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## **INDEPENDENT AUDITOR'S REPORT**

To the Mayor and  
Town Council  
Town of Swansea, South Carolina

We were engaged to audit the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Swansea, South Carolina, as of and for the year ended June 30, 2021, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Because of the matters described in the Basis for Disclaimer of Opinion paragraphs, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

### **Basis for Disclaimer of Opinion**

Some beginning balances were not posted to the Town's general ledger accounts. The beginning balances that were not posted included asset and liability accounts. Some of these balances are material to the financial statements. As a result, we were not able to agree prior year ending balances to the current year beginning balances, nor were we able to properly perform analytical review procedures. Additionally, the underlying accounting records do not support some of the financial information included in these financial statements. This represents a scope limitation.

The Town's underlying accounting records do not show any accounts receivable or accounts payable balances. Generally, most governmental entities have balances that should be reported as accounts receivable and accounts payable at year end. Because the Town did not report any of the receivable or payable balances at year end and did not provide any schedules to us in an effort to perform audit tests, we were not able to determine the adequacy of the balances reported in the attached financial statements. Additionally, an allowance for doubtful accounts receivable was not computed and recorded in the underlying accounting records. This represents a scope limitation and a possible known error.

Fixed asset balances or activity was not computed and reported in the trial balance or general ledger. This includes the actual asset balances by type, current year depreciation expense for any of the funds, the accumulated depreciation account not reflecting the current year's depreciation activity, construction in progress not being accounted for properly, and the net fixed asset balance not being adjusted properly. As a result, balances in the underlying accounting records related to fixed assets, for all funds, are understated by at least \$3,309,000 and is considered material. This financial reporting is not in accordance with accounting principles generally accepted in the United States of America.

Accounts were added to the general ledger that appear to be invalid accounts and appear to be improperly accounted for. Some of the invalid accounts identified, but may not be limited to, include: "Insurance payment received from retiree" (as an asset type account) totaling \$3,810, "Enter account from chart of accounts" (as a liability type account) totaling \$17,869, "Insurance paid to retirees" (as a liability type account) totaling \$5,351,

"Net wages" (as an expense account) totaling \$37,078, and "Inventory shrinkage" in the amount of \$300 for the police department." This condition represents possible errors and an uncertainty.

Compensated absences were not reported as a liability in the underlying accounting records. Compensated absences are required to be reported in financial statements. The compensated absences balance in the underlying financial records is understated by approximately \$4,092. This represents a known error.

The amount due to and received from the State Treasurer was not recorded in the Town's underlying accounting records. The Town did not record as income an amount totaling \$24,883 in the general fund. Additionally, the Town did not reduce the amount that is owed to the State Treasurer's Office by the \$24,883 that was credited to the Town, but not actually paid, and used as an off-set to reduce the liability owed by the Town to the State Treasurer's Office. This condition results in revenues being understated by \$24,883 and liabilities being overstated by the same amount and represents an accounting error.

Due to/due from accounts were not reconciled and do not balance. We were not able to obtain sufficient audit evidence that would allow us to determine the appropriateness of the due to/due from accounts in order to properly eliminate the balances in accordance with accounting reporting requirements. This represents a scope limitation and an accounting error.

The MASC debt set-off revenue account was improperly reduced by checks written for police department expenditures resulting in the MASC revenue reported being understated by approximately \$4,950. Additionally, police fines collected were posted to the MASC debt set-off revenue account as opposed to the police and court fines and fees revenue account. This resulted in the police and court fines and fees revenue account being understated and the MASC debt set-off account being overstated by the same amount.

Payroll tax transactions do not appear to have been accounted for properly. A review of the general ledger shows where payroll withholding amounts were posted to the payroll liability account after the first few payroll cycles. However, when remitting the employee's withheld payroll taxes to the taxing authorities, the payroll liability account was not reduced by the amount paid to the taxing authorities. This condition caused the payroll liabilities account to be overstated. The balance reported in this account by the Town is \$37,422. Additionally, it appears that the payroll taxes withheld from employee wages were posted to the employer payroll tax expense account which reported expenditures of \$136,989. Thereby double counting the employee portion of tax withholdings twice, once during the payroll cycle as a salary expense and again when remitting the withheld amounts to the taxing authorities as an employer tax expense. Finally, the employer payroll tax expense amounts were not properly allocated and posted to the appropriate departments within the Town. These conditions would cause the employer payroll tax expense account to be overstated by the amount of payroll taxes withheld from employee wages and the employer payroll tax expense to be overstated in some departments and understated in other departments. We were not able to adequately perform procedures to satisfy ourselves of the accuracy of payroll related transactions. This represents an unknown accounting error and an uncertainty.

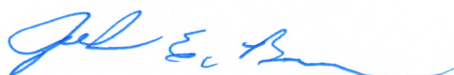
Accounts that should have debit balances had credit balances and accounts that should have credit balances had debit balances. The underlying accounting records show accounts that have balances that are not recorded properly. This condition appears to have occurred because the Town's accounting transactions were posted to certain accounts the wrong way or opposite to what should have occurred. This is considered an accounting error. We were not able to determine the materiality of errors this condition caused, resulting in a scope limitation.

### **Disclaimer of Opinion**

Because of the significance of the matters described in the "Basis for Disclaimer of Opinion" section, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements, governmental activities, each major fund, and the aggregate remaining funds of the Town of Swansea, South Carolina. Accordingly, we do not express an opinion on these financial statements.

### **Other Matters**

Prior period adjustments have been made to present the financial statements in accordance with applicable standards. Detail of such adjustments are presented in Note K to the financial statements.



February 28, 2022