

**TOWN OF LYMAN,
SOUTH CAROLINA**

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2022

TOWN OF LYMAN, SOUTH CAROLINA

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TOWN OF LYMAN, SOUTH CAROLINA
LISTING OF PRINCIPAL OFFICIALS
YEAR ENDED JUNE 30, 2022

Established

1954

MAYOR

Glenn Greer, II

TOWN COUNCIL MEMBERS

Brantley Enloe

Adam Crisp

Phil McIntyre

Rick Hellams

Rebecca Martin

Alton Free

TOWN ADMINISTRATOR

Noel Blackwell



INDEPENDENT AUDITOR’S REPORT

The Honorable Mayor and Members of Town Council
 Town of Lyman, South Carolina

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Lyman, South Carolina (the “Town”), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Town’s basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town, 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 (“GAAS”) and the standards applicable to financial audits contained in *Government Auditing Standards* (“*Government Auditing Standards*”), issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor’s Responsibilities for the Audit of the Financial Statements

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

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

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The supplementary information, as listed in the table of contents, and the schedule of expenditures of federal awards, as required by Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 16, 2023 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

Greene Finney Cauley, LLP

Greene Finney Cauley, LLP
Mauldin, South Carolina
March 16, 2023

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TOWN OF LYMAN, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2022

The management of the Town of Lyman ("Town") offers readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2022 ("FY 2022" or "2022") compared to the fiscal year ended June 30, 2021 ("FY 2021" or "2021"). The intent of this management's discussion and analysis ("MD&A") is to look at the Town's financial performance as a whole. Readers are encouraged to not only consider the information presented here, but also the information provided in the financial statements, the notes to the financial statements, the required supplementary information, and the supplementary information to enhance their understanding of the Town's overall financial performance.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the Town exceeded its liabilities and deferred inflows of resources at the close of the current fiscal year by approximately \$33,098,000 (*net position*). Of this amount, approximately \$10,200,000 and \$22,898,000 were related to the Town's governmental and business-type activities, respectively. In addition, the Town's unrestricted net position (which may be used to meet the government's ongoing obligations to citizens and creditors) was approximately \$2,978,000 for its governmental activities and approximately \$1,028,000 for its business-type activities.
- The Town's total revenues of approximately \$11,549,000 exceeded total expenses of approximately \$6,797,000, resulting in an increase in net position of approximately \$4,752,000 for 2022.
- At the close of 2022, the Town's governmental funds reported ending fund balances of approximately \$5,208,000, which was an increase of approximately \$3,182,000 from the prior year. Of this amount, 89% or approximately \$4,615,000, is available for spending at the government's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, the unassigned fund balance for the General Fund was approximately \$4,615,000, or 144% of total General Fund expenditures for 2022.
- Governmental fund revenues and other financing sources were approximately \$8,448,000 for the current fiscal year compared to approximately \$3,488,000 in the prior fiscal year. Governmental fund expenditures and other financing uses were approximately \$5,266,000 for the current fiscal year compared to approximately \$2,761,000 in the prior fiscal year.
- At the close of 2022, the Town's proprietary fund (Wastewater Fund) reported ending net position of approximately \$22,898,000, an increase of approximately \$1,482,000 from the prior year net position.
- Wastewater Fund revenues and capital contributions were approximately \$5,073,000 for the current fiscal year compared to approximately \$4,150,000 in the prior fiscal year. Wastewater Fund expenses and transfers out were approximately \$3,591,000 for the current fiscal year compared to approximately \$3,899,000 in the prior fiscal year.
- The Town's total net capital assets of approximately \$28,887,000 increased by approximately \$1,687,000 (6%) during the current fiscal year, primarily due to governmental activities capital asset additions of approximately \$443,000 being partially offset by depreciation expense of approximately \$392,000 and business-type activities capital asset additions of approximately \$2,674,000 being partially offset by depreciation expense and disposals of approximately \$1,038,000.
- The Town's total debt increased by approximately \$264,000 during the current fiscal year due to drawing down on the Town's State Revolving Fund Loan ("Revenue Bond") of approximately \$264,000.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of two parts – *Financial Section* (which includes management's discussion and analysis, the financial statements, the required supplementary information, and the supplementary information) and the *Compliance Section*.

Financial Statements

The MD&A is intended to serve as an introduction to the Town's financial statements. The Town's financial statements comprise three components; 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The financial statements present two different views of the Town through the use of government-wide and fund financial statements. In addition to the financial statements, this report contains required supplementary information and supplementary information that will enhance the reader's understanding of the financial condition of the Town.

TOWN OF LYMAN, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2022

OVERVIEW OF FINANCIAL STATEMENTS (CONTINUED)

Government-Wide Financial Statements. The financial statements include two statements that present different views of the Town. These are designed to provide readers with a broad overview of the Town's finances in a manner similar to a private-sector business.

The *Statement of Net Position* presents information on all of the Town's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the differences between these reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating. The *Statement of Activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements are divided into two categories: 1) governmental activities; and 2) business-type activities. The governmental activities include general government, public safety - police, municipal court, streets, events, victims' assistance, and parks and recreation. The business-type activities are the Town's wastewater operations. The government-wide financial statements can be found as listed in the table of contents.

Fund Financial Statements. The fund financial statements provide a more detailed look at the Town's most significant activities. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like all other governmental entities in South Carolina, uses fund accounting to ensure and reflect compliance with finance-related legal requirements, such as the General Statutes or the Town's budget ordinance. All of the funds of the Town can be divided into the following categories: governmental funds and proprietary funds.

Governmental Funds – The Town uses *governmental funds* to account for those functions reported as governmental activities in the government-wide financial statements. Most of the Town's basic services are accounted for in governmental funds. The focus of these funds is on how assets can readily be converted into cash flow (in and out), and what monies are left at year-end that will be available for spending in the next year. The governmental funds report using an accounting method called *modified accrual accounting* which provides a short-term spending focus. As a result, the governmental funds financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the Town's services. The relationship between *governmental activities* (reported in the government-wide financial statements) and *governmental funds* is described in a reconciliation that is a part of the fund financial statements.

The Town maintains six individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenue, expenditures and change in fund balance for the Town's major funds, the General Fund, Hospitality Tax Fund, and Grants Fund. The governmental funds financial statements can be found as listed in the table of contents.

Proprietary Funds – The Town maintains one type of proprietary fund. *Enterprise Funds* are used to account for operations that (a) are financed and operated in a manner similar to private business enterprises — where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through 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 Town uses an enterprise fund to account for its wastewater operations. The proprietary fund financial statements can be found as listed in the table of contents.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found as listed in the table of contents.

Other Information – In addition to the financial statements and accompanying notes, this report includes certain required supplementary information and supplementary information. The required supplementary information and the supplementary information can be found as listed in the table of contents.

TOWN OF LYMAN, SOUTH CAROLINA

MANAGEMENT’S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2022

OVERVIEW OF FINANCIAL STATEMENTS (CONTINUED)

Figure A-1			
Major Features of the Town’s Government-Wide and Fund Financial Statements			
	Fund Financial Statements		
	Government-Wide Financial Statements	Governmental Funds	Proprietary Funds
Scope	Entire Town government.	The activities of the Town that are not proprietary.	Activities the Town operates similar to private businesses.
Required Financial Statements	<ul style="list-style-type: none"> ▪ Statement of Net Position. ▪ Statement of Activities. 	<ul style="list-style-type: none"> ▪ Balance Sheet. ▪ Statement of Revenues, Expenditures, and Changes in Fund Balances. 	<ul style="list-style-type: none"> ▪ Statement of Net Position. ▪ Statement of Revenues, Expenses, and Changes in Net Position. ▪ Statement of Cash Flows.
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus.	Modified accrual accounting and current financial resources focus.	Accrual accounting and economic resources focus.
Type of Balance Sheet Information	All assets and deferred outflows and liabilities and deferred inflows, both financial and capital, and short-term and long-term.	Only assets and deferred outflows (if any) expected to be used and liabilities and deferred inflows that come due during the year or soon, thereafter. No capital assets or long-term obligations are included.	All assets and deferred outflows and liabilities and deferred inflows, both financial and capital and short-term and long-term.
Type of Inflow/Outflow Information	All revenues and expenses during year, regardless of when cash is received or paid.	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter.	All revenues and expenses during year, regardless of when cash is received or paid.

TOWN OF LYMAN, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2022

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The following table provides a summary of the Town's net position for 2022 compared to 2021:

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Assets:						
Current and Other Assets	\$ 5,518,335	2,246,461	2,834,556	2,309,344	8,352,891	\$ 4,555,805
Capital Assets, Net	6,688,895	6,637,806	22,197,777	20,562,012	28,886,672	27,199,818
Total Assets	12,207,230	8,884,267	25,032,333	22,871,356	37,239,563	31,755,623
Deferred Outflows of Resources:						
Deferred Pension Charges	454,492	587,867	278,271	231,134	732,763	819,001
Liabilities:						
Long-Term Obligations	71,328	81,071	302,667	40,422	373,995	121,493
Net Pension Liability	1,789,448	2,247,214	1,364,009	1,439,670	3,153,457	3,686,884
Other	249,335	165,344	535,587	180,963	784,922	346,307
Total Liabilities	2,110,111	2,493,629	2,202,263	1,661,055	4,312,374	4,154,684
Deferred Inflows of Resources:						
Deferred Pension Credits	351,298	48,885	210,564	25,386	561,862	74,271
Net Position:						
Net Investment in Capital Assets	6,688,895	6,637,806	21,664,499	20,562,012	28,353,394	27,199,818
Restricted	533,134	315,720	205,349	-	738,483	315,720
Unrestricted	2,978,284	(23,906)	1,027,929	854,037	4,006,213	830,131
Total Net Position	\$ 10,200,313	6,929,620	22,897,777	21,416,049	33,098,090	\$ 28,345,669

The Town's total assets of approximately \$37,240,000 increased approximately \$5,484,000 from the prior year. The increase was primarily due to (a) an increase in current and other assets of approximately \$3,797,000 primarily due to the increase in net position and (b) an increase in capital assets, net of approximately \$1,687,000 primarily due to capital asset additions exceeding depreciation expense. The Town's total liabilities of approximately \$4,312,000 increased by approximately \$158,000 from the prior year primarily due to increases in long-term obligations related to draw downs on the Revenue Bond and accounts payable, partially offset by a decrease in the net pension liability. The changes in deferred outflows of resources and deferred inflows of resources were due to differences between expected and actual liability/investment experience, changes in assumptions, and changes in the percentage of the Town's proportionate share of the net pension liability in the State retirement plans.

The Town's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by approximately \$33,098,000 as of June 30, 2022. Approximately 86% of total net position (\$28,353,000) reflects the Town's net investment in capital assets (i.e., land, construction in progress, buildings, improvements, infrastructure, wastewater utility system, equipment, vehicles, etc.) less any related outstanding debt and lease obligations used to acquire those assets. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt and lease obligations, it should be noted that the resources needed to repay these obligations generally must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Approximately 2% of net position (\$738,000) represents resources that are subject to external restrictions on how they may be used. This net position is restricted primarily for tourism related costs (hospitality taxes), victims' assistance, and public safety. The remaining portion of the Town's net position 12% or \$4,006,000 is unrestricted and may be used to meet the Town's ongoing obligations to citizens and creditors.

The Town's net position increased by approximately \$4,752,000 during the current fiscal year due to revenues exceeding expenses. Please see the discussion following the next table regarding this increase.

TOWN OF LYMAN, SOUTH CAROLINA

MANAGEMENT’S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2022

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

The following table shows the changes in the Town’s net position for 2022 compared to 2021.

	Governmental Activities		Business-Type Activities		Totals	
	2022	2021	2022	2021	2022	2021
Revenues:						
Program Revenues:						
Charges for Services	\$ 562,650	214,633	3,906,206	3,581,525	4,468,856	\$ 3,796,158
Operating Grants and Contributions	1,857,617	5,033	-	-	1,857,617	5,033
Capital Grants and Contributions	58,049	456,207	1,159,915	565,450	1,217,964	1,021,657
General Revenues:						
Taxes	3,573,970	2,683,452	-	-	3,573,970	2,683,452
Other	424,188	281,398	6,576	3,309	430,764	284,707
Total Revenues	<u>6,476,474</u>	<u>3,640,723</u>	<u>5,072,697</u>	<u>4,150,284</u>	<u>11,549,171</u>	<u>7,791,007</u>
Expenses:						
General Government	913,590	618,373	-	-	913,590	618,373
Public Safety - Police	1,175,357	1,193,925	-	-	1,175,357	1,193,925
Municipal Court	114,991	106,032	-	-	114,991	106,032
Streets	945,646	977,847	-	-	945,646	977,847
Events	48,043	53,253	-	-	48,043	53,253
Victims Assistance	48,292	44,439	-	-	48,292	44,439
Parks and Recreation	109,862	129,758	-	-	109,862	129,758
Wastewater	-	-	3,440,969	3,748,526	3,440,969	3,748,526
Total Expenses	<u>3,355,781</u>	<u>3,123,627</u>	<u>3,440,969</u>	<u>3,748,526</u>	<u>6,796,750</u>	<u>6,872,153</u>
Change in Net Position Before Transfers	3,120,693	517,096	1,631,728	401,758	4,752,421	918,854
Transfers	150,000	150,000	(150,000)	(150,000)	-	-
Change in Net Position	<u>3,270,693</u>	<u>667,096</u>	<u>1,481,728</u>	<u>251,758</u>	<u>4,752,421</u>	<u>918,854</u>
Net Position - Beginning of Year	<u>6,929,620</u>	<u>6,262,524</u>	<u>21,416,049</u>	<u>21,164,291</u>	<u>28,345,669</u>	<u>27,426,815</u>
Net Position - End of Year	<u>\$ 10,200,313</u>	<u>6,929,620</u>	<u>22,897,777</u>	<u>21,416,049</u>	<u>33,098,090</u>	<u>\$ 28,345,669</u>

Governmental Activities: Net position related to governmental activities increased approximately \$3,271,000 in the current year.

Total revenues increased by approximately \$2,836,000 (78%) from the prior year. Key changes in revenue compared to the prior year were primarily due to the following:

- Total program revenues increased approximately \$1,802,000 primarily due to higher charges for services and operating grants and contributions, partially offset by lower capital grants and contributions. The increase in the operating grants and contributions in the current year was primarily due to the Town recognizing approximately \$1,851,000 in grant revenues from the American Rescue Plan Act (“ARPA”) as reimbursement for government services under the “Revenue Loss” provision of the ARPA.
- Total general revenues increased approximately \$1,033,000 primarily due to higher property tax revenues (assessed values) and business license revenues (growth).

Total expenses related to governmental activities increased by approximately \$232,000, or 7%, from the prior year. This was primarily due to higher salaries/benefits (i.e. promotions, raises, staff adjustments, etc.).

TOWN OF LYMAN, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2022

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Business-Type Activities: Net position related to business-type activities (wastewater operations) increased by approximately \$1,482,000. This increase was primarily due to revenues of approximately \$5,073,000 exceeding expenses and transfers out of approximately \$3,441,000 and \$150,000, respectively. Revenues increased approximately \$922,000 from the prior year primarily due to increases in charges for services and capital grants and contributions. Charges for services increased primarily due to an increase in tap fees due to growth in the Town. Capital grants and contributions increased primarily due to the Town receiving more donated infrastructure in the current year. Expenses decreased approximately \$308,000 from the prior year primarily due to decreases in depreciation expense (\$233,000) and repairs and maintenance (\$112,000).

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

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

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

At the end of the current fiscal year, the Town's governmental funds reported ending fund balance of approximately \$5,208,000, an increase of approximately \$3,182,000, or 157%, from the prior year fund balance. Approximately 89% of the total fund balance of the governmental funds (\$4,615,000) constitutes unassigned fund balance, which is available for spending at the Town's discretion. The Town had restricted fund balance indicating that it is not available for new spending: (1) for tourism-related costs (\$509,000), (2) for victims' assistance (\$22,000), and (3) for public safety (\$3,000). The remainder of the fund balance is assigned for capital improvements (\$61,000). Total unassigned fund balance of the governmental funds represents approximately 134% of total governmental funds expenditures.

The General Fund is the chief operating fund of the Town. At the end of the current fiscal year, the total fund balance was approximately \$4,616,000. As a measure of the General Fund's liquidity, it may be useful to compare total unassigned fund balance to total General Fund expenditures. The total unassigned fund balance of the General Fund of approximately \$4,615,000 represents approximately 144% of total General Fund expenditures for 2022. The net increase in the fund balance of the General Fund was approximately \$2,946,000 during the current year. Highlights for the General Fund were as follows:

- Total General Fund revenues and other financing sources increased approximately \$3,108,000 from the prior year primarily due to increases in property tax revenues (\$339,000), business licenses, permits, and fees (\$742,000), state shared revenue (\$115,000), MASC telecommunications and insurance revenue (\$128,000), and transfers in from the Grants Fund for ARPA revenues (\$1,733,000).
- Total General Fund expenditures were approximately \$695,000 higher than 2021. The increase was primarily due to increases in expenditures related to capital outlay, salaries, benefits, and other operating costs.

The Hospitality Tax Fund is used to account for and report the financial resources received and disbursed related to the Town's 2% fee imposed on prepared food and beverage sales within the Town. The fund balance for the Hospitality Tax Fund increased by approximately \$208,000 from the prior year balance. The increase is primarily attributable to revenues of approximately \$308,000 exceeding expenditures and transfers out of approximately \$100,000. Fund balance was approximately \$509,000 at June 30, 2022 and was restricted for tourism related costs.

The Grants Fund is used to account for and report the financial resources received and disbursed related to the Town's federal, state, and local grants. The fund balance for the Grants Fund remained unchanged from the prior year balance, as revenues and transfers in of approximately \$1,891,000 equaled expenditures and transfers out of approximately \$1,891,000. The Grants Fund recognized ARPA grant revenues of approximately \$1,851,000 in 2022 and transferred approximately \$1,733,000 of these funds to the General Fund as reimbursement for government services under the "Revenue Loss" provision of the ARPA. Fund balance was less than \$1,000 at June 30, 2022 and was assigned for capital improvements.

Proprietary Fund: The Town's proprietary fund provide the same type of information found in the government-wide statements, but in more detail. Please see "Business-Type Activities" discussion in the previous section for details.

TOWN OF LYMAN, SOUTH CAROLINA

MANAGEMENT’S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2022

FINANCIAL ANALYSIS OF THE TOWN’S FUNDS (CONTINUED)

General Fund Budgetary Highlights: If budget amendments are made, they generally fall into one of three categories: amendments made to adjust the estimates used to prepare the original budget ordinance once exact information is available; amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and increases in appropriations that become necessary to maintain services. The Town had two budget amendments during the year with a net impact of approximately \$33,000. Actual revenues of approximately \$4,210,000 were approximately \$791,000, or 23%, greater than budget primarily due to higher business licenses, permits, and fees, MASC telecommunications and insurance taxes, and state shared revenues. Actual expenditures of approximately \$3,196,000 were approximately \$183,000, or 5%, under budget primarily due to lower capital outlay and operating costs in the administration and streets department.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The Town’s capital assets as of June 30, 2022 were approximately \$28,887,000. The Town’s capital assets include land, construction in progress, buildings and improvements, vehicles, equipment, and furnishings, infrastructure, and the wastewater utility system. The Town’s capital assets (net of depreciation) as of June 30, 2022 and 2021 were as follows:

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Land	\$ 871,566	484,977	787,825	787,825	1,659,391	\$ 1,272,802
Construction in Progress	99,932	99,932	1,131,924	-	1,231,856	99,932
Buildings and Improvements	2,518,402	2,621,725	392,757	413,890	2,911,159	3,035,615
Vehicles, Equipment, and Furnishings	289,450	352,341	514,956	394,524	804,406	746,865
Infrastructure - Lyman	2,909,545	3,078,831	17,100,545	16,565,803	20,010,090	19,644,634
Infrastructure - Wellford Acquisition	-	-	1,625,696	1,690,387	1,625,696	1,690,387
Infrastructure - Duncan Acquisition	-	-	644,074	709,583	644,074	709,583
Total	<u>\$ 6,688,895</u>	<u>6,637,806</u>	<u>22,197,777</u>	<u>20,562,012</u>	<u>28,886,672</u>	<u>\$ 27,199,818</u>

The total increase in the Town’s capital assets for 2022 was approximately \$1,687,000 or 6%. Major capital asset events during 2022 included the following:

- Capital asset additions of approximately \$3,117,000 consisted primarily of:
 - Construction in progress of sewer infrastructure - \$1,132,000
 - Buildings and Improvements - \$34,000
 - Vehicles, Equipment, and Furnishings - \$234,000
 - Land - \$387,000
 - Other sewer infrastructure additions - \$1,330,000
- Depreciation expense of approximately \$392,000 for governmental activities and \$1,033,000 for business-type activities
- Disposals of approximately \$5,000 for business-type activities.

Additional information on the Town’s capital assets can be found in Notes I.C.4 and III.D in the notes to the financial statements.

TOWN OF LYMAN, SOUTH CAROLINA
MANAGEMENT’S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2022

CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)

Debt

As of June 30, 2022, the Town had total outstanding debt of approximately \$264,000. The Town’s total debt as of June 30, 2022 and 2021 was as follows:

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Revenue Bond	\$ -	-	264,481	-	264,481	\$ -

The total increase in the Town’s debt for 2022 was approximately \$264,000 or 100%. Major events during 2022 included the following:

- The Town issued the Series 2022 Revenue Bond for \$3,500,000 and drew down approximately \$264,000 in the current year.

The State of South Carolina limits the amount of general obligation debt that a unit of government can issue to 8% of the total assessed value of taxable property located within that government’s boundaries. The Town’s statutory debt limit at June 30, 2022 was approximately \$2,353,000. As of June 30, 2022, the Town had no bonded debt subject to the 8% limit resulting in an unused legal debt margin of approximately \$2,353,000.

Additional information regarding the Town’s long-term obligations can be found in Note III.E in the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR’S BUDGET

The Town’s elected officials and staff considered many factors when setting the fiscal year 2023 (“2023” or “FY 2023”) budget. The state of the economy, health pandemic, tourism activity, anticipated construction activity, future capital needs, and the best interests of the Town’s residents were all taken into account.

- Millage: The Town's millage for FY 2023 is still 54.6 mills. There has not been an increase for several years.
- General Fund revenues and expenditures are budgeted at approximately \$2,828,000 (there is no appropriated fund balance in the FY 2023 budget).

The safety and welfare of the citizens of Lyman is the Town’s number one priority, along with providing needed services to the Town’s residents efficiently as possible.

REQUESTS FOR TOWN INFORMATION

This financial report is designed to provide a general overview of the Town’s finances for all those with an interest in the government’s financing. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Town Administrator, 81 Groce Road, Lyman, South Carolina 29365. General information about the Town can also be obtained from our website at www.lymansc.gov.

Basic Financial Statements

TOWN OF LYMAN, SOUTH CAROLINA

STATEMENT OF NET POSITION

JUNE 30, 2022

	PRIMARY GOVERNMENT		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 3,491,567	2,134,368	\$ 5,625,935
Cash and Cash Equivalents, Restricted	467,345	205,349	672,694
Due from County Treasurer	21,662	-	21,662
Property Taxes Receivable, Net	61,958	-	61,958
Accounts Receivable	1,149,781	648,859	1,798,640
Loan Receivable - Series 2022 Revenue Bond	-	172,002	172,002
Internal Balances	326,022	(326,022)	-
Capital Assets, Net:			
Non-Depreciable	971,498	1,919,749	2,891,247
Depreciable, Net	5,717,397	20,278,028	25,995,425
TOTAL ASSETS	12,207,230	25,032,333	37,239,563
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Pension Charges	454,492	278,271	732,763
LIABILITIES			
Accounts Payable	155,880	511,023	666,903
Accrued Salaries and Fringe Benefits	55,510	24,564	80,074
Other Accrued Liabilities	8,063	-	8,063
Unearned Revenue	29,882	-	29,882
Non-Current Liabilities:			
Long-Term Obligations - Due Within One Year	35,664	30,720	66,384
Long-Term Obligations - Due in More Than One Year	35,664	271,947	307,611
Net Pension Liability - Due in More Than One Year	1,789,448	1,364,009	3,153,457
TOTAL LIABILITIES	2,110,111	2,202,263	4,312,374
DEFERRED INFLOWS OF RESOURCES			
Deferred Pension Credits	351,298	210,564	561,862
NET POSITION			
Net Investment in Capital Assets	6,688,895	21,664,499	28,353,394
Restricted For:			
Tourism Related Costs	508,847	-	508,847
Victims' Assistance	21,673	-	21,673
Public Safety	2,614	-	2,614
Debt Service	-	205,349	205,349
Unrestricted	2,978,284	1,027,929	4,006,213
TOTAL NET POSITION	\$ 10,200,313	22,897,777	\$ 33,098,090

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

TOWN OF LYMAN, SOUTH CAROLINA

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2022

FUNCTIONS/PROGRAMS	PROGRAM REVENUES				NET (EXPENSE) REVENUE AND CHANGE IN NET POSITION		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-Type Activities	Totals
PRIMARY GOVERNMENT:							
Governmental Activities:							
General Government	\$ 913,590	397,156	-	-	(516,434)	-	\$ (516,434)
Public Safety - Police	1,175,357	162,224	1,857,617	-	844,484	-	844,484
Municipal Court	114,991	-	-	-	(114,991)	-	(114,991)
Streets	945,646	-	-	54,548	(891,098)	-	(891,098)
Events	48,043	-	-	-	(48,043)	-	(48,043)
Victims' Assistance	48,292	-	-	-	(48,292)	-	(48,292)
Parks and Recreation	109,862	3,270	-	3,501	(103,091)	-	(103,091)
Total Governmental Activities	3,355,781	562,650	1,857,617	58,049	(877,465)	-	(877,465)
Business-Type Activities:							
Wastewater	3,440,969	3,906,206	-	1,159,915	-	1,625,152	1,625,152
Total Business-Type Activities	3,440,969	3,906,206	-	1,159,915	-	1,625,152	1,625,152
TOTAL - PRIMARY GOVERNMENT	\$ 6,796,750	4,468,856	1,857,617	1,217,964	(877,465)	1,625,152	747,687
General Revenues:							
Taxes:							
Property Taxes Levied for General Purposes					1,531,183	-	1,531,183
Hospitality Taxes					308,376	-	308,376
Business Licenses and MASC Taxes					1,382,780	-	1,382,780
Franchise Fees					351,631	-	351,631
Unrestricted Intergovernmental Revenue					247,403	-	247,403
Unrestricted Investment Earnings					5,559	6,576	12,135
Gain on Disposal of Capital Assets					21,643	-	21,643
Miscellaneous					149,583	-	149,583
Transfers In (Out)					150,000	(150,000)	-
Total General Revenues and Transfers					4,148,158	(143,424)	4,004,734
CHANGE IN NET POSITION					3,270,693	1,481,728	4,752,421
NET POSITION, Beginning of Year					6,929,620	21,416,049	28,345,669
NET POSITION, End of Year					10,200,313	22,897,777	\$ 33,098,090

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

TOWN OF LYMAN, SOUTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2022

	GENERAL FUND	HOSPITALITY TAX FUND	GRANTS FUND	NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS					
Cash and Cash Equivalents	\$ 3,430,873	-	347	60,347	\$ 3,491,567
Cash and Cash Equivalents, Restricted	1,587	344,081	-	121,677	467,345
Due from County Treasurer	21,662	-	-	-	21,662
Property Taxes Receivable, Net	61,958	-	-	-	61,958
Accounts Receivable	186,679	29,832	925,492	7,778	1,149,781
Interfund Receivables	1,357,431	135,977	-	-	1,493,408
TOTAL ASSETS	\$ 5,060,190	509,890	925,839	189,802	\$ 6,685,721
LIABILITIES					
Accounts Payable	\$ 155,060	675	-	145	\$ 155,880
Accrued Salaries and Fringe Benefits	54,449	368	-	693	55,510
Interfund Payables	135,977	-	925,492	105,917	1,167,386
Other Accrued Liabilities	8,063	-	-	-	8,063
Unearned Revenue	29,882	-	-	-	29,882
TOTAL LIABILITIES	383,431	1,043	925,492	106,755	1,416,721
DEFERRED INFLOWS OF RESOURCES					
Unavailable Revenue - Property Taxes	60,584	-	-	-	60,584
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	444,015	1,043	925,492	106,755	1,477,305
FUND BALANCES					
Restricted For:					
Tourism Related Costs	-	508,847	-	-	508,847
Victims' Assistance	-	-	-	21,673	21,673
Public Safety	1,587	-	-	1,027	2,614
Assigned For:					
Capital Improvements	-	-	347	60,347	60,694
Unassigned	4,614,588	-	-	-	4,614,588
TOTAL FUND BALANCES	4,616,175	508,847	347	83,047	5,208,416
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 5,060,190	509,890	925,839	189,802	\$ 6,685,721

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

TOWN OF LYMAN, SOUTH CAROLINA

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

JUNE 30, 2022

TOTAL FUND BALANCE - GOVERNMENTAL FUND	\$ 5,208,416
Amounts reported for the governmental activities in the Statement of Net Position are different because of the following:	
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds. The cost of the assets were \$10,754,192 and the accumulated depreciation was \$4,065,297.	6,688,895
Property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore have been deferred in the governmental funds.	60,584
The Town's proportionate shares of the net pension liability, deferred outflows of resources, and deferred inflows of resources related to its participation in the State Retirement Plans are not recorded in the governmental funds but are recorded in the Statement of Net Position.	(1,686,254)
Long-term obligations are not due or payable in the current period and therefore are not reported as liabilities in the governmental funds. Long-term obligations at year-end consisted of the following: Compensated Absences (Annual Leave)	(71,328)
TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES	<u><u>\$ 10,200,313</u></u>

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

TOWN OF LYMAN, SOUTH CAROLINA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE - GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2022

	GENERAL FUND	HOSPITALITY TAX FUND	GRANTS FUND	NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES					
Taxes:					
Property Taxes	\$ 1,525,318	-	-	-	\$ 1,525,318
Hospitality Taxes	-	308,376	-	-	308,376
MASC Telecommunications and Insurance	636,840	-	-	-	636,840
Franchise Fees	351,592	-	-	-	351,592
Business Licenses, Permits, and Fees	1,099,470	-	-	-	1,099,470
Grants	5,033	-	1,877,985	31,048	1,914,066
State Shared Revenue	247,403	-	-	-	247,403
Fines and Forfeitures	142,861	-	-	19,363	162,224
Rent Income	43,665	-	-	-	43,665
Interest	5,558	-	-	1	5,559
Other	151,769	-	-	-	151,769
TOTAL REVENUES	4,209,509	308,376	1,877,985	50,412	6,446,282
EXPENDITURES					
Current:					
General Government:					
Administration	772,439	-	118,187	-	890,626
Public Safety:					
Police	1,041,373	-	-	1,699	1,043,072
Victims' Assistance	-	-	-	42,771	42,771
Hospitality	-	40,583	-	-	40,583
Events	48,043	-	-	-	48,043
Municipal Court	113,896	-	-	-	113,896
Streets	766,294	-	-	-	766,294
Capital Outlay	453,487	-	39,819	-	493,306
TOTAL EXPENDITURES	3,195,532	40,583	158,006	44,470	3,438,591
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	1,013,977	267,793	1,719,979	5,942	3,007,691
OTHER FINANCING SOURCES (USES)					
Transfers In	1,942,797	-	12,818	22,092	1,977,707
Transfers Out	(34,910)	(60,000)	(1,732,797)	-	(1,827,707)
Insurance Recovery	2,684	-	-	-	2,684
Sale of Capital Assets	21,643	-	-	-	21,643
TOTAL OTHER FINANCING SOURCES (USES)	1,932,214	(60,000)	(1,719,979)	22,092	174,327
NET CHANGE IN FUND BALANCE	2,946,191	207,793	-	28,034	3,182,018
FUND BALANCES, Beginning of Year	1,669,984	301,054	347	55,013	2,026,398
FUND BALANCE, End of Year	\$ 4,616,175	508,847	347	83,047	\$ 5,208,416

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

TOWN OF LYMAN, SOUTH CAROLINA

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2022

TOTAL NET CHANGE IN FUND BALANCE - GOVERNMENTAL FUNDS **\$ 3,182,018**

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

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. They are considered revenue in the Statement of Activities. In addition, revenues in the funds that provide current financial resources are reported as revenues in the funds. They are considered revenues in the Statement of Activities. 5,865

Changes in the Town's proportionate share of the net pension liability, deferred outflows of resources, and deferred inflows of resources related to the State Retirement Plans for the current year are not reported in the governmental funds but are reported in the Statement of Activities. 21,978

Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds. 9,743

The governmental funds report capital outlay as expenditures. However, in the Statement of Activities, capital outlay expenditures that qualify as capital assets are allocated over the estimated useful lives as depreciation expense. This is the amount by which depreciation expense of \$391,674 was exceeded by cash capital asset additions of \$442,763 in the current period. 51,089

TOTAL CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES **\$ 3,270,693**

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

TOWN OF LYMAN, SOUTH CAROLINA

STATEMENT OF NET POSITION - PROPRIETARY FUND

JUNE 30, 2022

	<u>WASTEWATER FUND</u>
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 2,134,368
Cash and Cash Equivalents, Restricted	205,349
Accounts Receivables, Net	648,859
Loan Receivable - Series 2022 Revenue Bond	172,002
Total Current Assets	<u>3,160,578</u>
Noncurrent Assets:	
Capital Assets, Net:	
Non-Depreciable	1,919,749
Depreciable, Net	20,278,028
Total Noncurrent Assets	<u>22,197,777</u>
TOTAL ASSETS	<u>25,358,355</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Pension Charges	<u>278,271</u>
LIABILITIES	
Current Liabilities:	
Accounts Payable	511,023
Accrued Salaries and Benefits	24,564
Interfund Payables	326,022
Current Portion of Compensated Absences	19,093
Current Portion of Debt	11,627
Total Current Liabilities	<u>892,329</u>
Noncurrent Liabilities:	
Compensated Absences, Less Current Portion	19,093
Debt, Less Current Portion	252,854
Net Pension Liability	1,364,009
Total Noncurrent Liabilities	<u>1,635,956</u>
TOTAL LIABILITIES	<u>2,528,285</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred Pension Credits	<u>210,564</u>
NET POSITION	
Net Investment in Capital Assets	21,664,499
Restricted - Debt Service	205,349
Unrestricted	1,027,929
TOTAL NET POSITION	<u>\$ 22,897,777</u>

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

TOWN OF LYMAN, SOUTH CAROLINA

STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION - PROPRIETARY FUND

YEAR ENDED JUNE 30, 2022

	WASTEWATER FUND
OPERATING REVENUES	
Charges for Services	\$ 3,149,318
Tap Fees	532,900
Transported Waste Fees	500
Sale of Treatment Capacity	205,808
Other	17,680
TOTAL OPERATING REVENUES	3,906,206
OPERATING EXPENSES	
Salaries and Benefits	1,068,382
Engineering Services	32,810
Compliance Monitoring	43,236
Materials and Supplies	222,956
Repairs and Maintenance	177,289
Billing Services	182,614
Utilities and Telephones	433,024
Professional Fees	54,442
Insurance	35,303
Community Events	3,857
Sludge Disposal	68,093
Vehicle Expense	60,618
Dues and Meetings	5,421
Bank Charges	4,523
Depreciation	1,033,127
Other	9,824
TOTAL OPERATING EXPENSES	3,435,519
OPERATING INCOME	470,687
NON-OPERATING REVENUES (EXPENSES)	
Interest Income	6,576
Loss on Sale/Disposal of Capital Assets	(5,450)
TOTAL NON-OPERATING REVENUES (EXPENSES)	1,126
INCOME BEFORE CONTRIBUTIONS AND TRANSFERS	471,813
Donated Capital Assets	1,159,915
Transfers Out	(150,000)
CHANGE IN NET POSITION	1,481,728
NET POSITION, BEGINNING OF YEAR	21,416,049
NET POSITION, END OF YEAR	\$ 22,897,777

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

TOWN OF LYMAN, SOUTH CAROLINA

STATEMENT OF CASH FLOWS - PROPRIETARY FUND

YEAR ENDED JUNE 30, 2022

	WASTEWATER FUND
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Customers	\$ 3,892,687
Cash Paid to Vendors	(1,407,036)
Cash Paid to Personnel	(1,021,387)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>1,464,264</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Transfers From Other Funds	19,709
NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES	<u>19,709</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchases of Capital Assets	(1,073,628)
Proceeds from Capital Debt	92,479
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(981,149)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest Received	6,576
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>6,576</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	509,400
CASH AND CASH EQUIVALENTS (INCLUDING RESTRICTED), BEGINNING OF YEAR	<u>1,830,317</u>
CASH AND CASH EQUIVALENTS (INCLUDING RESTRICTED), END OF YEAR	<u>\$ 2,339,717</u>
Reconciliation of Operating Income to Net Cash from Operating Activities:	
Operating Income	\$ 470,687
Adjustments to Reconcile Operating Income to Net Cash from Operating Activities	
Depreciation	1,033,127
Change in Accounts Representing Operating Activities:	
Accounts Receivable	(13,519)
Accounts Payable	(73,026)
Accrued Salaries and Benefits	(13,149)
Accrued Compensated Absences	(2,236)
Net Pension Liability	(75,661)
Deferred Pension Charges	(47,137)
Deferred Pension Credits	185,178
Net Cash Provided by Operating Activities	<u>\$ 1,464,264</u>
Noncash Investing and Capital and Related Financing Items:	
Donated Capital Assets	\$ 1,159,915
Change in Capital Assets that were Accrued in Accounts Payable	440,799
Change in Debt Proceeds that were Recognized in Loan Receivable	172,002
Loss on Sale/Disposal of Capital Assets	\$ 5,450

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

TOWN OF LYMAN, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2022

The Town of Lyman (“Town”) was incorporated as a municipality in Spartanburg County, South Carolina in 1954. Section 47-26 of the 1962 Code of Laws, as amended (Home Rule Act), requires that municipalities adopt a specific form of government. The Town operates under Council form of government. The Council is composed of a Mayor and six Council members which are elected from the Town at large. The Mayor and Council are elected for four-year staggered terms and are vested with the legislative and policymaking powers of the Town. The Council appoints a Town Administrator who serves as the chief executive officer of the Town and is responsible to the Council for proper administration of all affairs of the Town.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. The Reporting Entity

The basic financial statements of the Town have been prepared in conformity with accounting principles generally accepted in the United States of America, (“GAAP”), as applied to governmental units. The Governmental Accounting Standards Board (“GASB”) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Town’s accounting policies are described below.

As required by GAAP, the financial statements present the Town’s financial information with any of its component units. The primary criterion for determining inclusion or exclusion of a legally separate entity (component unit) is financial accountability, which is presumed to exist if the Town both appoints a voting majority of the entity’s governing body, and either 1) the Town is able to impose its will on the entity or, 2) there is a potential for the entity to provide specific financial benefits to or impose specific financial burdens on the Town. If either or both of the foregoing conditions are not met, the entity could still be considered a component unit if it is fiscally dependent on the Town and there is a potential that the entity could either provide specific financial benefits to, or to impose specific financial burdens on the Town.

In order to be considered fiscally independent, an entity must have the authority to do all of the following: (a) determine its budget without the Town having the authority to approve or modify that budget; (b) levy taxes or set rates or charges without approval by the Town; and (c) issue bonded debt without approval by the Town. An entity has a financial benefit or burden relationship with the Town if, for example, any one of the following conditions exists: (a) the Town is legally entitled to or can otherwise access the entity’s resources, (b) the Town is legally obligated or has otherwise assumed the obligation to finance the deficits or, or provide financial support to, the entity, or (c) the Town is obligated in some manner for the debt of the entity. Finally, an entity could be a component unit even if it met all the conditions described above for being fiscally independent if excluding it would cause the Town’s financial statements to be misleading.

Blended component units, although legally separate entities, are in substance, part of the government's operations and data from these units are combined with data of the primary government in the fund financial statements. Discretely presented component units, on the other hand, are reported in a separate column in the government-wide financial statements to emphasize they are legally separate from the Town. Based on the criteria above, the Town does not have any component units.

Major Operations

The governmental activities of the Town include general government, public safety (police), municipal court, streets, events, victims’ assistance, and parks and recreation. The business-type activities of the Town include its wastewater activities.

B. Measurement Focus, Basis of Accounting, and Basis of Presentation

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the activities of the Town (the “Primary Government”). For the most part, the effect of interfund activity (except for interfund services provided and used between functions) has been removed from these financial statements.

TOWN OF LYMAN, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2022

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Measurement Focus, Basis of Accounting, and Basis of Presentation (Continued)

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, are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the Town.

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.

The government-wide statements are prepared using a different measurement focus from the manner in which governmental fund financial statements are prepared (see further detail below). Governmental fund financial statements, therefore, include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

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. Property taxes, hospitality taxes, intergovernmental revenues, franchise taxes, business licenses, interest, and other revenues associated with the current fiscal period are all considered to be measurable and susceptible to accrual and so have been recognized as revenues of the current fiscal period. For this purpose, the government generally considers its revenues to be available if they are collected within 60 days of the end of the current fiscal period with the exception of certain reimbursement expenditure grants for which a twelve-month availability period is generally used.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, capital lease expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payments are due and payable. Capital asset acquisitions are reported as capital outlay expenditures in governmental funds. Proceeds of long-term debt and acquisitions under leases are reported as other financing sources.

Fund financial statements report detailed information about the Town. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column.

The accounts of the government are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. There are a minimum number of funds maintained to keep the accounts consistent with legal and managerial requirements. The following fund types are used by the Town.

TOWN OF LYMAN, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2022

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Measurement Focus, Basis of Accounting, and Basis of Presentation (Continued)

Governmental Fund Types are those through which all governmental functions of the Town are financed. The Town's expendable financial resources and related assets and deferred outflows of resources (if any) and liabilities and deferred inflows of resources (if any) are accounted for through governmental funds. Governmental funds are accounted for using a current financial resources measurement focus and the modified accrual basis of accounting. The Town's governmental funds are as follows:

The **General Fund, a major fund** and a budgeted fund, is the general operating fund of the Town and accounts for all revenues and expenditures of the Town except those required to be accounted for in another fund. All general tax revenues and other receipts that are not allocated by law or contractual agreement to other funds are accounted for in the General Fund.

The **Capital Projects Fund, a nonmajor capital projects fund** and a budgeted fund, is used to account for and report financial resources that are restricted, committed, or assigned for expenditures of capital outlay related to site acquisitions, construction, equipment, and renovation of all major capital facilities except for those financed in the Wastewater Fund.

The **Hospitality Tax Fund, a major special revenue fund** and a budgeted fund, is used to account for and report the financial resources received and disbursed related to the Town's 2% fee imposed on prepared food and beverage sales within the Town. These funds are restricted and thus can only be spent for tourism related costs.

The **Grants Fund, a major special revenue fund** and an unbudgeted fund, is used to account for and report the financial resources received and disbursed related to the Town's federal, state, and local grant funds.

The other **special revenue funds, all nonmajor funds**, are generally used to account for and report the proceeds of specific revenue sources (that are expected to continue to comprise a substantial portion of the inflows of the fund) that are restricted, committed, or assigned to expenditures for specified purposes. The Town from time to time may also transfer in other monies in order to meet grant match requirements or to assist with the payment of other non-reimbursable costs. The Town has the following nonmajor special revenue funds:

Police Forfeitures Fund

Victims Fund

Proprietary Fund Types are accounted for based on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of enterprise funds are primarily charges for services and fees. Operating expenses for enterprise funds include the expense for providing goods and services, administrative expenses, maintenance, and depreciation of capital assets. All revenues and expenses not meeting this definition are generally reported as non-operating items. Proprietary funds are made up of two classes: enterprise funds and internal service funds. The Town does not have any internal service funds and has one enterprise fund.

Enterprise Funds are 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 costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through 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 Town has the following enterprise fund:

The **Wastewater Fund, a major fund** and budgeted fund, is used to account for all activities of the Town's wastewater operations. All costs are financed through charges to utility customers.

TOWN OF LYMAN, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2022

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Equity

1. Cash, Cash Equivalents and Investments

For purposes of the financial statements, the Town considers all highly liquid investments (including restricted assets) with original maturities of three months or less to be cash equivalents. Securities with an initial maturity of more than three months (from when initially purchased) are reported as investments.

The Town's operating cash and investment policy is designed to operate within existing statutes (which are identical for all non-fiduciary funds, fund types and component units within the State of South Carolina). The statutes of the State of South Carolina authorize the Town to invest in the following:

- (a) Obligations of the United States and its agencies, the principal and interest of which is fully guaranteed by the United States.
- (b) Obligations issued by the Federal Financing Bank, Federal Farm Credit Bank, the Bank of Cooperatives, the Federal Intermediate Credit Bank, the Federal Land Banks, the Federal Home Loan Banks, the Federal Home Loan Mortgage Corporation, the Federal National Mortgage Association, the Government National Mortgage Association, the Federal Housing Administration, and the Farmers Home Administration, if, at the time of investment, the obligor has a long-term, unenhanced, unsecured debt rating in one of the top two ratings categories, without regard to a refinement or gradation of rating category by numerical modifier or otherwise, issued by at least two nationally recognized credit rating organizations.
- (c) (i) General obligations of the State of South Carolina or any of its political units; or (ii) revenue obligations of the State of South Carolina or its political units, if at the time of investment, the obligor has a long-term, unenhanced, unsecured debt rating in one of the top two ratings categories, without regard to a refinement or gradation of rating category by numerical modifier or otherwise, issued by at least two nationally recognized credit rating organizations.
- (d) Savings and Loan Associations to the extent that the same are insured by an agency of the federal government.
- (e) Certificates of deposit where the certificates are collaterally secured by securities of the type described in (a) and (b) above held by a third party as escrow agent or custodian, of a market value not less than the amount of the certificates of deposit so secured, including interest; provided, however, such collateral shall not be required to the extent the same are insured by an agency of the federal government.
- (f) Repurchase agreements when collateralized by securities as set forth in this section.
- (g) No load open-end or closed-end management type investment companies or investment trusts registered under the Investment Company Act of 1940, as amended, where the investment is made by a bank or trust company or savings and loan association or other financial institution when acting as trustee or agent for a bond or other debt issue of that local government unit, political subdivision, or county treasurer if the particular portfolio of the investment company or investment trust in which the investment is made (i) is limited to obligations described in items (a), (b), (c), and (f) of this subsection, and (ii) has among its objectives the attempt to maintain a constant net asset value of one dollar a share and to that end, value its assets by the amortized cost method.

The Town's cash and investment objectives are preservation of capital, liquidity, and yield. The Town reports its cash and investments at fair value which is normally determined by quoted market prices. The Town currently or in the past year has primarily used the following investments in its operating activities:

TOWN OF LYMAN, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2022

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Equity (Continued)

1. Cash, Cash Equivalents and Investments (Continued)

- South Carolina Local Government Investment Pool (“LGIP” or “Pool”) investments are invested with the South Carolina State Treasurer’s Office, which established the South Carolina Pool pursuant to Section 6-6-10 of the South Carolina Code. The Pool is an investment trust fund, in which public monies in excess of current needs, which are under the custody of any Town treasurer or any governing body of a political subdivision of the State, may be deposited. In accordance with GASB Statement No. 31 “*Accounting and Financial Reporting for Certain Investments and for External Investment Pools*” and GASB Statement No. 72 “*Fair Value Measurement and Application*”, investments are carried at fair value determined annually based upon (a) quoted market prices for identical or similar investments or (b) observable inputs other than quoted market prices. The total fair value of the Pool is apportioned to the entities with funds invested on an equal basis for each share owned, which are acquired at a cost of \$1.00. Funds may be deposited by Pool participants at any time and may be withdrawn upon 24 hours’ notice. Financial statements for the Pool may be obtained by writing the Office of State Treasurer, Local Government Investment Pool, P.O. Box 11778, Columbia, SC 29211-1960.

2. Receivables and Payables

During the course of operations, the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as interfund receivables or interfund payables. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements.

Balances between the funds included in governmental activities are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Other receivables represent amounts due to the Town for franchise fees, hospitality taxes, other fees and charges, and amounts due from citizens for wastewater and other services. All trade and property taxes receivable are shown net of an allowance for uncollectibles (if any).

3. Inventories and Prepaid Items

Inventories of materials and supplies are accounted for using the purchase method (expensed when purchased). Certain payments to vendors reflect costs that are applicable to future periods and are recorded as prepaid items in both the government-wide and fund financial statements (if material). Prepaid items are recorded as expenditures/expenses when consumed rather than when purchased (consumption method).

4. Capital Assets

General capital assets are those assets specifically related to activities reported in the governmental fund. These assets are reported in the governmental activities column of the government-wide Statement of Net Position, but are not reported in the fund financial statements. All capital assets are capitalized at cost (or estimated historical cost) and updated for any additions and retirements during the year. Donated capital assets are recorded at estimated acquisition value (as estimated by the Town) at the date of donation.

The Town maintains a capitalization threshold of \$5,000 for furniture and equipment, vehicles, land improvements and buildings and improvements. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset’s life are not capitalized. Infrastructure capital assets include streets, curbs, sidewalks, sewer lines, streetlights, signs, signals, and storm drains. Major infrastructure assets (i.e. streets, curbs, sewer lines, etc.) have been included in capital assets, less applicable depreciation.

TOWN OF LYMAN, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2022

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Equity (Continued)

4. Capital Assets (Continued)

All reported capital assets except land and construction in progress are depreciated. Construction projects begin being depreciated once they are complete and placed in service, at which time the complete costs of the project are transferred to the appropriate capital asset category. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

Description	Estimated Lives
Buildings and Improvements	10-50 years
Furniture and Equipment	3-25 years
Vehicles	4-10 years
Infrastructure	20-45 years

5. Compensated Absences

The Town’s employees earn annual leave (vacation leave) on a monthly basis. Annual leave and compensatory time may be accumulated to a maximum of 180 hours for police department employees and up to 140 hours for all other employees.

The Town’s employees earn sick leave on a monthly basis. Sick leave is allowed to accumulate to a maximum of 480 hours for all employees. Sick leave with pay may be taken by an eligible employee but only for a valid illness. Accumulated sick leave is lost upon termination.

The Town reports compensated absences in accordance with the provisions of GASB Statement No. 16 “Accounting for Compensated Absences.” The entire compensated absence liability and expense is reported in the government-wide financial statements. If applicable, the portion of the compensated absence liability related to the Town’s wastewater activities is also recorded in the proprietary fund financial statements, if material. The Town’s governmental fund will only recognize a compensated absences liability if they have matured, for example, as a result of employee resignations or retirements.

6. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements. The portion applicable to its wastewater activities is also recorded in the proprietary fund financial statements. Debt premiums and discounts are deferred and amortized over the life of the debt using the straight-line method (as it approximates the effective interest method) if material. Debt is reported net of applicable premiums and discounts.

In the governmental fund financial statements, debt premiums, discounts and issuance costs are recognized immediately. The face amount of debt and leases issued is reported as other financing sources. Premiums received on issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

In general, payables and accrued liabilities that will be paid from the governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current financial resources. However, claims and judgments, debt, leases, compensated absences, and other related long-term liabilities that will eventually be paid from the governmental funds are not reported as a liability in the fund financial statements until due and payable.

TOWN OF LYMAN, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2022

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Equity (Continued)

7. *Deferred Outflows/Inflows of Resources*

In addition to assets, the Statement of Net Position and the Balance Sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town currently has only one type of deferred outflows of resources. The Town reports *deferred pension charges* in its Statements of Net Position in connection with their participation in the South Carolina Retirement System and South Carolina Police Officers Retirement System. These *deferred pension charges* are either (a) recognized in the subsequent period as a reduction of the net pension liability (which includes pension contributions made after the measurement date) or (b) amortized in a systematic and rational method as pension expense in future periods in accordance with GAAP.

In addition to liabilities, the Statement of Net Position and the Balance Sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town currently has two types of deferred inflows of resources: (1) The Town reports *unavailable revenue – property taxes* only in the governmental funds balance sheet; it is deferred and recognized as an inflow of resources (property tax revenues) in the period the amounts become available. (2) The Town also reports *deferred pension credits* in its Statement of Net Position in connection with its participation in the South Carolina Retirement System and South Carolina Police Officers Retirement System (“Plans”). These *deferred pension credits* are amortized in a systematic and rational method and recognized as a reduction of pension expense in future periods in accordance with GAAP.

8. *Fund Balance*

The Town classifies its governmental fund balances as follows:

Nonspendable – includes amounts that inherently cannot be spent either because it is not in spendable form (i.e. prepaids, inventories, land held for sale, etc.) or because of legal or contractual requirements.

Restricted – includes amounts that are constrained by specific purposes which are externally imposed by (a) other governments through laws and regulations, (b) grantors or contributions through agreements, (c) creditors through debt covenants or other contracts, or (d) imposed by law through constitutional provisions or enabling legislation.

Committed – includes amounts that are constrained for specific purposes that are internally imposed by the government through formal action (resolution) made by the highest level of decision-making authority (Town Council) before the end of the reporting period. Those committed amounts cannot be used for any other purpose unless the government removes or changes the specified use by taking the same type of action it employed to previously commit those amounts. The Town recognizes committed fund balances when Town Council has approved a resolution/ordinance before the end of the fiscal year.

Assigned – includes amounts that are intended to be used for specific purposes that are neither considered restricted or committed and that such assignments are made before the report issuance date. Town Council reserves the right to assign fund balance. The Town recognizes assigned fund balances when Town Council has approved a motion before the report date of the financial statements for a particular purpose.

Unassigned – includes amounts that do not qualify to be accounted for and reported in any of the other fund balance categories. This classification represents the amount of fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund. The General Fund should be the only fund that reports a positive unassigned fund balance amount.

TOWN OF LYMAN, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2022

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Equity (Continued)

8. Fund Balance (Continued)

The Town generally uses restricted amounts to be spent first when both restricted and unrestricted (committed, assigned, and unassigned) fund balance is available unless there are legal documents, contracts, or agreements that prohibit doing such. Additionally, the Town generally would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

The Town's fund balance policy requires the General Fund to maintain unassigned fund balance of at least two months (17% - 20%) of total General Fund operating expenditures.

9. Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources in the Statement of Net Position. Net position is classified as net investment in capital assets; restricted; and unrestricted. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Outstanding debt which 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.

10. Pensions

In government-wide financial statements, pensions are required to be recognized and disclosed using the accrual basis of accounting (see Note IV.B and the required supplementary information immediately following the notes to the financial statements for more information), regardless of the amount recognized as pension expenditures on the modified accrual basis of accounting. The Town recognizes a net pension liability for its participation in the Plans, which represents the Town's proportionate share of the total pension liability over the fiduciary net position of the Plans, measured as of the Town's preceding fiscal year-end. Changes in the net pension liability during the period are recorded as pension expense, or as deferred outflows or inflows of resources depending on the nature of the change, in the period incurred. Those changes in net pension liability that are recorded as deferred outflows/inflows of resources that arise from changes in actuarial assumptions or other inputs and differences between expected or actual experience are amortized over the weighted average remaining service life of all participants in the respective qualified pension plan and recorded as a component of pension expense beginning with the period in which they are incurred. Projected earnings on qualified pension plan investments are recognized as a component of pension expense. Differences between projected and actual investment earnings are reported as deferred outflows or inflows of resources and amortized as a component of pension expense on a closed basis over a five-year period beginning with the period in which the difference occurred.

11. Fair Value

The fair value measurement and disclosure framework provides for a three-tier fair value hierarchy that gives highest priority to quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

- Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Town can access at the measurement date.

TOWN OF LYMAN, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2022

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Equity (Continued)

11. Fair Value (Continued)

Level 2 – Inputs to the valuation methodology, other than quoted prices included in Level 1, that are observable for an asset or liability either directly or indirectly and include:

- Quoted prices for similar assets and liabilities in active markets.
- Quoted prices for identical or similar assets or liabilities in inactive markets.
- Inputs other than quoted market prices that are observable for the asset or liability.
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 – Inputs to the valuation methodology that are unobservable for an asset or liability and include:

- Fair value is often based on developed models in which there are few, if any, observable inputs.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used maximize the use of observable inputs and minimize the use of unobservable inputs.

The valuation methodologies described above may produce a fair value calculation that may not be indicative of future net realizable values or reflective of future fair values. The Town believes that the valuation methods used are appropriate and consistent with GAAP. The use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date. There have been no significant changes from the prior year in the methodologies used to measure fair value.

12. Accounting Estimates

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

13. Comparative Data

Comparative data (i.e. presentation of prior year totals by fund type) has not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

The Town has elected to present its budgetary comparison information (required supplementary information) for its major governmental funds (General Fund and Hospitality Tax Fund) as separate schedules and not as basic financial statements. These are the only major governmental funds for which the Town has legally adopted budgets. See the notes to the budgetary comparison schedule for details regarding the Town's budgetary information and process.

TOWN OF LYMAN, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2022

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES

A. Deposits and Investments

Deposits

Custodial Credit Risk for Deposits: Custodial credit risk for deposits is the risk that, in the event of a bank failure, the Town’s deposits might not be recovered. The Town does not have a formal deposit policy for custodial credit risk but follows the investment policy statutes of the State of South Carolina. As of June 30, 2022, none of the Town’s bank balances of approximately \$2,077,000 (with a carrying value of approximately \$2,037,000) were exposed to custodial credit risk.

Investments

As of June 30, 2022, the Town had the following investments:

Investment Type	Credit Rating *	Fair Value Level (1)	Fair Value	Weighted Average Maturity (Years)
LGIP	Unrated	N/A	\$ 4,261,238	< 1 Year
Totals			<u>\$ 4,261,238</u>	

* If available, credit ratings are for Moody's Investors Service, Standard & Poor's, and Fitch Ratings.
(1) See Note I.C.11 for details on the City's fair value hierarchy.

Interest Rate Risk: The Town does not have a formal policy limiting investment maturities that would help manage its exposure to fair value losses from increasing interest rates.

Custodial Credit Risk for Investments: Custodial credit risk for investments is the risk that, in the event of a bank failure, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Town does not have an investment policy for custodial credit risk but follows the investment policy statutes of the State of South Carolina.

Credit Risk for Investments: Credit risk for investments is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Town does not have an investment policy for credit risk but follows the investment policy statutes of the State of South Carolina.

Concentration of Credit Risk for Investments: The Town places no limit on the amount the Town may invest in any one issuer. Investments issued by or explicitly guaranteed by the U.S. Government and investments in mutual funds, external investment pools and other pooled investments are exempt from concentration of credit risk disclosures.

Certain cash, cash equivalents and investments of the Town are legally restricted for specified purposes. The major types of restrictions at June 30, 2022 were those imposed by the revenue source (i.e., hospitality taxes, victims’ assistance, debt service reserve, etc.).

B. Receivables and Unavailable Revenue

Spartanburg County, South Carolina (the “County”) is responsible for levying and collecting sufficient property taxes to meet funding obligations for the Town. This obligation is established each year by the Town Council. Assessed values are established by the County Assessor, the County Auditor, and the South Carolina Department of Revenue and taxation at various rates of 4 to 10.5 percent of the estimated market value. Property taxes are levied and billed by the County on real and personal properties based on an assessed value of approximately \$29.4 million on January 1st based on a rate of 54.6 mills (same rate as prior year).

TOWN OF LYMAN, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2022

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

B. Receivables and Unavailable Revenue (Continued)

Real property and all personal property taxes other than vehicle property taxes attach as an enforceable lien on property as of January 16th. Taxes are levied and billed in October on all property other than vehicles and are payable without penalty until January 15th of the following year. Penalties are assessed on unpaid taxes on the following dates:

January 16 through February 1	-	3% of tax
February 2 through March 15	-	10% of tax
After March 15	-	15% of tax plus collection cost

Current year real and personal property taxes become delinquent on March 16. Unpaid property taxes become a lien against the property as of June 1 of the calendar year following the levy date. The levy date for motor vehicles is the first day of the month in which the motor vehicle license expires. These taxes are due by the last day of the same month.

Property taxes receivable of approximately \$62,000 represents current real and personal property as well as delinquent real and personal property taxes and is net of an allowance for uncollectible amounts of approximately \$15,000 at June 30, 2022. All property taxes receivable at year end, except those collected within 60 days, are recorded as unavailable revenues (component of deferred inflows of resources) and thus not recognized as revenue until collected in the governmental funds. Property taxes of approximately \$61,000 were recorded as unavailable revenues at June 30, 2022.

Accounts receivable represent amounts due to the Town for business licenses, franchise fees, intergovernmental revenue, and amounts due from citizens for sewer and other services. All accounts receivable are shown net of an allowance for uncollectibles (if any). The Town’s net accounts receivable at June 30, 2022 consisted of the following:

Description	General Fund	Hospitality Fund	Grants Fund	Nonmajor Governmental Funds	Wastewater Fund	Totals
Utilities	\$ -	-	-	-	648,859	\$ 648,859
Hospitality Fees	-	29,832	-	-	-	29,832
MASC Revenues	35,751	-	-	-	-	35,751
Business Licenses	4,468	-	-	-	-	4,468
Franchise Fees	70,104	-	-	-	-	70,104
Aid to Subdivisions	36,167	-	-	-	-	36,167
Grant	-	-	925,492	7,778	-	933,270
School Resource Officer	33,055	-	-	-	-	33,055
Other	7,134	-	-	-	-	7,134
Net Receivables	\$ 186,679	29,832	925,492	7,778	648,859	\$ 1,798,640

TOWN OF LYMAN, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2022

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

C. Interfund Receivables, Payables, and Transfers

Interfund balances at June 30, 2022, consisted of the following individual fund receivables and payables (all are expected to be repaid within one year):

Fund	Interfund Receivables	Interfund Payables
<u>Major Governmental Fund:</u>		
General Fund	\$ 1,357,431	\$ 135,977
Hospitality Tax Fund	135,977	-
Grants Fund	-	925,492
<u>Major Enterprise Fund:</u>		
Wastewater Fund	-	326,022
<u>Other Nonmajor Governmental Funds:</u>		
Victims Fund	-	105,917
Totals	<u>\$ 1,493,408</u>	<u>\$ 1,493,408</u>

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

Interfund transfers for the year ended June 30, 2022, consisted of the following:

Fund	Transfers In	Transfers Out
<u>Major Governmental Fund:</u>		
General Fund	\$ 1,942,797	\$ 34,910
Hospitality Tax Fund	-	60,000
Grants Fund	12,818	1,732,797
<u>Major Enterprise Fund:</u>		
Wastewater Fund	-	150,000
<u>Other Nonmajor Governmental Funds:</u>		
Capital Projects Fund	20,000	-
Victims Fund	2,092	-
Totals	<u>\$ 1,977,707</u>	<u>\$ 1,977,707</u>

The Wastewater Fund transferred funds to the General Fund in lieu of property taxes and franchise fees (to cover the costs of direct and indirect costs the Town’s governmental operations incur related to providing services to its wastewater operations). The Hospitality Tax Fund transferred funds into the General Fund for the 20% allowable to cover operating expenses in the General Fund. The General Fund transferred funds to the Capital Projects Fund to build an emergency fund for future capital needs. The Grants Fund transferred funds to the General Fund to reimburse for government services under the “Revenue Loss” provision of the American Rescue Plan Act (“ARPA”).

TOWN OF LYMAN, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2022

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

D. Capital Assets

Capital asset activity for the Town’s governmental activities for the year ended June 30, 2022, was as follows:

Governmental Activities:	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Capital Assets, Non-Depreciable:					
Land	\$ 484,977	386,589	-	-	\$ 871,566
Construction In Progress	99,932	-	-	-	99,932
Total Capital Assets, Non-Depreciable	584,909	386,589	-	-	971,498
Capital Assets, Depreciable:					
Buildings and Improvements	3,698,016	34,183	-	-	3,732,199
Vehicles, Equipment, and Furnishings	1,364,810	21,991	-	-	1,386,801
Infrastructure	4,663,694	-	-	-	4,663,694
Total Capital Assets, Depreciable	9,726,520	56,174	-	-	9,782,694
Less: Accumulated Depreciation for:					
Buildings and Improvements	1,076,291	137,506	-	-	1,213,797
Vehicles, Equipment, and Furnishings	1,012,469	84,882	-	-	1,097,351
Infrastructure	1,584,863	169,286	-	-	1,754,149
Total Accumulated Depreciation	3,673,623	391,674	-	-	4,065,297
Total Capital Assets, Depreciable, Net	6,052,897	(335,500)	-	-	5,717,397
Governmental Activities Capital Assets, Net	\$ 6,637,806	51,089	-	-	\$ 6,688,895

Construction in progress in the Town’s governmental activities is related to the Rail Trail project.

Capital asset additions and depreciation expense for governmental activities were charged to functions/programs as follows:

Functions/Programs	Capital Asset Additions	Depreciation Expense
General Government	\$ 400,116	\$ 64,239
Public Safety - Police	-	66,642
Streets	15,465	189,010
Events	10,863	-
Parks and Recreation	16,319	71,783
Total - Governmental Activities	\$ 442,763	\$ 391,674

TOWN OF LYMAN, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2022

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

D. Capital Assets (Continued)

Capital asset activity for the Town’s business-type activities (wastewater activities) for the year ended June 30, 2022, was as follows:

Business-Type Activities:	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Capital Assets, Non-Depreciable:					
Land	\$ 787,825	-	-	-	\$ 787,825
Construction In Progress	-	1,131,924	-	-	1,131,924
Total Capital Assets, Non-Depreciable	<u>787,825</u>	<u>1,131,924</u>	<u>-</u>	<u>-</u>	<u>1,919,749</u>
Capital Assets, Depreciable:					
Buildings and Improvements	631,781	-	-	-	631,781
Vehicles, Equipment, and Furnishings	1,378,804	211,923	-	-	1,590,727
Infrastructure - Lyman	28,919,849	1,330,495	(98,100)	-	30,152,244
Infrastructure - Wellford Acquisition	2,845,307	-	-	-	2,845,307
Infrastructure - Duncan Acquisition	2,620,395	-	-	-	2,620,395
Total Capital Assets, Depreciable	<u>36,396,136</u>	<u>1,542,418</u>	<u>(98,100)</u>	<u>-</u>	<u>37,840,454</u>
Less: Accumulated Depreciation for:					
Buildings and Improvements	217,891	21,133	-	-	239,024
Vehicles, Equipment, and Furnishings	984,280	91,491	-	-	1,075,771
Infrastructure - Lyman	12,354,046	790,303	(92,650)	-	13,051,699
Infrastructure - Wellford Acquisition	1,154,920	64,691	-	-	1,219,611
Infrastructure - Duncan Acquisition	1,910,812	65,509	-	-	1,976,321
Total Accumulated Depreciation	<u>16,621,949</u>	<u>1,033,127</u>	<u>(92,650)</u>	<u>-</u>	<u>17,562,426</u>
Total Capital Assets, Depreciable, Net	<u>19,774,187</u>	<u>509,291</u>	<u>(5,450)</u>	<u>-</u>	<u>20,278,028</u>
Business-Type Activities Capital Assets, Net	<u>\$ 20,562,012</u>	<u>1,641,215</u>	<u>(5,450)</u>	<u>-</u>	<u>\$ 22,197,777</u>

Construction in progress in the Town’s business-type activities is related to the Fort Prince pump station project of approximately \$735,000 and the Wastewater Treatment Plant project of approximately \$397,000.

During fiscal year 2022, the Town’s business-type activities received donated capital assets of approximately \$1,160,000, consisting of sewer line infrastructure.

E. Long-Term Obligations

The Town may issue debt from time to time to provide funds for the acquisition and construction of major capital facilities. General Obligation Bonds (“GOB”) are direct obligations and pledge the full faith and credit of the Town and are subject to the 8% debt limit requirement if not issued under a bond referendum. Revenue Bonds (“RB”) are obligations of the Town that are secured by revenue from a specific source (wastewater activities). The full faith, credit, and taxing powers of the Town are not pledged for the payment of RB obligations nor the interest thereon.

All of the Town’s outstanding debt has been issued/obtained through direct borrowings/placements (“DBP”). Obligations through DBP are generally secured/collateralized by the underlying assets and contain provisions that in an event of default (a) outstanding amounts can become immediately due if the Town is unable to make payment and (b) the lender could exercise its option to demand return of the financed asset.

TOWN OF LYMAN, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2022

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

E. Long-Term Obligations (Continued)

Details on the Town’s outstanding debt as of June 30, 2022 are as follows:

	<u>Balance at June 30, 2022</u>
Revenue Bond	
\$3,500,000 state water quality revolving fund loan issued in 2022 (“Series 2022 Revenue Bond”), due in quarterly installments of \$3,865 beginning September 1, 2022 through June 1, 2042, plus interest at 1.60% due quarterly. As of June 30, 2022, only \$264,481 had been drawn down on this loan. This loan is collateralized by a statutory lien on the net revenues derived from the operation of the sewer system. The proceeds from the direct borrowing/placement were primarily for the Wastewater Treatment Plant Solids Handling Upgrade project.	\$ 264,481

Presented below is a summary of changes in long-term obligations for the Town’s governmental and business-type activities for the year ended June 30, 2022:

Long-Term Obligations	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Compensated Absences	\$ 81,071	30,793	40,536	71,328	\$ 35,664
Total Governmental Activities	\$ 81,071	30,793	40,536	71,328	\$ 35,664
Business-Type Activities:					
Debt:					
Series 2022 Revenue Bond	\$ -	264,481	-	264,481	\$ 11,627
Total Debt	-	264,481	-	264,481	11,627
Compensated Absences	40,422	17,975	20,211	38,186	19,093
Total Business-Type Activities	\$ 40,422	282,456	20,211	302,667	\$ 30,720

Resources from the General Fund have typically been used to liquidate the long-term obligations of the Town’s governmental activities. Resources from the Wastewater enterprise fund have been used to liquidate the respective long-term obligations of the Town’s business-type activities.

Presented below is a summary of debt service requirements to maturity by year for the City’s business-type activities as of June 30, 2022:

Year Ending June 30,	Principal	Interest	Total
Business-Type Activities:			
2023	\$ 11,627	3,833	\$ 15,460
2024	11,483	3,977	15,460
2025	11,668	3,792	15,460
2026	11,855	3,604	15,459
2027	12,046	3,414	15,460
2028-2032	63,202	14,096	77,298
2033-2037	68,455	8,843	77,298
2038-2042	74,145	3,154	77,299
Totals	\$ 264,481	44,713	\$ 309,194

TOWN OF LYMAN, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2022

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

E. Long-Term Obligations (Continued)

Interest paid on the debt issued by the Town is generally exempt from federal income tax. The Town sometimes temporarily reinvests the proceeds of such tax-exempt debt in higher-yielding taxable securities, especially during construction projects. The federal tax code refers to this practice as arbitrage. Excess earnings (the difference between the interest on the debt and the investment earnings received) resulting from arbitrage must be rebated to the federal government. The Town does not believe it has an arbitrage liability at June 30, 2022.

Article Eight, Section Seven of the South Carolina Constitution of 1895, as amended, provides that no Town or Town shall incur any bonded debt which shall exceed eight percent (8%) of the assessed value of the property therein and no such debt shall be created without the electors of such Town or Town voting in favor of such further bonded debt. Prior to Home Rule Act of July 1, 1976, the bonded debt exemption was thirty five percent (35%). In 1976, the General Assembly reduced the general obligation debt limit without voter approval to eight percent (8%) of assessed valuation; whereas, with a referendum any amount can be floated. As of June 30, 2022, the Town had no outstanding general obligation bonds subject to the 8% limit of approximately \$2,353,000 resulting in an unused legal debt margin of approximately \$2,353,000.

IV. OTHER INFORMATION

A. Risk Management

Participation in Public Entity Risk Pools for Property and Casualty Insurance

The Town is exposed to various risks of loss related to workers' injuries, torts, theft of, damage to, and destruction of assets, errors and omissions, and natural disasters. The Town continues to carry commercial insurance coverage for property and casualty insurance, workers' compensation, and other general insurance and has effectively managed risk through various employee education and prevention programs. All risk management activities are accounted for in the General Fund. Expenditures and claims are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. In determining claims, events that might create claims, but for which none have been reported, are considered. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage in the past three fiscal years.

Health Insurance and Other Postemployment Benefits

The Town provides a health insurance program through the State for its eligible employees. The Town pays a monthly premium to the State for its health coverage (insured plan) with the insurer being responsible for claims.

In 2015, the GASB issued Statement No. 75 "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions" ("GASB #75"). GASB #75 establishes standards for the measurement, recognition and display of Other Postemployment Benefits ("OPEB") expenditures and related liabilities, note disclosures, and, if applicable, required supplementary information in the financial reports of state and local governmental employers. The Town adopted GASB #75 for the year ended June 30, 2018 and its implementation had no impact, as the Town currently does not provide any significant OPEB benefits (i.e. retiree health benefits, etc.) to its retirees.

B. Retirement Plans

The Town participates in the State of South Carolina's retirement plans. 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' ("Systems") five defined benefit pension plans.

TOWN OF LYMAN, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2022

IV. OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

PEBA has an 11-member Board of Directors (“PEBA Board”), 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 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.

The PEBA issues an Annual Comprehensive Financial Report (formerly known as the “Comprehensive Annual Financial Report”) containing financial statements and required supplementary information for the System’ Pension Trust Funds. The Annual Comprehensive Financial Report is publicly available through the 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. The 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 Annual Comprehensive Financial Report of the state.

Plan Description

The South Carolina Retirement System (“SCRS”), a cost-sharing multiple-employer defined benefit pension plan, was established effective July 1, 1945, pursuant to the provisions of Section 9-1-20 of the South Carolina Code of Laws for the purpose of providing retirement 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 South Carolina Police Officers Retirement System (“PORS”), a cost-sharing multiple-employer defined benefit pension plan, was established effective July 1, 1962, pursuant to the provisions of Section 9-11-20 of the South Carolina Code of Laws for the purpose of providing retirement and other benefits to police officers and firefighters. PORS also covers peace officers, coroners, probate judges, and magistrates.

Plan Membership

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

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

TOWN OF LYMAN, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2022

IV. OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

Plan Membership (Continued)

- PORS – To be eligible for PORS membership, an employee must be required by the terms of his employment, by election or appointment, to preserve public order, protect life and property, and detect crimes in the state; to prevent and control property destruction by fire; be a coroner in a full-time permanent position; or be a peace officer employed by the Department of Corrections, the Department of Juvenile Justice, or the Department of Mental Health. Probate judges and coroners may elect membership in the PORS. Magistrates are required to participate in the 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.

Plan Benefits

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

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.

TOWN OF LYMAN, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2022

IV. OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

Plan 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 (“Plans”) contribution requirements must be sufficient to maintain an amortization period for the financing of the unfunded actuarial accrued liability (“UAAL”) over a period that does not exceed the number of years scheduled in state statute. Legislation in 2017 increased, but also established a ceiling for SCRS and PORS employee contribution rates. Effective July 1, 2017, employee rates were increased to a capped rate of 9.00 percent for SCRS and 9.75 percent for PORS. The legislation also increased employer contribution rates beginning July 1, 2017 for both SCRS and PORS by two percentage points and further scheduled employer contribution rates to increase by a minimum of one percentage point each year in accordance with state statute. However, the General Assembly postponed the one percent increase in the SCRS and PORS employer contribution rates that was scheduled to go into effect beginning July 1, 2020. If the scheduled contributions are not sufficient to meet the funding periods set in state statute, the PEBA 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 PEBA 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 PEBA Board, effective on the following July 1, may decrease the then current contribution rates upon making a finding that the decrease will not result in a funded ratio of less than 85 percent. If contribution rates are decreased pursuant to this provision, and the most recent annual actuarial valuation of the system shows a funded ratio of less than 85 percent, then effective on the following July 1, and annually thereafter as necessary, the PEBA 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.

As noted earlier, both employees and the Town are required to contribute to the Plans at rates established and as amended by the PEBA. The Town’s contributions are actuarially determined but are communicated to and paid by the Town as a percentage of the employees’ annual eligible compensation. Required employer and employee contribution rates for the past year are as follows:

	SCRS Rates	PORS Rates
	2022	2022
Employer Contribution Rate: ^		
Retirement	16.41%	18.84%
Incidental Death Benefit	0.15%	0.20%
Accidental Death Contributions	0.00%	0.20%
	<u>16.56%</u>	<u>19.24%</u>
Employee Contribution Rate ^	<u>9.00%</u>	<u>9.75%</u>

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

The actual and required contributions to the SCRS and PORS were approximately \$199,000 and \$114,000, respectively, for the year ended June 30, 2022 and include the nonemployer contributions noted below.

TOWN OF LYMAN, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2022

IV. OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

Plan Contributions (Continued)

Nonemployer Contributions

In an effort to help offset a portion of the burden of the increased contribution requirement for employers, the State General Assembly (“State”) funded 1 percent of the SCRS and PORS contribution increases for the year ended June 30, 2022. The State’s budget appropriated these funds directly to the PEBA for the South Carolina Retirement System Trust Fund and the Police Officers Retirement System Trust Fund. The amount of funds appropriated by the State (nonemployer contributing entity) for the year ended June 30, 2022 were approximately \$8,000 and \$4,000 for the SCRS and PORS, respectively. These contributions (on-behalf benefits) from the State were recognized as intergovernmental revenues and pension expenditures in the Town’s governmental fund financial statements.

Actuarial Assumptions and Methods

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

The June 30, 2021 total pension liability (“TPL”), net pension liability (“NPL”), and sensitivity information shown in this report were determined by the consulting actuary, Gabriel, Roeder, Smith and Company, and are based on an actuarial valuation performed as of July 1, 2020. The TPL 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 PEBA Board adopted updated demographic assumptions. Also, the General Assembly permitted the investment return assumption at July 1, 2021 to decrease from 7.25% to 7.00%, as provided by Section 9-16-335 in South Carolina State Code.

The following table provides a summary of the actuarial assumptions and methods used to calculate the TPL as of June 30, 2021 (measurement date) for the SCRS and PORS.

	SCRS	PORS
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Actuarial Assumptions:		
Investment Rate of Return*	7.00%	7.00%
Projected Salary Increases*	3.0% to 11.0% (varies by service)	3.5% to 10.5% (varies by service)
Benefit Adjustments	Lesser of 1% or \$500 annually	Lesser of 1% or \$500 annually

* 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”), were developed using the Systems’ mortality experience. These base rates are adjusted for future improvement in mortality using 80% of Scale UMP projected from the year 2020.

TOWN OF LYMAN, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2022

IV. OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

Actuarial Assumptions and Methods (Continued)

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%

Long-Term Expected Rate of Return

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

The expected returns, along with the expected inflation rate, form the basis for the 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 following table. For actuarial purposes, the 7.00 percent assumed annual investment rate of return used in the calculation of the TPL includes a 4.75 percent real rate of return and a 2.25 percent inflation component.

Allocation/Exposure	Policy Target	Expected Arithmetic Real Rate of Return	Long-Term Expected Portfolio Real Rate of Return
Public 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 Rate of Return	<u>100.0%</u>		<u>5.18%</u>
Inflation for Actuarial Purposes			<u>2.25%</u>
Total Expected Nominal Return			<u><u>7.43%</u></u>

TOWN OF LYMAN, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2022

IV. OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

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

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 the June 30, 2021 measurement date, for the SCRS and PORS, are presented in the following table:

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

The TPL is calculated by the Systems' actuary, and each Plans' fiduciary net position is reported in the Systems' financial statements. The NPL is disclosed in accordance with the requirements of GASB No. 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.

At June 30, 2022, the Town reported liabilities of approximately \$2,124,000 and \$1,029,000 for its proportionate share of the NPL for the SCRS and PORS, respectively. The NPL were measured as of June 30, 2021, and the TPL for the Plans used to calculate the NPL were determined based on the most recent actuarial valuation report of July 1, 2020 that was projected forward to the measurement date. The Town's proportion of the NPL were based on a projection of the Town's long-term share of contributions to the Plans relative to the projected contributions of all participating South Carolina state and local governmental employers, actuarially determined. At the June 30, 2021 measurement date, the Town's SCRS proportion was 0.00982 percent, which was an increase of 0.00050 from its proportion measured as of June 30, 2020. At the June 30, 2021 measurement date, the Town's PORS proportion was 0.04000 percent, which was an increase of 0.00067 from its proportion measured as of June 30, 2020.

For the year ended June 30, 2022, the Town recognized pension expense of approximately \$176,000 and \$178,000 for the SCRS and PORS, respectively. At June 30, 2022, the Town reported deferred outflows of resources (deferred pension charges) and deferred inflows of resources (deferred pension credits) related to pensions from the following sources:

TOWN OF LYMAN, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2022

IV. OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
SCRS		
Differences Between Expected and Actual Experience	\$ 36,186	\$ 2,867
Change in Assumptions	116,282	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	308,595
Changes in Proportion and Differences Between the Employer's Contributions and Proportionate Share of Contributions	90,037	16,481
Employer Contributions Subsequent to the Measurement Date	190,890	-
Total SCRS	433,395	327,943
PORS		
Differences Between Expected and Actual Experience	35,008	3,205
Change in Assumptions	73,399	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	230,714
Changes in Proportion and Differences Between the Employer's Contributions and Proportionate Share of Contributions	81,389	-
Employer Contributions Subsequent to the Measurement Date	109,572	-
Total PORS	299,368	233,919
Total SCRS and PORS	\$ 732,763	\$ 561,862

Approximately \$191,000 and \$110,000 that were reported as deferred outflows of resources related to the Town's contributions subsequent to the measurement date to the SCRS and PORS, respectively, will be recognized as a reduction of the NPL in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources (deferred pension charges) and deferred inflows of resources (deferred pension credits) related to the SCRS and PORS will increase (decrease) pension expense as follows:

Year Ended June 30,	SCRS	PORS	Total
2023	\$ 13,747	36,088	\$ 49,835
2024	16,231	12,984	29,215
2025	56	(12,169)	(12,113)
2026	(115,472)	(81,026)	(196,498)
Total	\$ (85,438)	(44,123)	\$ (129,561)

Discount Rate

The discount rate used to measure the TPL was 7.00 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers in the 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, each System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL.

TOWN OF LYMAN, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2022

IV. OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

Sensitivity Analysis

The following table presents the sensitivity of the Town’s proportionate share of the NPL of the Plans to changes in the discount rate, calculated using the discount rate of 7.00 percent, as well as what it would be if it were calculated using a discount rate that is 1% point lower (6.00 percent) or 1% point higher (8.00 percent) than the current rate:

System	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Town’s proportionate share of the net pension liability of the SCRS	\$ 2,782,675	2,124,381	\$ 1,577,203
Town’s proportionate share of the net pension liability of the PORS	1,493,058	1,029,076	649,004
Total	<u>\$ 4,275,733</u>	<u>3,153,457</u>	<u>\$ 2,226,207</u>

Plans Fiduciary Net Position

Detailed information regarding the fiduciary net position of the Plans administered by the PEBA is available in the separately issued Annual Comprehensive Financial Report containing financial statements and required supplementary information for the SCRS and PORS. The Annual Comprehensive Financial Report is publicly available through the 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.

Payable to Plans

The Town reported a payable of approximately \$25,000 to the PEBA as of June 30, 2022, representing required employer and employee contributions for the month of June 2022 for the SCRS and PORS. This amount is included in Accrued Salaries and Fringe on the financial statements and was paid in August 2022.

C. Contingent Liabilities and Commitments

Litigation

The Town is periodically the subject of litigation by a variety of plaintiffs. The Town’s management believes that such amounts claimed by these plaintiffs, net of the applicable insurance coverage, are immaterial.

Grants

The Town receives financial assistance from various federal, state, and local governmental agencies in the form of grants. Disbursements of funds received under these programs generally require compliance with the terms and conditions specified in the grant agreements. The disbursements are also subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the Town. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements included herein or on the overall financial position of the Town at June 30, 2022.

Solid Waste Pickup

In September 2018, the Town entered into a five-year agreement (“Agreement”) with Waste Industries related to solid waste pickup. The Agreement’s initial term began in October 2018 and ends in September 2023 and will automatically be extended for subsequent additional one-year periods unless either party provides written notice to terminate the agreement. The Town will pay a rate of \$8.20 per month per cart. The total costs for the year ended June 30, 2022 was approximately \$286,000.

TOWN OF LYMAN, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2022

IV. OTHER INFORMATION (CONTINUED)

C. Contingent Liabilities and Commitments (Continued)

Construction Commitments

In February 2022, the Town entered into a contract with M. B. Kahn Construction Company for approximately \$3,583,000 for wastewater treatment plant upgrade improvements which will be funded from the Series 2022 Revenue Bond. As of June 30, 2022, the Town has expended approximately \$270,000 on this project.

Pacific Mills Property

The Town began to purchase property related to the old Pacific Mills property ("Mill") in fiscal year 2022 and early fiscal year 2023. The Town elected to purchase the property as they were concerned about safety issues with the old Mill and were concerned about the future use of the property which is located adjacent to Town Hall. The Town has considered the requirements of GASB #49 "GASB #49 *Accounting and Financial Reporting for Pollution Remediation Obligations*" ("GASB #49") requires that an entity estimate the components of expected pollution remediation outlays and accrue a liability once an obligating event has occurred. The Town does not believe that an obligating event has occurred and that any pollution remediation outlays cannot be estimated at this time. The Town has contracted to have a Phase II Environmental Site Assessment performed and a feasibility study related to the Mill. Once those reports are available, the Town will decide an appropriate course of action (i.e. remediate, sale, etc.).

Road Inventory and Condition Assessment

In May 2022, the Town entered into an agreement with KCI Technologies for road inventory and condition assessment services with a cost not to exceed approximately \$52,000.

D. Subsequent Events

In October 2022, the Town received its second tranche in ARPA funds of approximately \$925,000.

In October 2022, the Town purchased a parcel of land located at the Mill for approximately \$197,000.

In October 2022, the Town purchased two new 2022 Dodge Ram trucks for approximately \$91,000.

In July 2022, August 2022, December 2022, and January 2023, the Town accepted significant donations of wastewater collection systems and other infrastructure from several subdivisions. The value of these donations is not presently known but will be valued and capitalized in the preparation for the fiscal year 2023 financial statements.

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Required Supplementary Information

Required supplementary information includes financial information and disclosures that are required by the Governmental Accounting Standards Board, but are not considered a part of the basic financial statements. Such information includes:

- Budgetary Comparison Schedules
 - General Fund
 - Hospitality Tax Fund
- Pension Plan Schedules

TOWN OF LYMAN, SOUTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGETS AND ACTUAL - GENERAL FUND

YEAR ENDED JUNE 30, 2022

	ORIGINAL BUDGET	REVISED BUDGET	ACTUAL	VARIANCE
REVENUES				
Taxes:				
Property Taxes	\$ 1,180,545	1,561,757	1,525,318	\$ (36,439)
MASC Telecommunications and Insurance	453,216	453,216	636,840	183,624
Franchise Fees	315,059	315,059	351,592	36,533
Business Licenses, Permits, and Fees	450,050	652,826	1,099,470	446,644
Grants	-	-	5,033	5,033
State Shared Revenue	125,062	125,062	247,403	122,341
Fines and Forfeitures	139,750	139,750	142,861	3,111
Rent Income	37,700	37,700	43,665	5,965
Interest	480	480	5,558	5,078
Other	132,635	132,635	151,769	19,134
TOTAL REVENUES	2,834,497	3,418,485	4,209,509	791,024
EXPENDITURES				
Current:				
Administration	661,292	854,265	772,439	81,826
Police	1,014,356	1,026,934	1,041,373	(14,439)
Municipal Court	113,657	113,657	113,896	(239)
Streets	780,649	793,719	766,294	27,425
Events	57,232	56,732	48,043	8,689
Capital Outlay	200,000	532,867	453,487	79,380
TOTAL EXPENDITURES	2,827,186	3,378,174	3,195,532	182,642
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	7,311	40,311	1,013,977	973,666
OTHER FINANCING SOURCES (USES)				
Transfers In	150,000	150,000	1,942,797	1,792,797
Transfers Out	-	-	(34,910)	(34,910)
Insurance Recovery	-	-	2,684	2,684
Sale of Capital Assets	2,000	2,000	21,643	19,643
TOTAL OTHER FINANCING SOURCES (USES)	152,000	152,000	1,932,214	1,780,214
NET CHANGES IN FUND BALANCES	159,311	192,311	2,946,191	2,753,880
FUND BALANCES, Beginning of Year	1,669,984	1,669,984	1,669,984	-
FUND BALANCES, End of Year	\$ 1,829,295	1,862,295	4,616,175	\$ 2,753,880

Note: The notes to the budgetary comparison schedule are an integral part of this schedule.

Note: The Town's original and revised budget reflected an expected surplus of fund balance of approximately \$159,000 and \$192,000, respectively.

TOWN OF LYMAN, SOUTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGETS AND ACTUAL -
HOSPITALITY TAX FUND

YEAR ENDED JUNE 30, 2022

	ORIGINAL BUDGET	REVISED BUDGET	ACTUAL	VARIANCE
REVENUES				
Hospitality Taxes	\$ 240,453	240,453	308,376	\$ 67,923
TOTAL REVENUES	240,453	240,453	308,376	67,923
EXPENDITURES				
Current:				
Equipment and Supplies	1,100	1,100	451	649
Outside Vendors	23,650	23,650	21,320	2,330
Community Activity	32,000	32,000	18,812	13,188
Capital Outlay	111,000	111,000	-	111,000
TOTAL EXPENDITURES	167,750	167,750	40,583	127,167
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	72,703	72,703	267,793	195,090
OTHER FINANCING SOURCES (USES)				
Transfers Out	(100,000)	(100,000)	(60,000)	40,000
TOTAL OTHER FINANCING SOURCES (USES)	(100,000)	(100,000)	(60,000)	40,000
NET CHANGES IN FUND BALANCES	(27,297)	(27,297)	207,793	235,090
FUND BALANCES, Beginning of Year	301,054	301,054	301,054	-
FUND BALANCES, End of Year	\$ 273,757	273,757	508,847	\$ 235,090

Note: The notes to the budgetary comparison schedule are an integral part of this schedule.

Note: The Town's original and revised budget reflected a use of appropriated fund balance of approximately \$27,000.

TOWN OF LYMAN, SOUTH CAROLINA

NOTES TO THE BUDGETARY COMPARISON SCHEDULES

YEAR ENDED JUNE 30, 2022

A. BASIS OF ACCOUNTING

The budgetary comparison schedules have been presented on the modified accrual basis of accounting, which is consistent with accounting principles generally accepted in the United States of America.

B. BUDGETARY INFORMATION

The Town follows the following procedures in establishing the budgetary data reflected in the budgetary comparison schedules:

1. During the months of February and March, the Town department heads develop operating budgets while the management and finance departments develop revenue forecasts.
2. During March and April, the Town Administrator reviews the department budgets and revenue forecasts. After various refinements and reviews, a proposed budget is presented to the Town Council.
3. After two readings in June, for which public notices have been announced, the Town Council adopts an annual budget ordinance for the following major governmental funds - General Fund and Hospitality Tax Fund.
4. During the year, accountability for the budget for each department is primarily the responsibility of the department head. The Town Administrator has the authority to transfer funds within departments, but funds can only be transferred between departments by approval of the Town Council. The legal level of budgetary control is at the department level, as reflected in the required supplementary information.
5. The presented budgetary information is as originally adopted or as amended by the Town Council.
6. At the year-end, unencumbered balances of appropriations lapse into the unappropriated fund balance.

TOWN OF LYMAN, SOUTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION - PENSION PLAN SCHEDULES

SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
SOUTH CAROLINA RETIREMENT SYSTEM

LAST EIGHT FISCAL YEARS

	Year Ended June 30,							
	2022	2021	2020	2019	2018	2017	2016	2015
Town's Proportion of the Net Pension Liability	0.00982%	0.00932%	0.00947%	0.00938%	0.00955%	0.00847%	0.00803%	0.00889%
Town's Proportionate Share of the Net Pension Liability	\$ 2,124,381	2,382,568	2,161,564	2,102,563	2,150,759	1,808,752	1,522,982	\$ 1,530,735
Town's Covered Payroll	\$ 1,109,647	1,040,272	993,803	972,401	873,042	806,070	741,752	\$ 807,190
Town's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	191.45%	229.03%	217.50%	216.22%	246.35%	224.39%	205.32%	189.64%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	60.75%	50.71%	54.40%	54.10%	53.34%	52.91%	56.99%	59.92%

Notes to Schedule:

The amounts presented for each fiscal year were determined as of June 30th of the preceding year.

The Town implemented GASB #68/71 during the year ended June 30, 2015. Information before that date is not readily available.

The discount rate was lowered from (a) 7.25% to 7.00% beginning with the year ended June 30, 2021 measurement date and (b) 7.50% to 7.25% beginning with the year ended June 30, 2017 measurement date.

TOWN OF LYMAN, SOUTH CAROLINA
REQUIRED SUPPLEMENTARY INFORMATION - PENSION PLAN SCHEDULES
SCHEDULE OF CONTRIBUTIONS
SOUTH CAROLINA RETIREMENT SYSTEM

LAST EIGHT FISCAL YEARS

	Year Ended June 30,							
	2022	2021	2020	2019	2018	2017	2016	2015
Contractually Required Contribution	\$ 199,254	172,661	161,866	144,698	131,858	100,924	89,151	\$ 80,851
Contributions in Relation to the Contractually Required Contribution								
Contributions from the Town	190,890	164,297	153,502	136,334	123,494	100,924	89,151	80,851
Contributions from the State	8,364	8,364	8,364	8,364	8,364	-	-	-
Contribution Deficiency (Excess)	\$ -	-	-	-	-	-	-	\$ -
Town's Covered Payroll	\$ 1,203,224	1,109,647	1,040,272	993,803	972,401	873,042	806,070	\$ 741,752
Contributions as a Percentage of Covered Payroll	16.56%	15.56%	15.56%	14.56%	13.56%	11.56%	11.06%	10.90%

Notes to Schedule:

The Town implemented GASB #68/71 during the year ended June 30, 2015. Information before that date is not readily available.

TOWN OF LYMAN, SOUTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION - PENSION PLAN SCHEDULES

SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
POLICE OFFICERS RETIREMENT SYSTEM

LAST EIGHT FISCAL YEARS

	Year Ended June 30,							
	2022	2021	2020	2019	2018	2017	2016	2015
Town's Proportion of the Net Pension Liability	0.04000%	0.03933%	0.03625%	0.03611%	0.02387%	0.03374%	0.03214%	0.02739%
Town's Proportionate Share of the Net Pension Liability	\$ 1,029,076	1,304,316	1,038,776	1,023,120	654,015	855,908	700,490	\$ 524,266
Town's Covered Payroll	\$ 601,423	594,161	525,727	475,009	411,483	430,190	398,166	\$ 329,377
Town's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	171.11%	219.52%	197.59%	215.39%	158.94%	198.96%	175.93%	159.17%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	70.37%	58.79%	62.69%	61.73%	60.94%	60.44%	64.57%	67.55%

Notes to Schedule:

The amounts presented for each fiscal year were determined as of June 30th of the preceding year.

The Town implemented GASB #68/71 during the year ended June 30, 2015. Information before that date is not readily available.

The discount rate was lowered from (a) 7.25% to 7.00% beginning with the year ended June 30, 2021 measurement date and (b) 7.50% to 7.25% beginning with the year ended June 30, 2017 measurement date.

TOWN OF LYMAN, SOUTH CAROLINA
REQUIRED SUPPLEMENTARY INFORMATION - PENSION PLAN SCHEDULES
SCHEDULE OF CONTRIBUTIONS
POLICE OFFICERS RETIREMENT SYSTEM
LAST EIGHT FISCAL YEARS

	Year Ended June 30,						
	2021	2020	2019	2018	2017	2016	2015
Contractually Required Contribution	\$ 109,700	108,375	90,635	77,141	58,595	59,108	\$ 53,394
Contributions in Relation to the Contractually Required Contribution:							
Contributions from the Town	109,572	103,952	86,212	72,718	58,595	59,108	53,394
Contributions from the State	4,423	4,423	4,423	4,423	-	-	-
Contribution Deficiency (Excess)	\$ -	-	-	-	-	-	\$ -
Town's Covered Payroll	\$ 592,492	594,161	525,727	475,009	411,483	430,190	\$ 398,166
Contributions as a Percentage of Covered Payroll	19.24%	18.24%	17.24%	16.24%	14.24%	13.74%	13.41%

Notes to Schedule:

The Town implemented GASB #68/71 during the year ended June 30, 2015. Information before that date is not readily available.

Supplementary Information

TOWN OF LYMAN, SOUTH CAROLINA

**SCHEDULE OF FUND EXPENDITURES - REVISED BUDGET AND ACTUAL
GENERAL FUND**

YEAR ENDED JUNE 30, 2022

EXPENDITURES	REVISED BUDGET	ACTUAL	VARIANCE
Current:			
Administration:			
Salaries	\$ 297,022	272,237	\$ 24,785
Employee Benefits	119,785	105,823	13,962
Vehicle Expenditures	4,454	3,831	623
Facilities	92,708	98,469	(5,761)
Equipment and Supplies	47,500	41,181	6,319
Outside Vendors	279,813	236,334	43,479
Dues, Meetings, and Books	7,583	11,024	(3,441)
Community Activity	5,400	3,540	1,860
Total Administration	854,265	772,439	81,826
Police:			
Salaries and Wages	594,371	599,276	(4,905)
Employee Benefits	274,462	274,000	462
Vehicle Expenditures	84,227	101,087	(16,860)
Facilities	18,578	14,960	3,618
Equipment and Supplies	32,364	35,769	(3,405)
Outside Vendors	11,382	7,223	4,159
Dues, Meetings, and Books	8,050	4,948	3,102
Community Activity	3,500	4,110	(610)
Total Police	1,026,934	1,041,373	(14,439)
Municipal Court:			
Salaries and Wages	78,832	79,509	(677)
Employee Benefits	24,628	24,469	159
Facilities	1,008	951	57
Equipment and Supplies	1,840	2,154	(314)
Outside Vendors	4,299	5,550	(1,251)
Dues, Meetings, and Books	2,550	1,103	1,447
Community Activity	500	160	340
Total Municipal Court	113,657	113,896	(239)
Streets:			
Salaries	134,240	125,699	8,541
Employee Benefits	54,720	51,207	3,513
Vehicle Expenditures	39,988	62,672	(22,684)
Facilities	133,480	100,822	32,658
Equipment and Supplies	4,736	9,589	(4,853)
Outside Vendors	285,055	289,338	(4,283)
Community Activity	141,500	126,967	14,533
Total Streets	\$ 793,719	766,294	\$ 27,425

(Continued)

TOWN OF LYMAN, SOUTH CAROLINA

SCHEDULE OF FUND EXPENDITURES - REVISED BUDGET AND ACTUAL
GENERAL FUND

YEAR ENDED JUNE 30, 2022

	<u>REVISED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
Events:			
Employee Benefits	\$ 3,932	4,525	\$ (593)
Facilities	21,900	23,965	(2,065)
Equipment and Supplies	3,300	2,485	815
Outside Vendors	27,600	17,068	10,532
Total Events	<u>56,732</u>	<u>48,043</u>	<u>8,689</u>
Total Current Expenditures	<u>2,845,307</u>	<u>2,742,045</u>	<u>103,262</u>
Capital Outlay	<u>532,867</u>	<u>453,487</u>	<u>79,380</u>
TOTAL EXPENDITURES	<u><u>\$ 3,378,174</u></u>	<u><u>3,195,532</u></u>	<u><u>\$ 182,642</u></u>

TOWN OF LYMAN, SOUTH CAROLINA

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2022

	CAPITAL PROJECTS FUND	SPECIAL REVENUE FUNDS		TOTAL NONMAJOR GOVERNMENTAL FUNDS
		POLICE FORFEITURES FUND	VICTIMS FUND	
Assets				
Cash and Cash Equivalents	\$ 60,347	-	-	\$ 60,347
Cash and Cash Equivalents, Restricted	-	1,027	120,650	121,677
Accounts Receivable	-	-	7,778	7,778
Total Assets	\$ 60,347	1,027	128,428	\$ 189,802
Liabilities and Fund Balances				
Accounts Payable	\$ -	-	145	\$ 145
Accrued Salaries and Fringe Benefits	-	-	693	693
Interfund Payables	-	-	105,917	105,917
Total Liabilities	-	-	106,755	106,755
Fund Balances:				
Restricted For:				
Victims' Assistance	-	-	21,673	21,673
Public Safety	-	1,027	-	1,027
Assigned for Capital Improvements	60,347	-	-	60,347
Total Fund Balances	60,347	1,027	21,673	83,047
Total Liabilities and Fund Balances	\$ 60,347	1,027	128,428	\$ 189,802

TOWN OF LYMAN, SOUTH CAROLINA

COMBINING SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2022

	<u>SPECIAL REVENUE FUNDS</u>			<u>TOTAL NONMAJOR GOVERNMENTAL FUNDS</u>
	<u>CAPITAL PROJECTS FUND</u>	<u>POLICE FORFEITURES FUND</u>	<u>VICTIMS FUND</u>	
REVENUES				
Grant Revenue	\$ -	-	31,048	\$ 31,048
Fines and Forfeitures	-	-	19,363	19,363
Interest	-	1	-	1
TOTAL REVENUES	<u>-</u>	<u>1</u>	<u>50,411</u>	<u>50,412</u>
EXPENDITURES				
Current:				
Public Safety:				
Police	-	1,699	-	1,699
Victims' Assistance	-	-	42,771	42,771
TOTAL EXPENDITURES	<u>-</u>	<u>1,699</u>	<u>42,771</u>	<u>44,470</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>-</u>	<u>(1,698)</u>	<u>7,640</u>	<u>5,942</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	20,000	-	2,092	22,092
TOTAL OTHER FINANCING SOURCES (USES)	<u>20,000</u>	<u>-</u>	<u>2,092</u>	<u>22,092</u>
NET CHANGES IN FUND BALANCES	20,000	(1,698)	9,732	28,034
FUND BALANCES, Beginning of Year	40,347	2,725	11,941	55,013
FUND BALANCES, End of Year	<u>\$ 60,347</u>	<u>1,027</u>	<u>21,673</u>	<u>\$ 83,047</u>

TOWN OF LYMAN, SOUTH CAROLINA

UNIFORM SCHEDULE OF FINES, ASSESSMENTS, AND SURCHARGES (PER ACT 96)

YEAR ENDED JUNE 30, 2022

FOR THE STATE TREASURER'S OFFICE:

COUNTY / MUNICIPAL FUNDS COLLECTED BY CLERK OF COURT	General Sessions	Magistrate Court	Municipal Court	Total
Court Fines and Assessments:				
Court fines and assessments collected			\$ 330,107	\$ 330,107
Court fines and assessments remitted to State Treasurer			(185,699)	(185,699)
Total Court Fines and Assessments retained			144,408	144,408
Surcharges and Assessments retained for victim services:				
Surcharges collected and retained			2,020	2,020
Assessments retained			17,343	17,343
Total Surcharges and Assessments retained for victim services			\$ 19,363	\$ 19,363

FOR THE DEPARTMENT OF CRIME VICTIM COMPENSATION (DCVC)

VICTIM SERVICE FUNDS COLLECTED	Municipal	County	Total
Carryforward from Previous Year – Beginning Balance	\$ 11,941		\$ 11,941
Victim Service Revenue:			
Victim Service Fines Retained by City/County Treasurer			
Victim Service Assessments Retained by City/County Treasurer	17,343		17,343
Victim Service Surcharges Retained by City/County Treasurer	2,020		2,020
Interest Earned			
Grant Funds Received			
Grant from: South Carolina Attorney General	31,048		31,048
General Funds Transferred to Victim Service Fund	2,092		2,092
Contribution Received from Victim Service Contracts:			
(1) Town of			
(2) Town of			
(3) City of			
Total Funds Allocated to Victim Service Fund + Beginning Balance (A)	\$ 64,444		\$ 64,444
Expenditures for Victim Service Program:	Municipal	County	Total
Salaries and Benefits	\$ 24,832		\$ 24,832
Operating Expenditures	17,939		17,939
Victim Service Contract(s):			
(1) Entity's Name			
(2) Entity's Name			
Victim Service Donation(s):			
(1) Domestic Violence Shelter:			
(2) Rape Crisis Center:			
(3) Other local direct crime victims service agency:			
Transferred to General Fund			
Total Expenditures from Victim Service Fund/Program (B)	42,771		42,771
Total Victim Service Funds Retained by Municipal/County Treasurer (A-B)	21,673		21,673
Less: Prior Year Fund Deficit Repayment			
Carryforward Funds – End of Year	\$ 21,673		\$ 21,673

TOWN OF LYMAN, SOUTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2022

Program	Assistance Listing Number	Grant / Contract Number	Expenditures
US DEPARTMENT OF JUSTICE			
Pass Through SC Attorney General: Crime Victim Services Division Crime Victim Assistance	16.575	1V19112	\$ 31,048
TOTAL US DEPARTMENT OF JUSTICE			31,048
US DEPARTMENT OF THE TREASURY			
Direct Program: COVID-19 - Coronavirus State and Local Fiscal Recovery Funds (American Rescue Plan)	21.027	N/A	1,850,984
TOTAL US DEPARTMENT OF THE TREASURY			1,850,984
GRAND TOTALS			\$ 1,882,032

Note: There were no expenditures to subrecipients for the year ended June 30, 2022.

See accompanying notes to the schedule of expenditures of federal awards.

TOWN OF LYMAN, SOUTH CAROLINA

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2022

A. GENERAL

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) presents the activity of all federal award programs of the Town of Lyman, South Carolina (the “Town”) for the year ended June 30, 2022. Expenditures for federal financial assistance awarded directly from the federal agencies, as well as those passed through other government agencies, are included on the Schedule.

B. BASIS OF ACCOUNTING

The accompanying Schedule is presented using the modified accrual basis of accounting, which is described in the notes to the Town’s financial statements.

C. RELATIONSHIP TO THE FINANCIAL STATEMENTS

Federal award expenditures are reported in the Town’s financial statements as expenditures in the General Fund and special revenue funds for all federal programs.

D. MATCHING COSTS

Matching costs, i.e., the non-federal share of certain program costs, are not included in the accompanying Schedule.

E. INDIRECT COST RATE

The Town has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.



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

INDEPENDENT AUDITOR’S REPORT

The Honorable Mayor and Members of Town Council
 Town of Lyman, South Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Lyman, South Carolina (the “Town”) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Town’s basic financial statements, and have issued our report thereon dated March 16, 2023.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2022-001, that we consider to be a material weakness.

Report on Compliance and Other Matters

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

Town's Response to the Finding

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

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

Greene Finney Cauley, LLP

Greene Finney Cauley, LLP
Mauldin, South Carolina
March 16, 2023



**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON
 INTERNAL CONTROL OVER COMPLIANCE AS REQUIRED BY THE UNIFORM GUIDANCE**

INDEPENDENT AUDITOR’S REPORT

The Honorable Mayor and the Members of Town Council
 Town of Lyman, South Carolina

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Town of Lyman, South Carolina’s (the “Town”) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Town’s major federal programs for the year ended June 30, 2022. The Town’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Town complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (“GAAS”); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (“*Government Auditing Standards*”); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (“Uniform Guidance”). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor’s Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Town and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Town’s compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Town’s federal programs.

Auditor’s Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Town’s compliance based on our audit. 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 GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists.

GREENEFINNEYCAULEY.CPA · INFO@GREENEFINNEY.COM

GREENVILLE, SC
864.232.0653

MAULDIN, SC
864.232.5204

CHARLESTON, SC
843.735.5805

ANDERSON, SC
864.225.8713

ASHEVILLE, NC
828.771.0847

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The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Town's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, 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 Town's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the Town's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Greene Finney Cauley, LLP

Greene Finney Cauley, LLP
Mauldin, South Carolina
March 16, 2023

TOWN OF LYMAN, SOUTH CAROLINA

SUMMARY OF PRIOR AUDIT FINDINGS

YEAR ENDED JUNE 30, 2022

2021-001: DONATED CAPITAL ASSETS

Condition: We noted during our review of capital assets that there was a piece of land and a building donated to the Town from the Tyger River Fire Department in November 2020. After an outside appraisal was done, the land was valued at approximately \$203,000 and the building was valued at approximately \$135,000. The Town was unaware of these assets and we only became aware per discussion with the Tyger River Fire Chief.

Criteria: The Town should record transactions in accordance with generally accepted accounting principles and should have proper controls and review in place to ensure that capital assets are being tracked and recorded correctly.

Context, Cause and Effect: If capital assets are not properly reviewed and recorded, there is risk of material misstatement as assets and expenses could be misstated on the government-wide and enterprise fund statements. Due to limited time, resources, and staff, the Town was unaware until 2022 that it had accepted donated assets from Tyger River Fire Department.

Status: The Town has addressed this finding during the year ended June 30, 2022.

2021-002: LACK OF SEGREGATION OF DUTIES

Condition: In large part due to the Town's limited staff, the Town does not have adequate segregation of duties over its general accounting processes (i.e. accounts payable, payroll, journal entries, etc.). Many accounting and financial responsibilities are handled by the Town Administrator, and there is a lack of review and approval and/or evidence of review and approval. However, the Town has made significant improvements in this area with the addition of a staff accountant.

Criteria: Adequate segregation of accounting duties should be in place that provides reasonable assurance for the prevention or early detection of fraud or error. Further, there should be adequate review and approval of transactions and processes and documented evidence of that review.

Context, Cause and Effect: Because of the lack of segregation of duties and review/approval (or evidence thereof), there is a higher risk that material misstatements (due to error or fraud) in the financial statements will go undetected. This lack of segregation of duties and review is primarily due to the limited time, staff, and resources of the Town.

Status: The Town has hired a full-time accountant who started in March 2022, which has helped with segregation of duties.

TOWN OF LYMAN, SOUTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2022

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified?	<u> X </u> Yes	<u> </u> No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	<u> </u> Yes	<u> X </u> None Reported
Noncompliance material to financial statements noted?	<u> </u> Yes	<u> X </u> No

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified?	<u> </u> Yes	<u> X </u> No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	<u> </u> Yes	<u> X </u> None Reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516 (Uniform Guidance)?	<u> </u> Yes	<u> X </u> No
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Identification of major programs:

<u>Assistance Listing Number(s)</u>	<u>Name of Federal Program or Cluster</u>
21.027	COVID-19: Coronavirus State and Local Fiscal Recovery Funds (American Rescue Plan)

Dollar threshold used to distinguish between type A and type B programs:	<u> \$ 750,000 </u>
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Auditee qualified as low-risk auditee?	<u> </u> Yes	<u> X </u> No
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TOWN OF LYMAN, SOUTH CAROLINA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2022

Section II – Current Year Financial Statement Findings

2022-001: RECORDING OF PAYABLES

Condition: During the current year audit, it was noted that the Town (a) accrued for an invoice for approximately \$65,000 that related to fiscal year 2023 and (b) failed to accrue an invoice for work performed through June 30, 2022 by an outside contractor on the Fort Prince pump station project for approximately \$263,000. These were corrected by the Town when brought to their attention.

Criteria: The Town should have appropriate internal controls in place to ensure that all transactions are properly recorded in the appropriate accounting period in accordance with generally accepted accounting principles.

Context, Cause and Effect: The Town (a) inadvertently accrued for ceiling replacement costs related to fiscal year 2023 and (b) did not receive the outside contractor invoice until December 2022 for work performed from April 2022 through November 2022 and the Town inadvertently forgot to accrue the portion through June 30, 2022.

Recommendation: We would encourage the Town to make sure appropriate internal controls and reviews are in place to ensure accounts payables balances are recorded in the appropriate accounting period prior to the audit.

Response: The Town agrees with this finding and will adhere to the corrective action plan on page 72 in this audit report.

Section III – Current Year Federal Award Findings and Questioned Costs

None Noted



TOWN OF LYMAN, SOUTH CAROLINA

CORRECTIVE ACTION PLAN

YEAR ENDED JUNE 30, 2022

Section II – Financial Statement Findings

Finding: 2022-001

Contact Person: Noel Blackwell, Town Administrator, nblackwell@lymansc.gov

Corrective Action: The Town has implemented procedures to ensure that payables are recorded in the correct accounting period in accordance with generally accepted accounting principles.

Proposed Completion

Date: Prior to June 30, 2023

Section III – Federal Award Findings and Questioned Costs

No matters to report.