ 158,280
Licenses and permits	\$ 27,855	\$ 27,855
State shared revenue	281,281	281,281
Franchise fees	150,459	150,459
Property taxes	679,948	679,948
Hospitality taxes	32,022	32,022
Fines and forfeitures	120,214	120,214
Fire taxes	637,738	637,738
Interest income	1	1
Sanitation fees	131,360	131,360
Grant revenues	585,431	585,431
Other revenue	107,806	107,806
Total revenues	<u>2,912,395</u>	<u>2,912,395</u>
Expenditures		
Civic Center	24,345	24,345
Fire department	468,750	468,750
General government	409,456	409,456
Library	3,662	3,662
Police department	594,910	594,910
Recreation department	32,126	32,126
Sanitation department	121,026	121,026
Streets and grounds	238,454	238,454
Victims assistance	6,968	6,968
Atomic City Festival	27,982	27,982
Debt service		
Principal	234,010	234,010
Interest	62,103	62,103
Capital outlay	285,447	285,447
Total expenditures	<u>2,509,239</u>	<u>2,509,239</u>
Excess (deficiency) of revenues over expenditures	<u>403,156</u>	<u>403,156</u>
Other Financing Sources (Uses)		
Transfers in (out)	(74,694)	(74,694)
Net change in fund balance	<u>328,462</u>	<u>328,462</u>
Fund balance, beginning of year	1,312,003	1,312,003
Fund balance, end of year	\$ <u>1,640,465</u>	\$ <u>1,640,465</u>

City of New Ellenton

**Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Funds
To the Statement of Activities
Year Ended June 30, 2022**

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

Net change in fund balances-total governmental funds	\$	328,462
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. In the current period, these amounts are:		
Capital outlay	\$	285,447
Depreciation expense		<u>(440,753)</u>
		(155,306)
Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. In the current year, these amounts are consisted of:		
Principal repayments		234,010
Net revenues and expenses in the statement of activities that do not provide or use current financial resources are not reported in these funds.		<u>(28,378)</u>
Change in net position of governmental activities	\$	<u><u>378,788</u></u>

City of New Ellenton

**Balance Sheet
Proprietary Funds
June 30, 2022**

	Business-Type Activities		
	Sewer	Water	Total
Assets			
Current assets			
Cash and cash equivalents	\$ 135,530	\$ 435,844	\$ 571,374
Accounts receivable, net of allowance of \$4,241 and \$0.	10,193	185,382	195,575
Inventory	-	67,811	67,811
Total current assets	<u>145,723</u>	<u>689,037</u>	<u>834,760</u>
Restricted assets			
Revenue bond restricted funds cash and cash equivalents	-	755,640	755,640
Total restricted assets	<u>-</u>	<u>755,640</u>	<u>755,640</u>
Property, plant and equipment, net	1,900,722	1,867,566	3,768,288
Other assets			
Bond issuance costs, net of accumulated amortization of \$0 and \$59,523	-	5,619	5,619
Total other assets	<u>-</u>	<u>5,619</u>	<u>5,619</u>
Total assets	<u>2,046,445</u>	<u>3,317,862</u>	<u>5,364,307</u>
Deferred outflows - pensions	<u>4,977</u>	<u>237,732</u>	<u>242,709</u>
Total assets and deferred outflows of resources	\$ <u><u>2,051,422</u></u>	\$ <u><u>3,555,594</u></u>	\$ <u><u>5,607,016</u></u>
Liabilities and Net Position			
Current liabilities			
Accounts payable	7,601	56,739	64,340
Due to other funds	27,645	-	27,645
Customer deposits	-	88,168	88,168
Current portion of long-term debt	-	103,643	103,643
Total current liabilities	<u>35,246</u>	<u>248,550</u>	<u>283,796</u>
Long-term liabilities			
Long-term debt	-	2,313,735	2,313,735
Net pension liability	21,807	715,282	737,089
Total long-term liabilities	<u>21,807</u>	<u>3,029,017</u>	<u>3,050,824</u>
Total liabilities	<u>57,053</u>	<u>3,277,567</u>	<u>3,334,620</u>
Deferred inflows - pensions	<u>6,094</u>	<u>157,931</u>	<u>164,025</u>
Total liabilities and deferred inflows of resources	<u>63,147</u>	<u>3,435,498</u>	<u>3,498,645</u>
Net Position			
Invested in capital assets, net of related debt	1,900,722	(549,812)	1,350,910
Restricted for debt service	-	405,724	405,724
Restricted for capital projects	-	349,916	349,916
Unrestricted	87,553	(85,732)	1,821
Total net position	<u>1,988,275</u>	<u>120,096</u>	<u>2,108,371</u>
Total liabilities and net position	\$ <u><u>2,051,422</u></u>	\$ <u><u>3,555,594</u></u>	\$ <u><u>5,607,016</u></u>

See accompanying notes to financial statements.

City of New Ellenton

**Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
Year Ended June 30, 2022**

	Business-Type Activities		
	Sewer	Water	Total
Operating Revenues			
Charges for services	\$ 166,329	\$ 1,761,342	\$ 1,927,671
Other revenues	1,401	4,336	5,737
Total operating revenues	<u>167,730</u>	<u>1,765,678</u>	<u>1,933,408</u>
Operating Expenses			
Personnel	61,459	472,620	534,079
Payroll taxes	4,724	34,689	39,413
Retirement	17,069	71,007	88,076
Training	-	4,522	4,522
Amortization	-	2,648	2,648
Contract labor	8,107	-	8,107
Repairs and maintenance	6,197	61,654	67,851
Depreciation	165,735	135,568	301,303
Dues and subscriptions	-	15,884	15,884
Purchases	-	467,344	467,344
Insurance	-	35,313	35,313
License and permits	1,754	-	1,754
Miscellaneous	-	21,819	21,819
Office supplies	227	38,737	38,964
Professional fees	3,900	36,687	40,587
Supplies	17,530	10,289	27,819
Fuel	-	30,695	30,695
Testing	11,971	7,050	19,021
Utilities & telephone	44,645	94,959	139,604
Total operating expenses	<u>343,318</u>	<u>1,541,485</u>	<u>1,884,803</u>
Operating income (loss)	<u>(175,588)</u>	<u>224,193</u>	<u>48,605</u>
Non-Operating Revenue (Expenses)			
Bank charges	-	(7,124)	(7,124)
Interest expense	-	(100,855)	(100,855)
Transfer in from other funds	74,694	-	74,694
Local option sales tax	81,839	-	81,839
Total Non-operating revenue (expenses)	<u>156,533</u>	<u>(107,979)</u>	<u>48,554</u>
Change in net position	(19,055)	116,214	97,159
Net position, beginning of year	2,007,330	3,882	2,011,212
Net position, end of year	\$ <u><u>1,988,275</u></u>	\$ <u><u>120,096</u></u>	\$ <u><u>2,108,371</u></u>

See accompanying notes to financial statements.

City of New Ellenton

**Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2022**

	Business-Type Activities		
	Sewer	Water	Total
Cash Flows from Operating Activities			
Receipts from customers and others	\$ 167,738	\$ 1,766,916	\$ 1,934,654
Payments to suppliers	(113,461)	(964,309)	(1,077,770)
Payments to employees	(61,459)	(472,620)	(534,079)
Net cash provided (used) by operating activities	(7,182)	329,987	322,805
Cash Flows from Capital and Related Financing Activities			
Purchases of capital assets	-	(130,269)	(130,269)
Principal paid on capital debt	-	(105,185)	(105,185)
Interest paid on capital debt	-	(100,855)	(100,855)
Net transfers from other funds	74,694	-	74,694
Net cash provided (used) by financing activities	74,694	(336,309)	(261,615)
Net increase in cash and cash equivalents	67,512	(6,322)	61,190
Cash and cash equivalents, beginning of year	68,018	1,197,806	1,265,824
Cash and cash equivalents, end of year	\$ 135,530	\$ 1,191,484	\$ 1,327,014
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ (175,588)	\$ 217,069	\$ 41,481
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense	165,735	135,568	301,303
Amortization expense	-	2,648	2,648
Change in assets and liabilities:			
Accounts receivable, net	8	(15,914)	(15,906)
Inventory	-	3,993	3,993
Deferred outflows of resources	1,410	(102,612)	(101,202)
Deferred inflows of resources	4,991	142,124	147,115
Net pension liability	(5,268)	(36,191)	(41,459)
Customer deposits	-	17,152	17,152
Accounts payable	5,811	(33,850)	(28,039)
Due to other funds	(4,281)	-	(4,281)
Net cash provided (used) by operating activities	\$ (7,182)	\$ 329,987	\$ 322,805

City of New Ellenton

Notes to the Financial Statements Year Ended June 30, 2022

Note 1 – Description of Entity

The City of New Ellenton, South Carolina (the “City”) an incorporated municipality, is located in Aiken County in southwestern South Carolina. The City operates under a Mayor-Council form of government and provides the following services as authorized by its charter: public safety (police), highways and streets, sanitation, public improvements, planning and zoning, general and administrative services. The accompanying financial statements conform to accounting principles generally accepted in the United States of America as applicable to governments.

As required by accounting principles generally accepted in the United States of America, these financial statements present the City and its component units, legally separate entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government’s operations. Blended component units are discussed below.

Note 2 – Summary of Significant Accounting Policies

The City applies all Governmental Accounting Standards Board (GASB) pronouncements as well as Financial Accounting Standards Board (FASB) statements and interpretations, and the Accounting Principles Board (APB) of the Committee on Accounting Procedure issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

Blended Component Unit within the Reporting Entity

The Commission of Public Works consists of a three-member Board of Commissioners elected by the citizens of the City. The Commissioners have the authority to set policy and procedures. The Commissioners cannot incur debt without the approval of City Council.

Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the City government. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment 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.

City of New Ellenton

Notes to the Financial Statements Year Ended June 30, 2022

Note 2 – Summary of Significant Accounting Policies, continued

Government-wide and fund financial statements, continued

Separate financial statements are provided for governmental funds and fiduciary funds, even though the fiduciary funds are excluded from the government-wide financial statements. Major individual government funds are reported as separate columns in the fund financial statements.

Measurement focus, basis of accounting, and financial statement presentation

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 first, then unrestricted resources as they are needed.

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, franchise taxes, licenses, 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.

City of New Ellenton

Notes to the Financial Statements
Year Ended June 30, 2022

Note 2 – Summary of Significant Accounting Policies, continued

Measurement focus, basis of accounting, and financial statement presentation, continued

The government reports the following major governmental fund:

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

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 sewer fund is accounted for as an Enterprise Fund operation.

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

Cash and Cash Equivalents

The State of South Carolina General Statutes permits the City to invest in certain types of financial instruments. In addition, the State has a Local Government Investment Pool (where fair value of the position in the pool is the same as the value of the pool shares) which invests in the types of instruments allowed under state laws.

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 either state statutes or the policy of the City.

As of June 30, 2022, the City had deposits and investments as follows:

		Fair Value
Deposits with financial institutions	\$	<u>1,701,462</u>
	\$	<u>1,701,462</u>

Interest rate risk. The City manages its exposure to declines in fair values by limiting its investments to the State’s investment pools which do not normally have maturity dates and can be withdrawn on demand.

City of New Ellenton

Notes to the Financial Statements Year Ended June 30, 2022

Note 2 – Summary of Significant Accounting Policies, continued

Cash and Cash Equivalents, continued

Credit risk. As of June 30, 2022, the City's investment with the S.C. Local Government Investment Pool is overseen by the State, which invests in instruments allowed under state laws.

Concentration of Credit Risk. The City's investment policy currently does not involve investment in individual issuers.

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to the City. The City's policy is that all deposits in excess of federal insurance amounts be collateralized with securities held by the pledging financial institution's trust department or agent in the City's name. During the year ended June 30, 2022, the City's balances may, at times, exceed federally insured limits. The City has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on deposits.

Custodial credit risk – investments. For an investment, this is the risk that, in the event of failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investment in the state investment pool is not subject to custodial credit risk.

Receivables

Property taxes are levied on real and personal properties, except motor vehicles, owned on the preceding December 31, of each County fiscal year ended June 30.

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 City council as part of the budget process. All the City's real and personal property taxes are assessed and collected by Barnwell County.

City of New Ellenton

**Notes to the Financial Statements
Year Ended June 30, 2022**

Note 2 – Summary of Significant Accounting Policies, continued

Receivables, continued

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.

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

Capital Assets

Capital assets, which include land, buildings, improvements, machinery and equipment are reported in the government-wide financial statements. 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. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant, and equipment of the City are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Sewer facility and buildings	30
Machinery and equipment	3 - 10
Water delivery system	15 - 30

Bond Issuance Costs

The Commission of Public Works has recorded bond issue costs arising from the issuance of revenue bonds. Such costs are being amortized on a straight- line basis over the term of the bond.

City of New Ellenton

Notes to the Financial Statements Year Ended June 30, 2022

Note 2 – Summary of Significant Accounting Policies, continued

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.

Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Upon termination of employment, unused vacation or sick leave is payable to the employee. All vacation and sick pay is accrued when incurred in the government-wide financial statements.

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.

Fund Equity

In the government-wide financial statements, net assets are classified in the following categories:

Invested in Capital Assets, Net of Related Debt – This category groups all capital assets, including infrastructure, into one component of net assets. Accumulated depreciation and the outstanding balances of debt are attributable to the acquisition, construction or improvement of these assets reduce this category.

Restricted Net Assets – The category presents external restrictions imposed by creditor, grantors, contributors or laws or regulation of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Assets – This category represents the net assets of the City, which are not restricted for any project or other purpose.

In the fund financial statements, the City implemented GASB No. 54 Fund Balance Reporting and Governmental Fund Type Definitions for the year ended June 30, 2013. GASB No. 54 established that

City of New Ellenton

Notes to the Financial Statements Year Ended June 30, 2022

Note 2 – Summary of Significant Accounting Policies, continued

Fund Equity, continued

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 the 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 purpose because of (a) constitutional provisions of enabling legislation of (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.

City of New Ellenton

**Notes to the Financial Statements
Year Ended June 30, 2022**

Note 2 – Summary of Significant Accounting Policies, continued

Fund Equity, continued

Below are the fund balance classifications for the governmental funds at June 30, 2022:

	<u>General Fund</u>	<u>Total Governmental Funds</u>
Fund Balances		
Restricted		
Victims Assistance	\$ 22,046	\$ 22,046
Unassigned	<u>1,618,419</u>	<u>1,618,419</u>
Total Fund Balances	<u>\$ 1,640,465</u>	<u>\$ 1,640,465</u>

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.

Restricted and unrestricted resources

It is the City's policy to apply available resources that meet all criteria of the fund classifications in the following order: 1) restricted funds, 2) committed funds, 3) assigned funds and 4) unassigned.

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.

City of New Ellenton

Notes to the Financial Statements Year Ended June 30, 2022

Note 3 – Stewardship, Compliance, and Accountability

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The various departments meet with the Mayor or their respective Council Committees during the last quarter of the fiscal year to discuss their operating budget requests
2. The Council meets to discuss all the department's budgets.
3. The proposed budget is enacted prior to July 1 in the form of an ordinance (with two readings and one public hearing) to raise revenue.
4. City Council must authorize budget transfers between departments and all transfers in/out of personnel line items.
5. Budgets for the General Fund are adopted on a basis consistent with accounting principles generally accepted in the United States of America.

For the year ended June 30, 2022, total budgets for the General Fund equaled \$2,509,239.

Note 4 – Capital Assets

A summary of capital assets accounted for in the governmental-type activities is as follows:

	Balance July 1, 2021	Additions	Dispositions	Reclass	Balance June 30, 2022
Governmental Activities					
Depreciable capital assets:					
Buildings	\$ 3,110,467	\$ -	\$ -	\$ -	\$ 3,110,467
Land improvements	283,040	-	-	-	283,040
Vehicles and equipment	4,200,571	285,446	(40,651)	-	4,445,366
Total depreciable capital assets	<u>7,594,078</u>	<u>285,446</u>	<u>(40,651)</u>	<u>-</u>	<u>7,838,873</u>
Less accumulated depreciation	<u>(3,806,658)</u>	<u>(440,753)</u>	<u>40,651</u>	<u>-</u>	<u>(4,206,760)</u>
Governmental activities capital assets, net	<u>\$ 3,787,420</u>	<u>\$ (155,307)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,632,113</u>

City of New Ellenton

**Notes to Financial Statements
Year Ended June 30, 2022**

Note 4 – Capital Assets, continued

Depreciation expense for the year ended June 30, 2022 was charged to functions/programs of the primary government as follows:

Governmental Activities

Fire department	\$ 257,127
Civic center	2,642
Library	29,687
Parks and recreation	5,617
Police department	35,190
Sanitation department	3,538
Streets and roads	10,612
General	<u>96,340</u>
Total depreciation expense - governmental activities	<u>\$ 440,753</u>

A summary of capital assets accounted for in the business-type activities is as follows:

	Balance July 1, 2021	Additions	Dispositions	Balance June 30, 2022
Business-Type Activities				
Non-depreciable capital assets:				
Land and land improvements	\$ 2,500	\$ -	\$ -	\$ 2,500
Total non-depreciable capital assets	<u>2,500</u>	<u>-</u>	<u>-</u>	<u>2,500</u>
Depreciable capital assets:				
Water delivery and sewer infrastructure	10,130,956	44,606	-	10,175,562
Buildings and improvements	237,847	31,835	-	269,682
Machinery and equipment	880,779	50,000	-	930,779
Office furniture and equipment	27,502	-	-	27,502
Vehicles and equipment	<u>242,440</u>	<u>85,666</u>	<u>-</u>	<u>328,106</u>
Total depreciable capital assets	<u>11,519,524</u>	<u>212,107</u>	<u>-</u>	<u>11,731,631</u>
Less accumulated depreciation	<u>(7,664,540)</u>	<u>(301,303)</u>	<u>-</u>	<u>(7,965,843)</u>
Total capital assets, being depreciated, net	<u>3,854,984</u>	<u>(89,196)</u>	<u>-</u>	<u>3,765,788</u>
Business-type activities capital assets, net	<u>\$ 3,857,484</u>	<u>\$ (89,196)</u>	<u>\$ -</u>	<u>\$ 3,768,288</u>

Depreciation expense for business-type activities for the year ended June 30, 2022 was \$301,303.

City of New Ellenton

Notes to Financial Statements Year Ended June 30, 2022

Note 5 – Long-Term Debt

Long-term debt at June 30, 2022 is comprised of the following for governmental-type activities:

Note payable to financial institution due in semi-annual installments of \$30,660 and \$70,865 with an interest rate of 3.29% collateralized by a vehicle. Maturity date is March 2029.	\$	716,658
Note payable to financial institution due in annual installments of \$69,628 with an interest rate of 4.044% collateralized by a vehicle. Maturity is March 2029.		417,425
Note payable to financial institution due in annual installments of \$34,754 with an interest rate of 4.195% collateralized by a building. Maturity is August 2036.		<u>331,188</u>
		1,465,271
Current portion of notes payable		<u>(190,641)</u>
Long-term portion of notes payable	\$	<u><u>1,274,630</u></u>

The debt service requirement for the City's notes payable as of June 30, 2022 is as follows:

Year Ending June 30, Governmental Activities:	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2023	190,641	55,472	246,113
2024	197,498	48,615	246,113
2025	204,623	41,489	246,112
2026	212,009	34,104	246,113
2027	219,664	26,449	246,113
Thereafter	<u>440,836</u>	<u>79,714</u>	<u>520,550</u>
	\$ <u><u>1,465,271</u></u>	\$ <u><u>285,843</u></u>	\$ <u><u>1,751,114</u></u>

Changes in long-term debt for the year ended June 30, 2022 was as follows:

	<u>Balance July 1, 2021</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2022</u>	<u>Due Within One Year</u>
Governmental Activities					
Notes payable	<u>1,699,282</u>	<u>-</u>	<u>234,011</u>	<u>1,465,271</u>	<u>190,641</u>
Governmental activities long-term liabilities	\$ <u><u>1,699,282</u></u>	\$ <u><u>-</u></u>	\$ <u><u>234,011</u></u>	\$ <u><u>1,465,271</u></u>	\$ <u><u>190,641</u></u>

City of New Ellenton

Notes to Financial Statements Year Ended June 30, 2022

Note 5 – Long-Term Debt, continued

The City of New Ellenton and the Commission of Public Works had two and one series, respectively, of Revenue Bonds outstanding as of June 30, 2022. These bonds were issued pursuant to bond ordinances, which set forth the terms of payment and various accounting and stewardship requirements to insure payment of the bonds. The provisions of these bond ordinances are summarized below.

The Commission issued a \$1,663,000 Waterworks System Revenue Bond on March 14, 1988. Interest is payable monthly at the rate of 7.75% for a period of 30 years. The outstanding bonds are subject to redemption at the option of the City of New Ellenton. The bonds are to be redeemed in reverse chronological order.

On June 28, 1990, the City of New Ellenton issued a \$5,025,000 Sewer System Revenue Bond, Series 1990. Interest is payable semiannually on June 1, and December 1 and principal is payable on June 1 of each year through 2022. Interest rates vary from 6.15% to 7.25% with the maturity of the bonds.

Long-term debt of the Commission of Public Works at June 30, 2022 consisted of the following:

The outstanding principal amount due to the USDA Rural Development collateralized by the Waterworks System Revenue in montly installments of \$5,309 (including principal and interest at 4.875%). The final installment is due in year 2043.	\$	830,410
The oustanding principal amount due to the USDA Rural Development collateralized by the Waterworks System Revenue in monthly installments of \$2,034 (including principal and interest at 4.875%). The final installment is due in year 2043.		304,720
The oustanding principal amount due to the USDA Rural Development collateralized by the Waterworks System Revenue in monthly installments of \$1,977 (including principal and interest at 4.125%). The final installment is due in year 2050.		392,818
The oustanding principal amount due to the USDA Rural Development collateralized by the Waterworks System Revenue in monthly installments of \$1,794 (including principal and interest at 4.125%). The final installment is due in year 2050.		348,333
Lease-Purchase agreement for water meters with a financial institution, dated December 30, 2020, totalling \$600,000, 2.715% interest rate, payable in annual principal and and interest installments of \$68,561, final payment due August 1, 2030.		541,097
Total long-term debt		2,417,378
Less current maturities		(103,643)
	\$	<u>2,313,735</u>

City of New Ellenton

**Notes to Financial Statements
Year Ended June 30, 2022**

Note 5 – Long-Term Debt, continued

The above Revenue Bonds payable were purchased by the United States Department of Agriculture, Farmers Home Administration.

The bonds are a special obligation of the issuer and are payable solely from the revenues derived from the operation of the waterworks system.

	Balance July 1, 2021	Additions	Reductions	Balance June 30, 2022
Commission of Public Works				
USDA #2	\$ 853,031	\$ -	\$ 22,621	\$ 830,410
USDA #3	314,025	-	9,305	304,720
USDA #4	400,172	-	7,354	392,818
USDA #5	355,335	-	7,002	348,333
Lease-Purchase	600,000	-	58,903	541,097
	<u>\$ 2,522,563</u>	<u>\$ -</u>	<u>\$ 105,185</u>	<u>\$ 2,417,378</u>

The bond indentures provide that the revenue of the system is to be used in the following order (on a monthly basis):

1. To the Operation and Maintenance Fund the sum determined to be needed as the cost of operating and maintaining the system for the next month.
2. To the Bond and Interest Funds and Cushion Fund as established by the ordinances.
3. To the Depreciation Fund and Contingency Fund the amounts required.
4. Any remaining revenues at the end of the fiscal year may be disposed of as the Board of Commissioners determines for any lawful purpose.

The bond indenture also contains provisions, which restrict the issuance of additional bonds unless certain conditions are met.

Revenue bonds restricted funds as of June 30, 2022, consist of:

Gross Revenue Fund	\$ 435,690
Water Deposit Refund	88,168
Cushion Funds	263,626
Depreciation and Contingency Fund	403,846
	<u>\$ 1,191,330</u>

City of New Ellenton

**Notes to Financial Statements
Year Ended June 30, 2022**

Note 5 – Long-Term Debt, continued

The debt service requirement for the Commission of Public Works as of June 30, 2022 is as follows:

Year Ending June 30, Commission of Public Works	Principal	Interest	Total
2023	103,643	98,286	201,929
2024	107,459	94,470	201,929
2025	111,428	90,501	201,929
2026	115,553	86,376	201,929
2027-2029	373,094	2,323,693	2,696,787
2030-2034	436,775	299,867	736,642
2035-2039	465,346	201,496	666,842
2040-2044	433,881	86,346	520,227
2045-2049	270,199	25,390	295,589
	<u>\$ 2,417,378</u>	<u>\$ 3,306,425</u>	<u>\$ 5,723,803</u>

Note 6 – Pension Plan Obligation

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

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

City of New Ellenton

Notes to Financial Statements Year Ended June 30, 2022

Note 6 – Pension Plan Obligation, continued

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

Plan Description

The South Carolina Retirement System (SCRS), a cost-sharing multiple-employer defined benefit pension plan, was established July 1, 1945, pursuant to the provisions of Section 9-1-20 of the South Carolina Code of Laws for the purpose of providing retirement and other benefits for teachers and employees of the state and its political subdivisions. SCRS covers employees of state agencies, public school districts, higher education institutions, other participating local subdivisions of government and individuals newly elected to the South Carolina General Assembly at or after the 2012 general election.

The State Optional Retirement Program (State ORP) is a defined contribution plan that is offered as an alternative to SCRS to certain newly hired employees of state agencies, institutions of higher education, public school districts and individuals first elected to the S.C. General Assembly at or after the general election in November 2012. State ORP participants direct the investment of their funds into an account administered by one of four third party service providers. PEBA assumes no liability for State ORP benefits. Rather, the benefits are the liability of the four third party service providers. For this reason, State ORP assets are not part of the retirement systems' trust funds for financial statement purposes.

The South Carolina Police Officers Retirement System (PORS), a cost-sharing multiple-employer defined benefit pension plan, was established July 1, 1962, pursuant to the provisions of Section 9-11-20 of the South Carolina Code of Laws for the purpose of providing retirement and other benefits to police officers and firefighters. PORS also covers peace officers, coroners, probate judges and magistrates

Membership

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

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

City of New Ellenton

Notes to Financial Statements Year Ended June 30, 2022

Note 6 – Pension Plan Obligation, continued

Membership, continued

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 school, and higher education employees and individuals newly elected to the S.C. General Assembly beginning with the November 2012 general election have the option to participate in the State Optional Retirement Program (State ORP), which is defined contribution plan. State ORP participants direct the investment of their funds into a plan administered by one of four investment providers. For this reason, State ORP programs are not considered part of the retirement systems for financial statement purposes. Employee and Employer contributions to the State ORP are at the same rates as SCRS.

A direct remittance is required from the employers to the member's account with investment providers for the employee contribution (8 percent) 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 (5.75 percent) and an incidental death benefit contribution (.15 percent), 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; or to serve as a peace officer employed by the Department of Corrections, the Department of Juvenile Justice, or the Department of Mental Health. Probate judges and coroners may elect membership in PORS. Magistrates are required to participate in PORS for service as a magistrate. PORS members, other than magistrates and probate judges, must also earn at least \$2,000 per year and devote at least 1,600 hours per year to this work, unless exempted by statute. An employee member of the system with an effective date of membership prior to July 1, 2012, is a Class Two member. An employee member of the system with an effective date of membership on or after July 1, 2012, is a Class Three member.

City of New Ellenton

Notes to Financial Statements Year Ended June 30, 2022

Note 6 – Pension Plan Obligation, continued

Benefits

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

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

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

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

City of New Ellenton

Notes to Financial Statements Year Ended June 30, 2022

Note 6 – Pension Plan Obligation, continued

Benefits, continued

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

Contributions

Actuarial valuations are performed annually by an external consulting actuary to ensure applicable contribution rates satisfy the funding parameters specified in Title 9 of the South Carolina Code of Laws. Under these provisions, SCRS and PORS contribution requirements must be sufficient to maintain an amortization period for the financing of the unfunded actuarial accrued liability (UAAL) over a period that does not exceed the number of years scheduled in state statute. Legislation in 2017 increased, but also established a ceiling for SCRS and PORS employee contribution rates. Effective July 1, 2017, employee rates were increased to a capped rate of 9.00 percent for SCRS and 9.75 percent for PORS. The legislation also increased employer contribution rates beginning July 1, 2017 for both SCRS and PORS by two percentage points and further scheduled employer contribution rates to increase by a minimum of one percentage point each year through July 1, 2022. If the scheduled contributions are not sufficient to meet the funding periods set in state statute, the board shall increase the employer contribution rates as necessary to meet the funding periods set for the applicable year. The maximum funding period of SCRS and PORS is scheduled to be reduced over a ten-year schedule from 30 years beginning fiscal year 2018 to 20 years by fiscal year 2028.

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

City of New Ellenton

Notes to Financial Statements
Year Ended June 30, 2022

Note 6 – Pension Plan Obligation, continued

Contributions, continued

Required employee contribution rates (1) are as follows:

	<u>Fiscal Year 2022</u>	<u>Fiscal Year 2021</u>
SCRS		
Employee Class Two	9.00%	9.00%
Employee Class Three	9.00%	9.00%
State ORP		
Employee	9.00%	9.00%
PORS		
Employee Class Two	9.75%	9.75%
Employee Class Three	9.75%	9.75%

Required employer contributions rates (1) are as follows:

	<u>Fiscal Year 2022</u>	<u>Fiscal Year 2021</u>
SCRS		
Employer Class Two	16.41%	15.41%
Employer Class Three	16.41%	15.41%
Employer Incidental Death Benefit	0.15%	0.15%
State ORP		
Employer Contribution (2)	16.41%	15.41%
Employer Incidental Death Benefit	0.15%	0.15%
PORS		
Employer Class Two	18.84%	17.84%
Employer Class Three	18.84%	17.84%
Employer Incidental Death Benefit	0.20%	0.20%
Employer Accidental Death Program	0.20%	0.20%

City of New Ellenton

Notes to Financial Statements Year Ended June 30, 2022

Note 6 – Pension Plan Obligation, continued

Pension Plan Fiduciary Net Position

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

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

The TPL is calculated by the Systems' actuary, and each plan's fiduciary net position is reported in the Systems' financial statements. The NPL is disclosed in accordance with the requirements of GASB 67 in the Systems' notes to the financial statements and required supplementary information. Liability calculations performed by the Systems' actuary for the purpose of satisfying the requirements of GASB Nos. 67 and 68 are not applicable for other purposes, such as determining the plans' funding requirements.

Actuarial Assumptions

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, 2021, total pension liability (TPL), net pension liability (NPL), and sensitivity information shown in this report were determined by our consulting actuary, Gabriel Roeder Smith & Company (GRS) and are based on an actuarial valuation performed as of July 1, 2020. The total pension liability was rolled-forward from the valuation date to the plans' fiscal year end, June 30, 2021, using generally accepted actuarial principles. There was no legislation enacted during the 2021 legislative session that had a material change in the benefit provisions for any of the systems. In FY 2021 the Board adopted updated demographic assumptions. Also, the General Assembly permitted the investment return assumption at July 1, 2021 to decrease from 7.25% to 7.00%, as provided by Section 9-16-335 in South Carolina State Code.

City of New Ellenton

**Notes to Financial Statements
Year Ended June 30, 2022**

Note 6 – Pension Plan Obligation, continued

Actuarial Assumptions, continued

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

	SCRS	PORS
Actuarial cost method	Entry age normal	Entry age normal
Actuarial assumptions:		
Investment rate of return (1)	7.00%	7.00%
Projected salary increases (1)	3.0% to 11.0% (varies by service) Lesser of 1% or \$500 annually	3.5% to 10.5% (varies by service) Lesser of 1% or \$500 annually
Benefit adjustments		

(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 published Scale AA projected from the year 2020.

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

City of New Ellenton

**Notes to Financial Statements
Year Ended June 30, 2022**

Note 6 – Pension Plan Obligation, continued

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 2021 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 below. For actuarial purposes, the 7 percent assumed annual investment rate of return used in the calculation of the TPL includes a 4.75 percent real rate of return and a 2.25 percent inflation component.

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

City of New Ellenton

Notes to Financial Statements Year Ended June 30, 2022

Note 6 – Pension Plan Obligation, continued

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 1.00 percent lower (6 percent) or 1.00 percent higher (8 percent) than the current rate.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate			
System	1.00% Decrease (6.00%)	Current Discount Rate (7.00%)	1.00% Increase (8.00%)
SCRS	\$ 1,508,224	\$ 1,151,426	\$ 854,852
PORS	\$ 565,467	\$ 389,743	\$ 245,798

Net Pension Liability

At June 30, 2022, the City reported a net pension liability of \$1,151,426 and \$389,743 for its proportionate shares of the SCRS and PORS net pension liabilities, respectively. The net pension liability was measured as of July 1, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportionate shares of the net pension liabilities were based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2022, the City's proportionate shares of the SCRS and PORS plans were .002015 percent and .015148 percent respectively, for June 30, 2022.

Pension Expense

For the year ended June 30, 2022, the City recognized pension expense for the SCRS plan of \$55,598. For the year ended June 30, 2022, the City recognized pension expense for the PORS plan of \$51,096.

City of New Ellenton

Notes to Financial Statements Year Ended June 30, 2022

Note 6 – Pension Plan Obligation, continued

Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

For the SCRS plan, there were total deferred outflows of resources of \$337,263 consisting of differences between expected and actual experience of \$82,638, the net difference between projected and actual earnings on pension plan investments of \$84,880, changes in proportion and differences between employer contributions and proportionate share of contributions of \$69,444, and City contributions subsequent to the measurement date of \$100,301. There were deferred inflows of resources of \$279,804 for the SCRS plan consisting of differences between expected and actual experience.

For the PORS plan, there were total deferred outflows of resources of \$150,310 consisting of differences between expected and actual experience of \$41,057, the net difference between projected and actual earnings on pension plan investments of \$42,921, changes in proportion and differences between employer contributions and proportionate share of contributions of \$22,364, and City contributions subsequent to the measurement date of \$43,968. There were deferred inflows of resources of \$178,249 for the PORS plan consisting of differences between expected and actual experience.

The \$100,301 and \$43,968 reported as deferred outflows of resources resulting from the City's contributions subsequent to the measurement date for the SCRS and PORS plans, respectively, during the year ended June 30, 2022 will be recognized as a reduction of the net pension liabilities in the year ending June 30, 2022.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows for the SCRS and PORS plans, respectively:

For the SCRS plan, \$6,938 will be recognized for the fiscal year 2023 and \$13,118 for the fiscal year 2024. For fiscal year 2025 \$(312) will be recognized and \$(62,586) will be recognized in 2026.

For the PORS plan, \$(4,949) will be recognized for the fiscal year 2023 and \$(19,830) for the fiscal year 2024. For fiscal year 2025 \$(15,508) will be recognized and \$(31,621) will be recognized in 2026.

Covered Payroll and Contributions

The payroll for City employees covered by the SCRS totaled \$666,981 and \$605,301 for the year ended June 30, 2022 and 2021, while the payroll for PORS covered employees totaled \$297,105 and \$231,235, respectively.

City of New Ellenton

**Notes to Financial Statements
Year Ended June 30, 2022**

Note 6 – Pension Plan Obligation, continued

Covered Payroll and Contributions, continued

The City's contributions to SCRS and PORS are summarized as follows:

Year Ended	Employer			Employee		
	Percent	SCRS	PORS	Percent	SCRS	PORS
June 30, 2022	100%	\$ 109,452	\$ 55,975	100%	\$ 60,184	\$ 29,134
June 30, 2021	100%	\$ 93,277	\$ 41,252	100%	\$ 54,477	\$ 22,545
June 30, 2020	100%	\$ 87,154	\$ 44,340	100%	\$ 50,721	\$ 24,233

Note 7 – Post-Employment Benefits

As of June 30, 2022, the City does not offer any post-employment retirement benefits to its employees.

Note 8 – Risk Management

The City 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 City does not maintain a self-insurance fund.

During the fiscal year ended June 30, 2022, the City 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 – Subsequent Events

Subsequent events were evaluated through October 02, 2023 which is the date the financial statements were available to be issued.

City of New Ellenton

Schedule of Revenues, Expenditures and Changes in Fund Balances - General Fund

Budget and Actual

Year Ended June 30, 2022

		2022		
		Budgeted Amounts		
	Original	Final	Actual Amounts	Variance With Final Budget
Revenues				
Local option sales tax	\$ 215,000	\$ 215,000	\$ 158,280	\$ (56,720)
Licenses and permits	30,000	30,000	27,855	(2,145)
State shared revenue	218,879	218,879	281,281	62,402
Franchise fees	140,000	140,000	150,459	10,459
Property taxes	501,000	501,000	679,948	178,948
Hospitality taxes	35,000	35,000	32,022	(2,978)
Fines and forfeitures	138,300	138,300	120,214	(18,086)
Fire taxes	712,077	712,077	637,738	(74,339)
Interest income	2,000	2,000	1	(1,999)
Sanitation fees	-	-	131,360	131,360
Grant revenues	-	-	585,431	585,431
Other revenue and appropriation of fund balance	202,600	202,600	107,806	(94,794)
Total revenues	<u>2,194,856</u>	<u>2,194,856</u>	<u>2,912,395</u>	<u>717,539</u>
Expenditures				
Civic Center	12,400	12,400	24,345	(11,945)
Fire department	388,761	388,761	468,750	(79,989)
General government	300,110	300,110	409,456	(109,346)
Library	4,700	4,700	3,662	1,038
Police department	474,477	474,477	594,910	(120,433)
Recreation department	32,000	32,000	32,126	(126)
Sanitation department	119,700	119,700	121,026	(1,326)
Streets and grounds	197,288	197,288	238,454	(41,166)
Victims assistance	16,300	16,300	6,968	9,332
Atomic City Festival	-	-	27,982	(27,982)
Debt service				
Principal	184,010	184,010	234,010	(50,000)
Interest	62,103	62,103	62,103	-
Capital outlay	302,203	302,203	285,447	16,756
Total expenditures	<u>2,094,052</u>	<u>2,094,052</u>	<u>2,509,239</u>	<u>(415,187)</u>
Excess of revenues over expenditures	<u>100,804</u>	<u>100,804</u>	<u>403,156</u>	<u>302,352</u>
Other Financing Sources (Uses)				
Transfers in (out)	-	-	(74,694)	(74,694)
Net change in fund balances	<u>100,804</u>	<u>100,804</u>	<u>328,462</u>	<u>227,658</u>
Fund balance, beginning of year	<u>1,312,003</u>	<u>1,312,003</u>	<u>1,312,003</u>	<u>-</u>
Fund Balance, end of year	<u>\$ 1,412,807</u>	<u>\$ 1,412,807</u>	<u>\$ 1,640,465</u>	<u>\$ 227,658</u>

City of New Ellenton

**Schedule of Proportionate Share of the Net Pension Liability
Employee Pension Plan
Year Ended June 30, 2022**

<u>System</u>	<u>Proportion of the Net Pension Liability</u>	<u>Proportionate Share of the Net Pension Liability</u>	<u>Actual Covered Member Payroll</u>	<u>Net Pension Liability as a Percentage of Covered Payroll</u>	<u>Fiduciary Net Position as a Percentage of Total Pension Liability</u>
SCRS					
2015	0.001876%	\$ 892,108	\$ 695,156	128.33%	59.90%
2016	0.001499%	\$ 879,619	\$ 446,173	197.15%	56.99%
2017	0.001432%	\$ 979,990	\$ 464,827	210.83%	52.90%
2018	0.001520%	\$ 1,015,948	\$ 536,927	189.22%	53.30%
2019	0.002243%	\$ 1,155,345	\$ 528,356	218.67%	54.10%
2020	0.002135%	\$ 1,152,688	\$ 565,565	203.81%	54.40%
2021	0.002119%	\$ 1,292,967	\$ 605,301	213.61%	50.70%
2022	0.002015%	\$ 1,151,426	\$ 666,981	172.63%	60.70%
PORS					
2015	0.015620%	\$ 298,938	\$ 176,491	169.38%	67.50%
2016	0.013820%	\$ 301,228	\$ 161,361	186.68%	64.57%
2017	0.012290%	\$ 311,707	\$ 188,777	165.12%	60.40%
2018	0.014160%	\$ 387,977	\$ 216,170	179.48%	60.90%
2019	0.015233%	\$ 431,630	\$ 286,956	150.42%	61.70%
2020	0.018051%	\$ 517,341	\$ 248,542	208.15%	62.70%
2021	0.015926%	\$ 528,126	\$ 231,235	228.39%	58.80%
2022	0.015148%	\$ 389,743	\$ 297,105	131.18%	70.40%

See Notes to Supplemental Information.

Schedule is intended to show information for 10 years.

Additional information will be displayed as they become available.

City of New Ellenton

**Schedule of Contributions to Employee Pension Plan
Year Ended June 30, 2022**

	2022	2021	2020	2019	2018	2017	2016	2015
SCRS								
Contractually required contribution	\$ 109,452	\$ 93,277	\$ 87,154	\$ 76,136	\$ 72,002	\$ 53,037	\$ 48,677	\$ 74,729
Contributions in relation to the contractually required contribution	109,452	93,277	87,154	76,136	72,002	53,037	48,677	74,729
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 666,981	\$ 605,301	\$ 565,565	\$ 528,356	\$ 536,927	\$ 464,827	\$ 446,173	\$ 695,156
Contributions as a percentage of covered payroll	16.41%	15.41%	15.41%	14.41%	13.41%	11.41%	10.91%	10.75%
PORS								
Contractually required contribution	\$ 55,975	\$ 41,252	\$ 44,340	\$ 48,323	\$ 34,241	\$ 26,127	\$ 21,526	\$ 22,961
Contributions in relation to the contractually required contribution	55,975	41,252	44,340	48,323	34,241	26,127	21,526	22,961
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 297,105	\$ 231,235	\$ 248,542	\$ 286,956	\$ 216,170	\$ 188,777	\$ 161,361	\$ 176,491
Contributions as a percentage of covered payroll	18.84%	17.84%	17.84%	16.84%	15.84%	13.84%	13.34%	13.01%

See Notes to Supplemental Information.
Schedule is intended to show information for 10 years.
Additional information will be displayed as they become available.

City of New Ellenton
Notes to Required Supplementary Information
June 30, 2022

Note 1 - Budgets and Budgetary Accounting

The approved budget and amendments are legally enacted through passage of an ordinance authorizing the City Administrator to administer the budget and to transfer necessary appropriations among departments. Additional budget appropriations must be approved by Council.

Formal budgetary integration is employed as a management control device during the year for the General and Public Works Funds.

The legal level of budget is at the fund level for the City of New Ellenton. The budgetary comparison schedule displays detail at the department level as additional information.

Note 3 - Net Pension Liability

	SCRS	PORS
Valuation date	July 1, 2019	July 1, 2019
Actuarial cost method	Entry age normal	Entry age normal
Asset valuation method	5-year smoothed	5 yearer-smoothed
Amortization method	Level percent of payroll	Level percent of payroll
Remaining amortization period	28-year maximum, closed period	28- year maximum, closed period
Inflation rate	2.25%	2.25%
Projected salary increases	3.0% plus step-rate increases for memebbers with less than 21 years of service.	3.5% plus step-rate increases for memebbers with less than 15 years of service.
Investment rate of return	7.25%	7.25%
Mortality	The 2016 public retirees of South Carolina mortality tables for males and females, both projected at Scale AA from the year 2016. Male rates multiplied by 100% for non-educators and 92% for educators. Female rates multiplied by 111% for non-educators and 98% for educators.	The 2016 public retirees of South Carolina mortality tables for males and females, both projected at Scale AA from the year 2016. Male rates multiplied by 125% and female rates are multiplied by 111%.
Comment on the development of the actuarially determined and actual contribution rate	Contribution rate for fiscal year 2021 is determined in accordance with the Retirement System Funding and Administration Act of 2017.	Contribution rate for fiscal year 2021 is determined in accordance with the Retirement System Funding and Administration Act of 2017.

City of New Ellenton

**Uniform Schedule of Court Fines, Assessments and Surcharges (per ACT 96)
Year ended June 30, 2022**

For the State Treasurer's Office:

Municipal Funds Collected by Clerk of Court

Court Fines and Assessments:

Court fines and assessments collected	\$ 57,311
Court fines and assessments remitted to State Treasurer	57,311
Total Court Fines and Assessments retained	-

Surcharges and Assessments retained for victim services:

Surcharges collected and retained	1,588
Assessments retained	5,399
Total Surcharges and Assessments retained for victim services	6,987

For the Department of Crime Victim Compensation (DCVC):

Victim Service Funds Collected

Carryforward from Previous Year - Beginning Balance	26,709
------------------------------------------------------------	---------------

Victim Service Revenue:

Victim Service Assessments Retained by Town	5,399
Victim Service Surcharges Retained by Town	1,588
Total Funds Allocated to Victim Service Fund + Beginning Balance (A)	33,696

Expenditures for Victim Service Program:

Operating Expenditures	11,650
Total Expenditures from Victim Service Fund/Program (B)	11,650
Total Victim Service Funds Retained by Town (A-B)	22,046
Carryforward Funds - End of Year	\$ 22,046



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**Independent Auditor's Report On Internal Control Over Financial Reporting And On
Compliance And Other Matters Based On An Audit Of Financial Statements Performed In
Accordance With *Government Auditing Standards***

The Honorable Mayor and
Members of City Council
City of New Ellenton
New Ellenton, South Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of New Ellenton as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City of New Ellenton's basic financial statements and have issued our report thereon dated October 2, 2023.

Internal Control over Financial Reporting

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

City of New Ellenton
October 2, 2023

that have not been identified.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings to be a significant deficiency: 2022-1.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of New Ellenton'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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Highsmith & Highsmith, LLC

Highsmith & Highsmith, LLC
Travelers Rest, South Carolina

October 2, 2023

City of New Ellenton

**Schedule of Findings
Year Ended June 30, 2022**

Section I – Summary of Auditor’s Results

Financial Statements:

- | | | |
|------|--------------------------------------------------------------|------------|
| i. | Type of auditor’s report issued on the financial statements: | |
| a. | Governmental activities | Unmodified |
| b. | General fund | Unmodified |
| ii. | Internal control over financial reporting: | |
| a. | Material weaknesses identified | No |
| b. | Significant deficiencies identified | Yes |
| iii. | Noncompliance material to the financial statements noted | No |

Section II – Findings – 2021 Financial Statement Audit

Significant Deficiency

2022-1

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 of a system of good internal control is the segregation of duties.

Questioned Cost: none

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

Management’s Response: Management does not anticipate hiring additional staff; however, in an attempt to segregate duties as much as possible with the available staff and to continue to maintain the appropriate involvement of the City Council in the activities of the City.

City of New Ellenton

**Schedule of Prior Year Audit Findings
For the year ended June 30, 2022**

2021-1

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 of a system of good internal control is the segregation of duties.

Questioned Cost: none

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

Management's Response: Management does not anticipate hiring additional staff; however, in an attempt to segregate duties as much as possible with the available staff and to continue to maintain the appropriate involvement of the City Council in the activities of the City.