

TOWN OF CHERAW, SOUTH CAROLINA

**GOVERNMENT-WIDE FINANCIAL STATEMENTS
AND OTHER FINANCIAL INFORMATION**

YEAR ENDED JUNE 30, 2023

WITH

INDEPENDENT AUDITORS' REPORT

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TABLE OF CONTENTS

Independent Auditors' Report	1
Management's Discussion and Analysis	4
 Financial Section – Basic Financial Statements	
Statement of Net Position	13
Statement of Activities.....	14
Balance Sheet – Governmental Funds	15
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position ...	16
Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds	17
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities.....	18
Statement of Revenues, Expenditures and Changes in Fund Balance – General Fund – Budget to Actual	19
Statement of Net Position – Proprietary Fund	20
Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Fund.....	21
Statement of Cash Flows – Proprietary Fund	22
Statement of Net Position – Fiduciary Funds.....	24
Statement of Changes Net Position – Fiduciary Funds	25
Notes to Financial Statements.....	26
 Required Supplementary Information	
Schedule of Proportionate Share of the South Carolina Retirement Systems Net Pension Liabilities.....	50
Schedule of South Carolina Retirement Systems Contributions	51
Schedule of Changes in the Town's Total OPEB Liability and Related Ratios.....	52
 Combining Fund Financial Statements	
Combining Balance Sheet – Nonmajor Governmental Funds	53
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds.....	54

Other Financial Information

Schedule of Court Fines, Fees, Assessments, and Surcharges	55
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Single Audit Act Requirements and Other Compliance Reports:

Schedule of Expenditures of Federal Awards.....	56
Notes to the Schedule of Expenditures of Federal Awards	57
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	58
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance	60
Schedule of Findings and Questioned Costs.....	63

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INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Members
Of Town Council
Town of Cheraw, South Carolina
200 Market Street, P.O. Box 219
Cheraw, South Carolina 29520

Report on the Financial Statements

Opinions

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

In our opinion, the financial statements 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, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town and to meet our ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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 generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

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

- Exercise professional judgement 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 of 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 judgement, 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 related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 - 12, the Schedule of Proportionate Share of the South Carolina Retirement Systems Net Pension Liabilities on page 50, the Schedule of South Carolina Retirement Systems Contributions on page 51, and the Schedule of Changes in the Town's Total OPEB Liability and Related Ratios on page 53 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements.

We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 combining fund financial statements, and the Schedule of Court Fines, Fees, Assessments and Surcharges, 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 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 combining fund financial statements, the Schedule of Court Fines, Fees, Assessments and Surcharges 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 December 11, 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 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 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.

The Brittingham Group LLP

West Columbia, South Carolina
December 11, 2023

MANAGEMENT’S DISCUSSION AND ANALYSIS

The Mayor and Town Administrator submit to the readers of the Town’s financial statements the overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2023.

FINANCIAL HIGHLIGHTS

The combined Governmental Activities and Business Type Activities assets of the Town of Cheraw exceeded its combined liabilities at the end of the fiscal year by \$16,238,567 (net position). Of this amount, a surplus of \$1,974,393 (unrestricted net position) existed at the time.

The combined Governmental Activities and Business Type Activities revenues and other financial sources totaled \$17,406,598 and combined expenses totaled \$15,230,343. Accordingly, combined revenues exceeded expenses by \$2,176,255.

At the end of fiscal year 2023, the governmental restricted and non-spendable fund balance was \$872,129 the committed and assigned fund balance was \$224,738 and the unassigned fund balance was \$5,855,339. Accordingly, \$5,855,339 was available for spending at the government’s discretion from the unassigned fund balance. The total fund balance was \$5,865,201 for the General Fund, the Town’s principal operating fund.

The Town of Cheraw’s Business Type Activity reported an increase in net position at the end of the fiscal year of \$769,188.

At the end of fiscal year 2023, the Town of Cheraw’s Business Type Activity reported unrestricted cash and cash equivalents of \$2,397,728.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as primer on the Town’s basic financial statements. The Town’s basic financial statements have three components:

1. Government-wide financial statements
2. Fund financial statements
3. Notes to the financial statements

This report also contains other supplementary information in addition to the basic financial statements.

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

The Statement of Net Position presents information on all of the Town of Cheraw’s assets and liabilities, with the difference reported as net position. Over time, increases and decreases in the 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 detailing how the Town of Cheraw'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 changes occurs, regardless of the timing of related cash flows. Revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal years. (e.g. uncollected taxes and earned but unused compensated absences). A compensated absence is a work absence in which the employee will be paid. (e.g. sick leave, vacation leave and holiday leave).

Both of the government-wide financial statements distinguish functions of the Town that are supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or significant portions of their costs through user fees and charges (business-type activities).

The governmental activities of the Town of Cheraw include administration, police, and streets and sanitation, recreation and code enforcement. The business-type activity of the Town of Cheraw is the combined utility system which offers water service and sewer service.

The government-wide financial statements include the Town, also known as the primary government. The government-wide financial statements are listed on pages 13 - 14 of this document.

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

Governmental funds
Proprietary funds
Fiduciary funds

Governmental funds. Governmental funds are used to account for essentially the same functions as reported in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and near-term outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financial requirements.

Because the focus of governmental funds is narrower than the focus of government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financial decisions.

Both the governmental funds Balance Sheet and the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Town maintains individual governmental funds. Information is presented separately in the governmental funds Balance Sheet and in the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund only since no other governmental fund is considered to be a major fund. The Town adopts an annual operating and capital budget for the General fund. The basic governmental fund financial statements are listed on pages 15 - 19 of this document.

Proprietary funds. The Town maintains one enterprise fund, a type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide statements. The Town uses its enterprise fund to account for its combined utility system, comprised of water and sewer operations. Proprietary funds provide the same types of information as the government-wide financial statements.

The basic proprietary funds financial statements can be found on pages 20 - 23 of this report.

Fiduciary Funds. The Town maintains three fiduciary funds that are accounted for as agency funds. Agency funds are used to account for assets held by the Town in a trustee capacity or as an agent for individuals, private organizations and/or other governmental units. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Town's agency fund consists of the Fireman Fund, Fire Project Fund and Art Commission Fund. The Firemen Fund and the Fire Project fund is used to account for monies derived from 1% moneys received from the State and donations and can only be used to pay for statutorily approved expenditures for the Fire Department. The Art Commission is used to account for monies derived from contributions and can only be used to pay for items approved by the Art Commission.

Notes to the financial statements. The notes provide additional information essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are listed on pages 26 – 49 of this document.

Other information. In addition to the basic financial statements and accompanying notes, the report also represents certain other financial information.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The fiscal year 2023 financial statements are the 16th consecutive financials issued in compliance with Governmental Accounting Standards Board (GASB) Statement 34, and a continuance of this new era of financial reporting. Prior to the adoption of GASB 34, the Town was required to report fund and account groups separately, with no meaningful consolidated statements to accurately reflect the operation and net position of the Town as an entity. Under the GASB 34 model for fiscal year 2023, the government-wide statements are reported using an economic resource measurement focus and the accrual basis of accounting, as opposed to the cash basis of accounting. The accrual basis of accounting recognizes revenue before cash is received and recognizes expenses before cash is paid. The cash basis of accounting recognizes revenue as cash when it is received and recognizes expenses when cash is paid.

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The Town of Cheraw's assets exceeded liabilities by \$16,238,567 at the close of fiscal year 2023.

Net position is reported in three categories:

Net investment in capital assets	\$ 12,964,108
Restricted	1,392,083
Unrestricted	1,882,376
	<u>\$ 16,238,567</u>

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

The following tables present a summary of the Town's Statement of Net Position as of June 30, 2023 and 2022:

Town of Cheraw's Condensed Statement of Net Position - June 30, 2023

	Governmental Activities	Business-Type Activities	Total
Current and other assets	\$ 9,735,816	\$ 3,840,271	\$ 13,576,087
Capital assets	7,054,894	9,661,242	16,716,136
Total assets	<u>16,790,710</u>	<u>13,501,513</u>	<u>30,292,223</u>
Deferred outflows	1,373,692	413,472	1,787,164
Total assets and deferred outflows	<u>18,164,402</u>	<u>13,914,985</u>	<u>32,079,387</u>
Long-term liabilities outstanding	6,811,857	4,777,457	11,589,314
Other liabilities	1,922,862	108,745	2,031,607
Total liabilities	<u>9,885,093</u>	<u>4,886,202</u>	<u>14,771,295</u>
Deferred inflows	785,342	467,481	1,252,823
Total liabilities and deferred inflows	<u>10,670,435</u>	<u>5,353,683</u>	<u>16,024,118</u>
Net position:			
Net investment in capital assets	6,199,884	6,764,224	12,964,108
Restricted	1,096,867	295,216	1,392,083
Unrestricted	197,216	1,685,160	1,882,376
Total net position	<u>\$ 7,493,967</u>	<u>\$ 8,744,600</u>	<u>\$ 16,238,567</u>

Town of Cheraw's Condensed Statement of Net Position - June 30, 2022

	Governmental Activities	Business-Type Activities	Total
Current and other assets	\$ 8,473,764	\$ 3,718,314	\$ 12,192,078
Capital assets	7,432,464	7,742,774	15,175,238
Total assets	<u>15,906,228</u>	<u>11,461,088</u>	<u>27,367,316</u>
Deferred outflows	1,118,332	297,960	1,416,292
Total assets and deferred outflows	<u>17,024,560</u>	<u>11,759,048</u>	<u>28,783,608</u>
Long-term liabilities outstanding	6,019,030	3,300,630	9,319,660
Other liabilities	2,715,689	406,672	3,122,361
Total liabilities	<u>8,734,719</u>	<u>3,707,302</u>	<u>12,442,021</u>
Deferred inflows	1,592,499	467,481	2,059,980
Total liabilities and deferred inflows	<u>10,327,218</u>	<u>4,174,783</u>	<u>14,502,001</u>
Net position:			
Net investment in capital assets	6,427,420	6,352,719	12,780,139
Restricted	761,440	202,929	964,369
Unrestricted	(491,518)	1,632,723	1,141,205
Total net position	<u><u>\$ 6,697,342</u></u>	<u><u>\$ 8,188,371</u></u>	<u><u>\$ 14,885,713</u></u>

The following tables are summaries of revenues and expenses for fiscal years 2023 and 2022:

Town of Cheraw's Statement of Activities - June 30, 2023

	Governmental Activities	Business-Type Activities	Total
Revenue:			
Charges for services	\$ 1,131,542	\$ 4,646,999	\$ 5,778,541
Operating Grants and Contributions	479,920	1,583,822	2,063,742
Capital Grants and Contributions	757,093	-	757,093
General revenues	8,737,925	69,297	8,807,222
Total revenue	<u>11,106,480</u>	<u>6,300,118</u>	<u>17,406,598</u>
Expenses:			
General government	1,403,764	-	1,403,764
Public safety	3,483,748	-	3,483,748
Public works	2,255,755	5,353,251	7,609,006
Culture and recreation	1,913,431	-	1,913,431
Non-departmental	820,394	-	820,394
Total expenses	<u>9,877,092</u>	<u>5,353,251</u>	<u>15,230,343</u>
Increase in net position before transfers	<u>1,229,388</u>	<u>946,867</u>	<u>2,176,255</u>
Transfers	<u>177,679</u>	<u>(177,679)</u>	<u>-</u>
Increase in net position	<u><u>\$ 1,407,067</u></u>	<u><u>\$ 769,188</u></u>	<u><u>\$ 2,176,255</u></u>

Town of Cheraw's Statement of Activities - June 30, 2022

	Governmental Activities	Business-Type Activities	Total
Revenue:			
Charges for services	\$ 1,100,159	\$ 3,857,323	\$ 4,957,482
Operating Grants and Contributions	666,090	1,640,048	2,306,138
Capital Grants and Contributions	419,573	-	419,573
General revenues	7,727,161	8,910	7,736,071
Total revenue	<u>9,912,983</u>	<u>5,506,281</u>	<u>15,419,264</u>
Expenses:			
General government	1,211,417	-	1,211,417
Public safety	3,600,607	-	3,600,607
Public works	1,715,026	3,853,353	5,568,379
Culture and recreation	2,380,263	-	2,380,263
Non-departmental	1,200,807	-	1,200,807
Total expenses	<u>10,108,120</u>	<u>3,853,353</u>	<u>13,961,473</u>
Increase (decrease) in net position before transfers	<u>(195,137)</u>	<u>1,652,928</u>	<u>1,457,791</u>
Transfers	<u>152,565</u>	<u>(152,565)</u>	<u>-</u>
Increase in net position	<u><u>\$ (42,572)</u></u>	<u><u>\$ 1,500,363</u></u>	<u><u>\$ 1,457,791</u></u>

Governmental activities. Governmental activities net position decreased \$1,229,388 before transfers. After transfers from the Business-Type Activities of \$177,679, net position increased \$1,407,067 during the fiscal year. Governmental activities show an increase in revenues and an decrease in expenditures when compared to fiscal year 2022. The increase in revenues is due to grants and taxes received during the year.

Business-type activities. Business-type activities consist of the water and sewer systems. Total revenue of \$6,300,118 exceeded total expenses of \$5,353,251 for an operational profit of \$946,867 before transfers. After transfer to the Governmental Activities of \$177,679, net position increased \$769,188. Compared to fiscal years 2022 Business-type revenues are trending upward due to increase in rates and business in town. Business-type expenses increased from 2022 primarily due to an increase in maintenance on system.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

Governmental funds. The focus on the Town's governmental funds is to provide information on inflow, outflow and balances of spendable resources. Such information is useful in assessing the Town's financing requirements.

At the end of fiscal year 2023, the Town's governmental funds reported a combined ending fund balance of \$6,952,206. The Town's governmental fund consist of the general fund, hospitality fund and other non-major funds.

Proprietary funds. The Town's largest component of proprietary fund net position is the investment in capital assets, net of related debt, \$6,764,224, or 77.4% of the Town's total proprietary fund net assets.

GENERAL FUND BUDGETARY HIGHLIGHTS

Selected variances between fiscal years 2023 and 2022 General Fund actual revenues were as follows:

• \$ 499,332	Taxes	10.90%	increase
• \$ 73,628	Interest	2418%	increase
• \$ 299,223	Miscellaneous	209.48%	decrease

The increase in taxes is due to more taxes collected by the county and state. The increase in interest is due to more interest collected on certificates of deposits. Increases in miscellaneous are due to increases in recreational and other small grants during the year.

PROPRIETARY FUNDS BUDGET HIGHLIGHTS

Selected variances between fiscal years 2023 and 2022 Proprietary Fund actual revenues were as follows:

• \$ 789,488	Water and Sewer	20.50%	increase
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The variance in Proprietary Fund revenues between fiscal years 2023 and 2022 is less significant on a year-to-year basis; however, there has been a general increase due to an increase in industrial customer base and rates.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. The Town of Cheraw's investment in capital assets for its governmental and business-type activities as of June 30, 2023, amounts to \$16,716,136 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment. Major capital asset events in the current year included the following (See Note 6):

- In order for the Town of Cheraw to continue to meet the needs of its citizens and provide high quality services, the Town purchased several new vehicles in the public safety department and equipment for the public works/streets and sanitation department.
- During the year, the Town purchased or constructed improvements for both water and sewer services the Town provides.
 - The water/sewer department purchased new equipment to improve water/sewer service.

Town of Cheraw's Capital Assets - Net of Accumulated Depreciation - 2023

	Governmental Activities	Business-Type Activities	Total
Land and construction in process	\$ 1,855,146	\$ 617,652	\$ 2,472,798
Buildings and structures	3,076,898	775,620	3,852,518
Vehicles, furniture and equipment	727,863	357,331	1,085,194
Runways, parking lots, etc	1,394,987	-	1,394,987
Utility plant, systems and equipment	-	3,347,294	3,347,294
Construction in process	-	4,563,345	4,563,345
	<u>\$ 7,054,894</u>	<u>\$ 9,661,242</u>	<u>\$ 16,716,136</u>

Town of Cheraw's Capital Assets - Net of Accumulated Depreciation - 2022

	Governmental Activities	Business-Type Activities	Total
Land and construction in process	\$ 1,613,746	\$ 619,665	\$ 2,233,411
Buildings and structures	3,276,634	897,699	4,174,333
Vehicles, furniture and equipment	989,387	496,412	1,485,799
Runways, parking lots, etc	1,552,697	-	1,552,697
Utility plant, systems and equipment	-	3,734,838	3,734,838
Construction in process	-	1,994,160	1,994,160
	<u>\$ 7,432,464</u>	<u>\$ 7,742,774</u>	<u>\$ 15,175,238</u>

Long-term debt. At the end of the current fiscal year, the Town of Cheraw had total bonded debt outstanding of \$3,752,028. \$855,010 of the debt is reported in the Governmental Activities Fund and is secured by capital assets. The remaining \$2,897,018 is reported in the Business-type Activities Fund and is secured by the water sewer system.

The net pension liability was introduced in 2015 with the adoption of GASB Statement number 68 and represents the long-term liabilities for payment to retirees, net of the Town's current pension investments.

The net OPEB liability was introduced in 2018 with the adoption of GASB Statement number 75 and represents the long-term liabilities for payment to health insurance for retirees, net of the Town's current pension investments.

For additional information about the Town's outstanding long-term debt as of June 30, 2023, please see Notes 7, 8, and 10.

Town of Cheraw's Long-Term Debt - 2023

	Governmental Activities	Business-Type Activities	Total
Leases	\$ 855,010	\$ -	\$ 855,010
Revenue bonds	-	2,897,018	2,897,018
Compensated absences	289,626	36,740	326,366
Net pension liability	5,771,219	1,813,649	7,584,868
Net OPEB liability	185,628	66,790	252,418
	<u>\$ 7,101,483</u>	<u>\$ 4,814,197</u>	<u>\$ 11,915,680</u>

Town of Cheraw's Long-Term Debt - 2022

	Governmental Activities	Business-Type Activities	Total
Leases	\$ 1,005,044	\$ 1,390,055	\$ 2,395,099
Compensated absences	299,270	29,956	329,226
Net pension liability	5,164,020	1,612,623	6,776,643
	<u>\$ 6,468,334</u>	<u>\$ 3,032,634</u>	<u>\$ 9,500,968</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Total revenues continue to be moderated by the effects of the economy and the Town's rural location. General Fund revenues continue to remain steady due to the stagnant growth in the economic activity in the area.

The Town adjusted utility rates in 2023 to address the increasing needs of the Combined Utilities Fund and to address past deferred capital and maintenance of the system. Analysis of the Year 2023 proprietary fund will occur in fiscal year 2024 to determine the impact of the prior year rate increase. Now that the utility rates have been increased to a level that fully sustains the fund, the Town will need to continue monitoring the health of the utility system. Improvements to the water and sewer systems are of moderate concern due to some recent weather related events.

REQUESTS FOR INFORMATION

This financial report is designed to provide an overview of the Town of Cheraw's finances. Questions concerning any of the information provided in this report or requests for additional information should be forwarded to:

Town Administrator
Town of Cheraw
200 Market Street, PO Box 219
Cheraw, South Carolina 29520

TOWN OF CHERAW, SOUTH CAROLINA

STATEMENT OF NET POSITION

JUNE 30, 2023

	Primary Government		
	Governmental Activities	Business Type Activities	Totals
Assets			
Cash and cash equivalents	\$ 2,857,080	\$ 2,397,728	\$ 5,254,808
Certificates of deposits	3,536,272	3,812,232	7,348,504
Receivables, net of allowance:			
Accounts	113,944	207,589	321,533
State revenue	346,164	-	346,164
Inventory	9,862	92,017	101,879
Internal balances	2,872,494	(2,872,494)	-
Restricted assets:			
Certificates of deposits	-	203,199	203,199
Capital assets:			
Non-depreciable	1,855,146	5,211,137	7,066,283
Depreciable	5,199,748	4,450,105	9,649,853
Total assets	16,790,710	13,501,513	30,292,223
Deferred outflows of resources			
Deferred outflows - pension plan	899,896	242,999	1,142,895
Deferred outflows - OPEB	473,796	170,473	644,269
Total deferred outflows of resources	1,373,692	413,472	1,787,164
Total assets and deferred outflows of resources	18,164,402	13,914,985	32,079,387
Liabilities			
Accounts payable	650,367	45,548	695,915
Accrued interest payable	-	11,923	11,923
Other accrued liabilities	80,049	14,534	94,583
Accrued compensated absences	289,626	36,740	326,366
Due to other governments	75,709	-	75,709
Unearned revenue	1,976,921	-	1,976,921
Customer deposits	564	-	564
Long-term liabilities:			
Due within one year	153,882	269,793	423,675
Due in more than one year	701,128	2,627,225	3,328,353
Net pension liabilities	5,771,219	1,813,649	7,584,868
Net OPEB liabilities	185,628	66,790	252,418
Total liabilities	9,885,093	4,886,202	14,771,295
Deferred inflows of resources			
Deferred inflows - pension plan	182,045	67,114	249,159
Deferred inflows - OPEB plan	603,297	217,069	820,366
Total deferred inflows of resources	785,342	284,183	1,069,525
Total liabilities and deferred inflows of resources	10,670,435	5,170,385	15,840,820
Net position			
Net investment in capital assets	6,199,884	6,764,224	12,964,108
Restricted net position - nonspendable	9,862	92,017	101,879
Restricted net position - spendable	1,087,005	203,199	1,290,204
Unrestricted - unfunded pension obligation	(5,053,368)	(1,637,764)	(6,691,132)
Unrestricted - unfunded OPEB obligation	(315,129)	(113,386)	(428,515)
Unrestricted - other	5,565,713	3,436,310	9,002,023
Total net position	\$ 7,493,967	\$ 8,744,600	\$ 16,238,567

See accompanying notes.

TOWN OF CHERAW, SOUTH CAROLINA

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2023

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary Government:							
Governmental activities:							
General government	\$ 1,403,764	\$ -	\$ -	\$ -	\$ (1,403,764)	\$ -	\$ (1,403,764)
Public safety	3,483,748	95,984	-	-	(3,387,764)	-	(3,387,764)
Public works	2,255,755	1,035,558	479,920	757,093	16,816	-	16,816
Culture and recreation	1,913,431	-	-	-	(1,913,431)	-	(1,913,431)
Non-departmental	820,394	-	-	-	(820,394)	-	(820,394)
Total governmental activities	9,877,092	1,131,542	479,920	757,093	(7,508,537)	-	(7,508,537)
Business-type activities							
Combined Utilities	5,411,031	4,646,999	1,583,822	-	-	819,790	819,790
Total business-type activities	5,411,031	4,646,999	1,583,822	-	-	819,790	819,790
Total Primary Government	\$ 15,288,123	\$ 5,778,541	\$ 2,063,742	\$ 757,093	(7,508,537)	819,790	(6,688,747)
General revenues:							
General revenues:							
Property and sales taxes					5,948,146	-	5,948,146
Licenses, permits and franchise fees					2,133,388	-	2,133,388
State aid					118,116	-	118,116
Unrestricted investment earnings (expense)					88,283	127,077	215,360
Miscellaneous					449,992	-	449,992
Transfers in/(out) to local government					177,679	(177,679)	-
Total general revenues and					8,915,604	(50,602)	8,865,002
Change in net position					1,407,067	769,188	2,176,255
Net position, at beginning of year - restated					6,086,900	7,975,412	14,062,312
Net position, end of year					\$ 7,493,967	\$ 8,744,600	\$ 16,238,567

See accompanying notes.

TOWN OF CHERAW, SOUTH CAROLINA

BALANCE SHEET
GOVERNMENTAL FUNDS

JUNE 30, 2023

	General Fund	Hospitality Fund	ARPA Fund	Non-major Funds	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ 1,248,931	\$ 322,474	\$ 1,146,294	\$ 139,381	\$ 2,857,080
Investments	3,176,935	359,337	-	-	3,536,272
Tax receivable	311,863	-	-	34,301	346,164
Accounts receivable	82,457	31,487	-	-	113,944
Inventory	9,862	-	-	-	9,862
Due from other governments	66,415	-	-	20,011	86,426
Due from other funds	1,892,542	-	613,375	796,689	3,302,606
Total assets	<u>6,789,005</u>	<u>713,298</u>	<u>1,759,669</u>	<u>990,382</u>	<u>10,252,354</u>
Liabilities and fund balances					
Liabilities					
Accounts payable	636,501	13,866	-	-	650,367
Other accrued liabilities	79,878	171	-	-	80,049
Costumer deposits	564	-	-	-	564
Unearned revenue	-	-	1,759,669	217,252	1,976,921
Due to other governments	8,544	-	-	153,591	162,135
Due to other funds	198,317	125,694	-	106,101	430,112
Total liabilities	<u>923,804</u>	<u>139,731</u>	<u>1,759,669</u>	<u>476,944</u>	<u>3,300,148</u>
Fund balances					
Nonspendable					
Inventory	9,862	-	-	-	9,862
Restricted	-	573,567	-	288,700	862,267
Committed	-	-	-	198,317	198,317
Assigned	-	-	-	26,421	26,421
Unassigned	5,855,339	-	-	-	5,855,339
Total fund balances	<u>5,865,201</u>	<u>573,567</u>	<u>-</u>	<u>513,438</u>	<u>6,952,206</u>
Total liabilities and fund balances	<u>\$ 6,789,005</u>	<u>\$ 713,298</u>	<u>\$ 1,759,669</u>	<u>\$ 990,382</u>	<u>\$ 10,252,354</u>

See accompanying notes.

TOWN OF CHERAW, SOUTH CAROLINA

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

JUNE 30, 2023

Total fund balances - governmental funds		\$ 6,952,206
Amounts reported for governmental activities in the Statement of Net Position are different due to the following:		
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds.		
Capital assets, cost	\$ 21,306,556	
Accumulated depreciation	<u>(14,251,662)</u>	7,054,894
Long-term liabilities are not due and payable in the current period and therefore are not reported in governmental funds:		
Compensated absences	(289,626)	
Leases	<u>(855,010)</u>	(1,144,636)
Some assets and liabilities, including net pension obligations, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds balance sheet.		
Long-term liabilities consist of the following:		
OPEB asset	(185,628)	
Net pension liability	<u>(5,771,219)</u>	(5,956,847)
Deferred outflows and inflows of resources related to pensions are applicable to future periods and therefore, are not reported in the governmental funds:		
Deferred outflows of resources - pension plan	899,896	
Deferred inflows of resources - pension plan	(182,045)	
Deferred outflows of resources - OPEB plan	(603,297)	
Deferred inflows of resources - OBEP plan	<u>473,796</u>	588,350
Net position of governmental activities		<u><u>\$ 7,493,967</u></u>

See accompanying notes.

TOWN OF CHERAW, SOUTH CAROLINA

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2023

	General	Hospitality Fund	ARPA Fund	Non-major	Total Governmental Funds
Revenues					
Property and vehicle taxes	\$ 5,082,078	\$ 709,583	\$ -	\$ 52,679	\$ 5,844,340
Licenses, permits, and franchise fees	2,133,388	-	-	-	2,133,388
Police fines	69,443	-	-	4,700	74,143
State shared revenues	118,116	-	-	-	118,116
Charges for services	1,035,558	-	-	-	1,035,558
Interest	76,673	11,554	-	56	88,283
Grant revenue	-	125,133	631,960	-	757,093
Miscellaneous income	442,064	271	-	133,304	575,639
Total revenues	8,957,320	846,541	631,960	190,739	10,626,560
Expenditures					
General government	951,533	-	-	177,810	1,129,343
Public safety					
Police	2,510,226	-	-	20,973	2,531,199
Fire	884,708	-	-	-	884,708
Public works	1,689,389	-	631,960	-	2,321,349
Culture and recreation	832,616	576,519	-	-	1,409,135
Non-departmental	784,387	-	-	217,119	1,001,506
Capital outlay	198,728	-	-	-	198,728
Debt service	178,678	-	-	-	178,678
Total expenditures	8,030,265	576,519	631,960	415,902	9,654,646
Excess (deficit) of revenues over (under) expenditures	927,055	270,022	-	(225,163)	971,914
Other Financing Sources (uses)					
Grant Revenue	124,565	-	-	355,355	479,920
Grant expense	(364,523)	-	-	(98,319)	(462,842)
Transfers in	144,859	-	-	32,820	177,679
Total other financing sources	(95,099)	-	-	289,856	194,757
Net change in fund balance	831,956	270,022	-	64,693	1,166,671
Fund balance, beginning of year	5,033,245	303,545	-	448,745	5,785,535
Fund balance, end of year	\$ 5,865,201	\$ 573,567	\$ -	\$ 513,438	\$ 6,952,206

See accompanying notes.

TOWN OF CHERAW, SOUTH CAROLINA

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

YEAR ENDED JUNE 30, 2023

Net change in fund balance - total governmental funds	\$ 1,166,671
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Amounts reported for governmental activities in the Statement of Activities
are different due to the following:

Principal portion of lease payments	150,034
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Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the Statement of Net Position and allocated over the estimated useful lives as annual depreciation expenses in the statement of activities. This is the amount by which depreciation exceeded capital outlays in the period.

Acquisition of capital assets	\$ 408,484	
Depreciation	(786,054)	
Net change in capital assets		(377,570)

Governmental funds report the Town's pension and OPEB contributions as expenditures. However, in the Statement of Activities, the cost of pension and OPEB benefits earned net of employee contributions is reported as pension and OPEB expense

Change in net pension liability	(607,199)	
Change in deferred inflows - pension plan	871,492	
Change in deferred outflows - pension plan	(174,608)	
		89,685

Changes in net OPEB liabilities	2,970	
Change in deferred outflows - OPEB plan	(64,335)	
Changes in deferred inflows - OPEB plan	429,968	
		368,603

In the Statement of Activities, compensated absences are reported by the amounts earned during the year. In the governmental funds, however, expenditures are measured by the amount of financial resources used.	9,644
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Change in net position of governmental activities	\$ <u>1,407,067</u>
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See accompanying notes.

TOWN OF CHERAW, SOUTH CAROLINA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - GENERAL FUND - BUDGET TO ACTUAL

YEAR ENDED JUNE 30, 2023

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenue				
Property and vehicle taxes	\$ 4,304,068	\$ 4,304,068	\$ 5,082,078	\$ 778,010
Licenses, permits, and franchise fees	2,008,800	2,008,800	2,133,388	124,588
Police fines	75,000	75,000	69,443	(5,557)
State shared revenues	118,118	118,118	118,116	(2)
Charges for services	931,816	931,816	1,035,558	103,742
Interest	500	500	76,673	76,173
Miscellaneous income	55,000	55,000	442,064	387,064
Total revenue	<u>7,493,302</u>	<u>7,493,302</u>	<u>8,957,320</u>	<u>1,464,018</u>
Expenditures				
General government	931,430	931,430	951,533	(20,103)
Public safety				
Police	2,440,115	2,440,115	2,510,226	(70,111)
Fire	897,786	897,786	884,708	13,078
Public works	1,773,337	1,773,337	1,689,389	83,948
Culture and recreation	930,089	930,089	832,616	97,473
Non-departmental	609,356	609,356	784,387	(175,031)
Capital outlay	94,140	94,140	198,728	(104,588)
Debt service	178,444	178,444	178,678	(234)
Total expenditures	<u>7,854,697</u>	<u>7,854,697</u>	<u>8,030,265</u>	<u>(175,568)</u>
Excess (deficit) of revenue over (under) expenditures	(361,395)	(361,395)	927,055	1,288,450
Other Financing Sources (uses)				
Grant revenue	-	-	124,565	124,565
Grant expense	(620,000)	(620,000)	(364,523)	255,477
Transfers in	981,395	981,395	144,859	(836,536)
Total other financing sources (uses)	<u>361,395</u>	<u>361,395</u>	<u>(95,099)</u>	<u>(456,494)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>831,956</u>	<u>\$ 831,956</u>
Fund balance, beginning of year			<u>5,033,245</u>	
Fund balance, end of year			<u>\$ 5,865,201</u>	

See accompanying notes.

TOWN OF CHERAW, SOUTH CAROLINA

STATEMENT OF NET POSITION - PROPRIETARY FUND

YEAR ENDED JUNE 30, 2023

	Combined Utilities
Assets	
Current assets	
Cash and cash equivalents	\$ 2,397,728
Certificates of deposits	3,812,232
Restricted cash	
Cash - reserve bond investments	203,199
Accounts receivable, net	207,589
Inventory	92,017
Non-current assets	
Property, plant, and equipment, net	9,661,242
Total assets	<u>16,374,007</u>
Deferred outflows of resources	
Deferred pension outflows	242,999
Deferred OPEB outflows	170,473
Total deferred inflows of resources	<u>413,472</u>
Total assets and deferred outflows of resources	<u>16,787,479</u>
Liabilities	
Current liabilities	
Accounts payable	45,548
Accrued interest payable	11,923
Other accrued liabilities	14,534
Accrued compensated absences	36,740
Due to other funds	2,872,494
Revenue bonds payable - current portion	269,793
Non-current liabilities	
Revenue bonds payable - non-current portion	2,627,225
Net pension liabilities	1,813,649
Net OPEB liabilities	66,790
Total liabilities	<u>7,758,696</u>
Deferred inflows of resources	
Deferred inflows - pension plan	67,114
Deferred inflows - OPEB plan	217,069
Total deferred inflows of resources	<u>284,183</u>
Total liabilities and deferred inflows of resources	<u>8,042,879</u>
Net position	
Net investment in capital assets	6,764,224
Restricted net position - nonspendable	92,017
Restricted net position - spendable	203,199
Unrestricted - unfunded pension obligation	(1,637,764)
Unrestricted - unfunded OPEB obligation	(113,386)
Unrestricted - other	3,436,310
Total net position	<u><u>\$ 8,744,600</u></u>

See accompanying notes.

TOWN OF CHERAW, SOUTH CAROLINA

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

YEAR ENDED JUNE 30, 2023

	Combined Utilities
Operating revenue	
Water and sewer service sales	\$ 4,640,885
Other operating revenues	6,114
Total operating revenue	<u>4,646,999</u>
Operating expenses	
Personnel Services	1,227,811
Operating and maintenance	3,115,476
Materials and supplies	359,251
Depreciation	650,713
Total operating expenses	<u>5,353,251</u>
Operating loss	<u>(706,252)</u>
Nonoperating revenue (expenses)	
Investment income	127,077
Grant income	1,583,822
Interest expense	(57,780)
Total nonoperating revenue (expense)	<u>1,653,119</u>
Income before transfer	946,867
Net transfers (out)	<u>(177,679)</u>
Change in net position	769,188
Total net position, beginning - restated	7,975,412
Total net position, ending	<u><u>\$ 8,744,600</u></u>

See accompanying notes.

TOWN OF CHERAW, SOUTH CAROLINA

STATEMENT OF CASH FLOWS -
PROPRIETARY FUND

YEAR ENDED JUNE 30, 2023

	Combined Utilities
Cash flows from operating activities	
Receipts from customers	\$ 4,528,267
Payments to suppliers	(1,303,737)
Payments to employees	(1,322,225)
Other income	6,114
Net cash provided by operating activities	<u>1,908,419</u>
Cash flows from noncapital financing activities	
Transfers to General Fund	<u>(177,679)</u>
Net cash used by noncapital financing activities	<u>(177,679)</u>
Cash flows from capital and related financing activities	
Interest income	(57,780)
Grant income	1,583,822
Proceeds from revenue bond	1,774,075
Principal payments on revenue bonds	(267,112)
Acquisition and construction of property and equipment	(2,569,182)
Net cash provided by capital and related financing activities	<u>463,823</u>
Cash flows from investing activities	
Interest income	126,807
Sale/purchase of investments (net)	(1,625,520)
Net cash used by investing activities	<u>(1,498,713)</u>
Net decrease in cash and cash equivalents	695,850
Cash and cash equivalents, beginning	1,905,077
Cash and cash equivalents, ending	<u><u>\$ 2,600,927</u></u>
Cash and cash equivalents	\$ 2,397,728
Restricted cash	203,199
Total cash and cash equivalents	<u><u>\$ 2,600,927</u></u>

(CONTINUED)

TOWN OF CHERAW, SOUTH CAROLINA

STATEMENT OF CASH FLOWS -
PROPRIETARY FUND

-CONTINUED-

	Combined Utilities
Reconciliation of operating loss to net cash provided by (used in) operating activities	
Operating loss	\$ (706,252)
Adjustments to reconcile operating loss to net cash provided by operating activities	
Depreciation	650,713
Changes in assets, deferred outflows, liabilities and deferred inflows	
Accounts receivable	(112,618)
Accounts payable	1,445
Accrued compensated absences	6,784
Due to other funds	2,169,545
Deferred outflows - pension plan	40,135
Deferred inflows - pension plan	(218,050)
Deferred outflows - OPEB plan	34,752
Deferred inflows - OPEB plan	(155,647)
Net pension liability	(11,876)
Net OPEB receivable	142,698
Net OPEB liability	66,790
	<hr/>
Net cash provided by operating activities	<u><u>\$ 1,908,419</u></u>

See accompanying notes.

TOWN OF CHERAW, SOUTH CAROLINA

STATEMENT OF NET POSITION
FIDUCIARY FUNDS

JUNE 30, 2023

	Arts Commission Fund	Volunteer Fireman's Fund	Fire Fund Project	Total
Assets				
Cash	\$ 6,164	\$ 19,745	\$ -	\$ 25,909
Due from other governments	-	-	4,335	4,335
Total assets	<u>\$ 6,164</u>	<u>\$ 19,745</u>	<u>\$ 4,335</u>	<u>\$ 30,244</u>
Net Position				
Assigned	\$ 6,164	\$ -	\$ 4,335	\$ 10,499
Restricted	-	19,745	-	19,745
Total Net Position	<u>\$ 6,164</u>	<u>\$ 19,745</u>	<u>\$ 4,335</u>	<u>\$ 30,244</u>

See accompanying notes.

TOWN OF CHERAW, SOUTH CAROLINA

STATEMENT OF CHANGES IN NET POSITION -
FIDUCIARY FUNDS

JUNE 30, 2023

	Arts Commission Fund	Volunteer Fireman's Fund	Fire Fund Project	Total
Revenues				
Tax revenue	\$ -	\$ 28,859	\$ -	\$ 28,859
Interest	7	11	-	18
Total revenues	<u>7</u>	<u>28,870</u>	<u>-</u>	<u>28,877</u>
Expenditures				
Pension expense	-	18,994	-	18,994
Dues and subscriptions	-	2,593	-	2,593
Miscellaneous	-	29,985	278	30,263
Total expenditures	<u>-</u>	<u>51,572</u>	<u>278</u>	<u>51,850</u>
Income before transfers	7	(22,702)	(278)	(22,973)
Net transfers in (out)	<u>-</u>	<u>26,000</u>	<u>-</u>	<u>26,000</u>
Net change in fund balance	7	3,298	(278)	3,027
Net position, beginning of year	6,157	16,447	4,613	27,217
Net position, ending	<u>\$ 6,164</u>	<u>\$ 19,745</u>	<u>\$ 4,335</u>	<u>\$ 30,244</u>

See accompanying notes.

TOWN OF CHERAW, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

1. Summary of Significant Accounting Policies

The Town of Cheraw, South Carolina (the "Town") was incorporated under the laws of the State of South Carolina for the incorporation of municipal governments and as amended by Act 283 of the 1975 Code (Home Rule Town Act). The Town operates under a Council-Mayor form of government and provides the following services as authorized by its charter: public safety (police, fire, and code enforcement), streets, sanitation, maintenance, culture-recreation, public improvements, water and sewer, and general administrative services.

The 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 government 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.

Basis of Presentation

Government-wide Financial Statements

The statement of net position and the statement of activities report information about all activities of the primary government. These statements distinguish between the Town's *governmental* and *business-type activities*. Taxes and other non-exchange transactions primarily finance the governmental activities whereas fees charged to external parties' finance, in whole or in part, the business-type activities. All of the Town's governmental funds are reported in the government-wide financial statements as governmental activities and all of its enterprise funds are reported as business-type activities. (See the *Fund Financial Statements* subsection which follows for more information about fund types.)

Statement of Activities

The statement of activities presents a comparison between direct expenses and program revenues for the business-type activities of the Town and for each function of the Town's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function.

Program revenues include fees, fines, and charges paid by the recipients of goods, services, or privileges offered by the programs. The Town classifies as *general revenues* all revenues that are not program revenues, including all taxes and business license fees.

Fund Financial Statements

The fund financial statements provide information about the Town's funds, including its governmental funds, proprietary fund and fiduciary funds. The Town presents separate statements for each fund category-governmental and proprietary.

-CONTINUED-

TOWN OF CHERAW, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

1. Summary of Significant Accounting Policies (continued)

Operating and Non-Operating Revenues and Expenses in Proprietary Fund Financial Statements

Enterprise funds distinguish *operating* revenues and expenses from *non-operating* revenues and expenses. Operating revenues and expenses generally are limited to items resulting from the provision of services and goods in connection with the fund's principal ongoing operations. The Town generally classifies revenues and expenses as operating only if the related cash flows appear in the operating section on the statement of cash flows. Accordingly, grants are reportable as operating revenues only if they are essentially the same as contracts for services (i.e., exchange transactions) and they finance programs that the proprietary fund would not otherwise undertake (i.e., the activity of the grant is inherently part of the operations of the grantor). Conversely, the Town classifies non-exchange transactions as non-operating. This includes all grant revenues except those reportable as operating revenue as described above and those restricted by the grantor for use exclusively for capital purposes. The Town reports as operating most expenses it pays from operating revenues but usually reports interest expense as non-operating.

Fund Accounting

Fund Accounting is the procedure by which resources for various purposes are classified for accounting and reporting purposes into funds that are in accordance with specified activities or objectives in accordance with limitations and restrictions imposed by sources outside the entity and in accordance with directives issued by the governing board.

The Town's funds are classified into three categories – governmental and proprietary.

Governmental Funds

General Fund - The General Fund is the general operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are legally (or donor) restricted to expenditures for specified purposes.

ARPA Fund - The ARPA Fund is used to account for the proceeds of American Rescue Plan money that are legally restricted to expenditures for specified purposes.

TOWN OF CHERAW, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

1. Summary of Significant Accounting Policies (continued)

Proprietary Funds

Enterprise Funds - 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 cost (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 revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Fiduciary Funds

Fiduciary Funds – Fiduciary funds are used to account for assets held by this Town in a trustee capacity or as an agent for individuals, private organizations and/or other governmental units. Fiduciary funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Town's agency funds consist of the Firemen's Fund, Volunteer Fireman Fund, and Art Commission Fund. The Firemen's Fund and Volunteer Fireman Fund are used to account for monies received from a specific source and can only be used to pay for non-budgeted, non-capital expenditures at the discretion of the Public Safety department head's discretion. The Art Commission Fund is used to account for monies received from a specific source and can be used for the Art gallery.

Accrual Basis

The Town uses the accrual basis of accounting in reporting its government-wide financial statements, as well as its proprietary fund financial statements. Under the accrual basis, the Town generally records revenues when earned and reasonably measurable and records expenses when a liability is incurred, regardless of the timing of related cash flows. Significant non-exchange transactions, in which the Town gives (or receives) value without directly receiving (or giving) equal value in exchange, include taxes, grants, and donations. The Town recognizes grants, donations and similar items as revenue as soon as it meets all eligibility requirements.

Modified Accrual Basis

The Town uses the modified accrual basis of accounting to report its governmental funds. Under the modified accrual basis, revenues, net of estimated uncollectible amounts, are recognized in the fiscal year when they become susceptible to accrual-that is, as soon as they become both measurable and available to finance current operations or to liquidate liabilities existing at fiscal year-end. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. Principal revenue sources considered susceptible to accrual include taxes, grants, charges for goods and services, and interest earnings.

TOWN OF CHERAW, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

1. Summary of Significant Accounting Policies (continued)

Modified Accrual Basis (continued)

Under the modified accrual basis, expenditures generally are recorded when a liability is incurred, as under accrual accounting. An exception, however, is that principal and interest on general long-term debt, claims and judgments, and compensated absences, are recognized as expenditures only to the extent they have matured. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources. General capital asset acquisitions are reported as expenditures (rather than as assets) in governmental funds.

The accounting policies of the Town conform to generally accepted accounting principles (GAAP) applicable to its activities as prescribed by the Governmental Accounting Standards Board (GASB), the recognized standard-setting body for GAAP for all state governmental entities. Proprietary fund activities are reported using the accrual basis method of accounting. If measurable, revenue is recognized when earned and expenses when incurred.

Transfers of financial resources among funds are recognized in all affected funds in the period in which the related interfund receivables and payables arise.

The Town has reported the following major governmental funds:

Special Revenue Funds – Hospitality Fund. This fund is used for the operations of tourism and development in the Town.

ARPA Fund - ARPA Funds are used to account for the proceeds of specific grant sources that are legally restricted to expenditures for specified purposes.

Budgets

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. An annual appropriated budget is adopted for the General Fund. All annual appropriations lapse at fiscal year-end.

Cash and Cash Equivalents and Investments

Cash includes amounts held in demand deposits. For the purpose of the statement of cash flows, the Town considers all savings and short-term investments purchased with maturities of three months or less to be cash equivalents. State statutes authorize the Town to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds and repurchase agreements. Investments, if any, are reported at fair value.

TOWN OF CHERAW, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

1. Summary of Significant Accounting Policies (continued)

Accounts Receivable

The accounts receivable of the Combined Utilities (Enterprise) Fund consist of unpaid user charges for the water and sewer system services of the Town. The amount of unpaid charges is reported net of an allowance for doubtful accounts.

Short-Term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as “due from other funds” or “due to other funds” on their respective financial statements. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances”.

Capital Assets and Depreciation

Capital assets, which include property and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements.

Depreciation of exhaustible capital assets has been provided using the straight-line method over the estimated useful lives as follows:

	<u>Governmental Funds</u>	<u>Proprietary Funds</u>
Utility plant in service	–	40 - 45 years
Equipment	3 - 10 years	5 - 10 years
Vehicles	5 - 10 years	4 - 5 years
Buildings	15 - 40 years	15 - 40 years

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

Compensated Absences

The Town’s policy allows employees to accumulate unused sick leave to a maximum of eighteen workweeks and vacation leave up to a maximum of six workweeks. Upon termination, any accumulated vacation leave, will be paid to the employee. There will be no payment for unused sick leave. Accordingly, sick pay is charged to expenditures when taken.

The estimated liability for vested vacation leave attributable to the Town’s governmental and business-type activities is recorded as an expense and liability in the respective funds. The estimated liabilities include required salary-related payments.

TOWN OF CHERAW, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

1. Summary of Significant Accounting Policies (continued)

Long-Term Obligations

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

Deferred Outflows/Inflows of Resources:

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town currently reports deferred outflows of resources in the amount of \$1,787,164 as of June 30, 2023.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town currently reports deferred inflows of resources in the amount of \$1,069,525 as of June 30, 2023.

Other Postemployment Benefits

Postemployment Benefits Other Than Pensions (OPEB). For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the South Carolina Other Retirement Benefits Plan (the "Plan") and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

Net Position

Net position is classified and presented in three components in the government-wide financial statements:

Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and amortization, and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

TOWN OF CHERAW, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

1. Summary of Significant Accounting Policies (continued)

The Town reports a portion of its net position or fund balance in its government-wide and fund financial statements as restricted net position - spendable. Net position or fund balance for governmental funds is reported as restricted when constraints placed on resource use are either (a) externally imposed by creditors (such as debt covenants), grantors, contributors, laws or regulation of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

Enabling legislation authorizes the Town to assess, levy, charge, or otherwise mandate payments of resources (from resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. A legally enforceable requirement is one that an outside party (such as citizens, public interest groups, or the judiciary) can compel the government to honor. At June 30, 2023, \$1,392,083 was reported as restricted net position.

Unrestricted net position - All other net position that do not meet the definition of "restricted," or "invested in capital assets."

Fund Balance

Nonspendable fund balance are amounts that are not in spendable form or are legally or contractually required or be maintained intact. As of June 30, 2023, the Town reported \$9,862 as nonspendable fund balance.

Fund balance is reported as assigned if the fund balance is constrained by the government's intent to use the funds for a specific purpose. The Town reports amounts as assigned if constrained through appropriations actions of the legislature. The removal of constraints for assigned funds occurs through the budgetary process. Fund balance is reported as assigned if amounts are intended to be used for a specific purpose. As of June 30, 2023, the Town reported \$26,421 as assigned fund balance.

Fund balance is reported as restricted fund balance if the fund balance is restricted for use by an outside party. As of June 30, 2023, the Town reported \$862,267 as restricted fund balance.

Fund balance is reported as committed if amounts have been committed through the appropriations process. As of June 30, 2023, the Town reported \$198,317 as committed fund balance.

Unassigned fund balance – All other fund balances that do not meet the definition of "restricted," "assigned," or "committed".

TOWN OF CHERAW, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

1. Summary of Significant Accounting Policies (continued)

Fund Balances (continued)

The Town's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position or fund balances are available. Within the unrestricted fund balance, committed resources would be first applied, when available, followed by assigned resources before unassigned resources are used.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Estimates are used to determine depreciation expense, and the allowance for doubtful accounts among other accounts. Actual results could differ from those estimates.

2. Legal Compliance - Budgets

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

1. Formal budgetary integration is employed as a management control device during the year for the General Fund and the Combined Utilities Fund.
1. The combined statement of revenues, expenditures and changes in fund balance-budget and actual for the General Fund presents comparisons of the legally adopted budget with actual data on a GAAP basis.
3. Unused appropriations lapse at the end of the year.
4. The budget amounts shown in the financial statements are the final authorized amounts as revised during the year.
5. Expenditures should not exceed budgeted appropriations at the fund level.

Expenditures approved by Council shall automatically carry amendments to fund appropriations where necessary. Budget amounts reported are as originally adopted, or as amended by the Town Council.

Actual revenues exceeded budgeted revenues by \$1,464,018. Actual expenditures exceeded budgeted expenditures by \$175,568.

TOWN OF CHERAW, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

3. Deposits & Investments

At June 30, 2023, the carrying amount of the Town's unrestricted and restricted cash and cash equivalents totaled \$5,254,808. The carrying amount of the Town's unrestricted and restricted certificated of deposits totaled \$7,551,703. The bank balance for all deposit held was \$13,386,494, of which all, is covered by either federal depository insurance, or is properly collateralized in accordance with State law.

The Town's certificate of deposits are in U.S. Government Securities and total \$203,199 as of June 30, 2023.

4. Receivables

Receivables at June 30, 2023, consist of the following:

	Governmental Activities	Business-type Activities	Total
Accounts receivable:			
Accounts receivable	\$ 113,944	\$ 207,589	\$ 321,533
State revenue	346,164	-	346,164
Gross receivables	460,108	207,589	667,697
Less, allowance for uncollectibles	-	-	-
Net receivables	<u>\$ 460,108</u>	<u>\$ 207,589</u>	<u>\$ 667,697</u>

5. Interfund Transfers, Receivables and Payables, & Internal Balances

Internal balances:	General Fund	ARPA Fund	Non-Major Fund	Water and Sewer
General fund	\$ 1,694,225	\$ 487,681	\$ 690,588	\$ -
Combined Utilities fund	-	-	-	(2,872,494)
Total internal balances	<u>\$ 1,694,225</u>	<u>\$ 487,681</u>	<u>\$ 690,588</u>	<u>\$ (2,872,494)</u>

TOWN OF CHERAW, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

5. Interfund Transfers, Receivables and Payables, & Internal Balances (continued)

Transfers:	General Fund	Non-major Funds	Water and Sewer	Total
General fund	\$ -	\$ -	\$ (144,859)	\$ (144,859)
Non-major funds	32,820	-	(32,820)	-
Combined Utilities fund	144,859	-	-	144,859
Total internal balances	<u>\$ 177,679</u>	<u>\$ -</u>	<u>\$ (177,679)</u>	<u>\$ -</u>

6. Capital Assets

Capital asset activity for the year ended June 30, 2023, was as follows:

Governmental activities

	Beginning Balances	Increases	Decreases	Ending Balances
Capital assets, not being depreciated				
Land and improvements	\$ 1,389,731	\$ 241,400	\$ -	\$ 1,631,131
Construction in progress	224,015	-	-	224,015
Total capital assets, not being depreciated	<u>1,613,746</u>	<u>241,400</u>	<u>-</u>	<u>1,855,146</u>
Capital assets, being depreciated				
Building and improvements	8,967,608	-	(53,019)	8,914,589
Equipment	2,205,301	129,172	(10,311)	2,324,162
Automotive Equipment	4,134,394	37,912	(66,002)	4,106,304
Runways, Parking Lots, etc	4,106,355	-	-	4,106,355
Total capital assets, being depreciated	<u>19,413,658</u>	<u>167,084</u>	<u>(129,332)</u>	<u>19,451,410</u>
Less: Accumulated depreciation for:				
Building and improvements	(5,690,974)	(199,736)	53,019	(5,837,691)
Equipment	(1,981,429)	(92,199)	10,311	(2,063,317)
Automotive Equipment	(3,368,879)	(336,409)	66,002	(3,639,286)
Runways, Parking Lots, etc	(2,553,658)	(157,710)	-	(2,711,368)
Total accumulated depreciation	<u>(13,594,940)</u>	<u>(786,054)</u>	<u>129,332</u>	<u>(14,251,662)</u>
Total capital assets, being depreciated, net	<u>5,818,718</u>	<u>(618,970)</u>	<u>-</u>	<u>5,199,748</u>
Governmental activities capital assets, net	<u>\$ 7,432,464</u>	<u>\$ (377,570)</u>	<u>\$ -</u>	<u>\$ 7,054,894</u>

TOWN OF CHERAW, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

6. Capital Assets (continued)Business-type activities

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Capital assets, not being depreciated				
Land and improvements	\$ 647,795	\$ -	\$ -	\$ 647,795
Construction in progress	1,994,160	2,569,182	-	4,563,342
Total capital assets, not being depreciated	<u>2,641,955</u>	<u>2,569,182</u>	<u>-</u>	<u>5,211,137</u>
Capital assets, being depreciated				
Building and improvements	5,665,115	-	-	5,665,115
Automotive	367,881	-	-	367,881
Furniture, fixture, and equipment	1,649,709	-	-	1,649,709
Water and sewer systems	13,117,288	-	-	13,117,288
Total capital assets, being depreciated	<u>20,799,993</u>	<u>-</u>	<u>-</u>	<u>20,799,993</u>
Less: Accumulated depreciation for:	<u>(15,699,175)</u>	<u>(650,713)</u>	<u>-</u>	<u>(16,349,888)</u>
Total accumulated depreciation	<u>(15,699,175)</u>	<u>(650,713)</u>	<u>-</u>	<u>(16,349,888)</u>
Total capital assets, being depreciated, net	<u>5,100,818</u>	<u>(650,713)</u>	<u>-</u>	<u>4,450,105</u>
Business-type activities capital assets, net	<u>\$ 7,742,773</u>	<u>\$ 1,918,469</u>	<u>\$ -</u>	<u>\$ 9,661,242</u>

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General government	\$ 349,877
Public safety	269,950
Public works	69,304
Culture and recreation	96,923
Total depreciation - governmental activities	<u>\$ 786,054</u>
Business type activities:	
Combined Utilities	<u>\$ 650,713</u>
Total depreciation - business type activities	<u>\$ 650,713</u>

TOWN OF CHERAW, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

7. Pension Plan

South Carolina Retirement System

The majority of employees of the Town are covered by a retirement plan through the South Carolina Retirement System (SCRS), a cost-sharing multiple-employer defined benefit pension plan administered by the Retirement Division of the South Carolina Public Employee Benefit Authority (PEBA), a public employee retirement system. Generally, all full-time or part-time equivalent State employees in a permanent position are required to participate in and contribute to the SCRS as a condition of employment unless exempted by law as provided in Section 9-1-480 of the South Carolina Code of Laws, as amended, or are eligible and elect to participate in the State Optional Retirement Program (ORP). The SCRS plan provides life-time monthly retirement annuity benefits to members as well as disability, survivor options, annual benefit adjustments, death benefits, and incidental benefits to eligible employees and retired members.

The Retirement Division maintains five independent defined benefit plans and issues its own publicly available Annual Comprehensive Financial Report (ACFR) which includes financial statements and required supplementary information. A copy of the separately issued CAFR may be obtained by writing to the South Carolina Public Employee Benefit Authority, P.O. Box 11960, Columbia, South Carolina 29211-1960. Furthermore, the Division and the five pension plans are included in the State of South Carolina's ACFR.

Under the SCRS, Class II members are eligible for a full-service retirement annuity upon reaching age 65 or completion of 28 years of credited service regardless of age. Employees who first became members of the System after June 30, 2012, are considered Class III members and are eligible for a full-service retirement annuity upon reaching age 65 or upon meeting the rule of 90 requirement (i.e., the members age plus the years of service add up to a total of at least 90). The benefit formula for full benefits effective since July 1, 1989, for the SCRS is 1.82 percent of an employee's average final compensation (AFC) multiplied by the number of years of credited service. For Class II members, AFC is the average annual earnable compensation during 12 consecutive quarters and includes an amount for up to 45 days termination pay at retirement for unused annual leave.

For Class III members, AFC is the average annual earnable compensation during 20 consecutive quarters and termination pay for unused annual leave at retirement is not included. Early retirement options with reduced benefits are available as early as age 55 for Class II members and age 60 for Class III members. Class II members are vested for a deferred annuity after five years of earned service. Class III members are vested for a deferred annuity after eight years of earned service. Members qualify for a survivor's benefit upon completion of 15 years of credited service (five years effective January 1, 2002).

TOWN OF CHERAW, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

7. Pension Plan (continued)

Disability annuity benefits are payable to Class II members if they have permanent incapacity to perform regular duties of the member's job and they have at least 5 years of earned service (this requirement does not apply if the disability is a result of a job-related injury). Class III members qualify for disability annuity benefits provided they have a minimum of eight years of credited service. An incidental death benefit equal to an employee's annual rate of compensation is payable upon the death of an active employee with a minimum of one year of credited service or to a working retired contributing member. There is no service requirement for death resulting from actual performance of duties for an active member.

Effective July 1, 2023, employees participating in the SCRS were required to contribute 9.00% of all earnable compensation. The employer contribution rate for SCRS was 17.56%. Included in the total SCRS employer contribution rate is a base retirement contribution of 17.41% and 0.15% contribution rate for the incidental death program. The Town's contributions for the years ended June 30, 2023, 2022 and 2021 are as follows:

Year Ended June 30,	Employer Contribution Rate			Employer Contributions		
	Incidental			Incidental		
	Base	Death	Total	Base	Death	Total
2023	17.41%	0.15%	17.56%	\$ 404,326	\$ 3,484	\$ 407,810
2022	16.41%	0.15%	16.56%	378,700	3,461	382,161
2021	15.41%	0.15%	15.56%	344,809	3,356	348,165

Police Officers Retirement System

The South Carolina Police Officers Retirement System (PORS) is a cost-sharing multiple employer defined benefit public employee retirement system. Generally, all full-time employees whose principal duties are the preservation of public order or the protection or prevention and control of property destruction by fire are required to participate in and contribute to PORS as a condition of employment. This plan provides lifetime monthly annuity benefits as well as disability, survivor benefits and incidental benefits to eligible employees and retirees. In addition, participating employers in the PORS contribute to the accidental death fund which provides annuity benefits to beneficiaries of police officers and firemen killed in the actual performance of their duties. These benefits are independent of any other retirement benefits available to the beneficiary.

TOWN OF CHERAW, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

7. Pension Plan (continued)

Under the PORS, Class II members are eligible for a full service retirement annuity upon reaching age 55 or completion of 25 years of credited service regardless of age. Class III members are eligible for a full service retirement annuity upon reaching age 55 or 27 years of credited service. The benefit formula for full benefits effective since July 1, 1989 for the SCRS is 2.14 percent of an employee's average final compensation (AFC) multiplied by the number of years of credited service. For Class II members, AFC is the average annual compensation during 12 consecutive quarters and includes an amount for up to 45 days termination pay for unused annual leave.

For Class III members, AFC is the average annual earnable compensation during 20 consecutive quarters and termination pay for unused annual leave at retirement is not included. PORS does not have an early retirement option. Class II members are vested for a deferred annuity after five years of earned service. Class III members are vested for a deferred annuity after eight years of earned service. Members qualify for a survivor's benefit upon completion of 15 years of credited service (five years effective January 1, 2002).

Effective July 1, 2023, employees participating in the PORS were required to contribute 9.75% of all earnable compensation. The employer contribution rate for PORS was 20.24%. Included in the total PORS employer contribution rate is a base retirement contribution of 19.84% and .20% for the incidental death program and .20% for the accidental death program. The Town's contributions for the years ended June 30, 2023, 2022 and 2021 are as follows:

Year Ended	Employer Contribution Rate			Employer Contributions		
	Incidental & Accidental			Incidental & Accidental		
June 30,	Base	Death	Total	Base	Death	Total
2023	19.84%	0.40%	20.24%	\$ 294,132	\$ 5,930	\$ 300,062
2022	18.84%	0.40%	19.24%	283,987	6,030	290,017
2021	17.84%	0.40%	18.24%	259,524	5,818	265,342

The amounts paid by the Town for pension, incidental death benefit program, and accidental death program contributions are reported as employer contribution expenditures within the applicable functional expenditure categories to which the related salaries are charged.

Article X, Section 16, of the South Carolina Constitution requires that all State-operated retirement systems be funded on a sound actuarial basis. Title 9 of the South Carolina Code of Laws of 1976, as amended, prescribes requirements relating to membership, benefit, and employee/employer contributions for each retirement system. Employee and employer contribution rates to SCRS and PORS are actuarially determined.

TOWN OF CHERAW, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

7. Pension Plan (continued)

At June 30, 2023, the Town reported \$4,698,196 and \$2,886,672 for its proportionate share of the net pension liabilities of SCRS and PORS, respectively. The net pension liability of the SCRS defined benefit pension plan was determined based on the July 1, 2022, actuarial valuations, using most recent membership data, projected forward to June 30, 2023, and financial information of the pension trust funds as of June 30, 2022, using generally accepted actuarial procedures. The Town's portion of the net pension liability was based on the Town's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2023, the Town's SCRS proportion was 0.019380% and its PORS proportion was 0.09626%.

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

	SCRS	PORS
Deferred Outflows of Resources		
Differences between expected and actual experience	\$ 40,819	\$ 48,433
Assumption changes	150,682	120,204
Net difference between projected and actual investment earnings	7,245	8,717
Differences between employer contributions and proportionate share	22,926	35,997
Employer contributions	407,810	300,062
Total deferred outflows of resources	<u>629,482</u>	<u>513,413</u>
Deferred Inflows of Resources		
Differences between expected and actual experience	20,475	57,065
Differences between employer contributions and proportionate share	153,382	18,237
Total deferred inflows of resources	<u>173,857</u>	<u>75,302</u>
Net deferred outflows/(inflows)	<u>\$ 455,625</u>	<u>\$ 438,111</u>

TOWN OF CHERAW, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

7. Pension Plan (continued)

Deferred outflows of \$407,810 and \$300,062 for SCRS and PORS, respectively, reported as resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expenses as follows:

<u>Year ended June 30,</u>	<u>SCRS</u>	<u>PORS</u>	<u>Net</u>
2022	\$ (58,511)	\$ (72,902)	\$ (131,413)
2023	2,483	(55,625)	(53,142)
2024	130,738	102,681	233,419
2025	(122,525)	(112,203)	(234,728)
	<u>\$ (47,815)</u>	<u>\$ (138,049)</u>	<u>\$ (185,864)</u>

The total pension liabilities in the July 1, 2022, actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement:

	<u>SCRS</u>	<u>PORS</u>
Actuarial Cost Method	Entry Age	Entry Age
Actuarial Assumptions:		
Investment Rate or Return	7.00%	7.00%
Projected Salary Increases	3.0% to 11.0%	3.5% to 10.5%
Inflation Rate	2.25%	2.25%
Benefit Adjustments	Lesser of 1% or \$500	Lesser of 1% or \$500

The post-retiree mortality assumption is dependent upon the member's job category and gender. The base mortality assumptions, the 2020 Public Retirees of South Carolina Mortality table (2020 PRSC), was developed using the Systems' mortality experience. These base rates are adjusted for future improvement in mortality using published Scale AA projected from the year 2020. Assumption used in the determination of the June 30, 2021, SCRS and PORS valuations are as follows:

<u>Former Job Class</u>	<u>Males</u>	<u>Females</u>
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 Males multiplied by 107%
Public Safety and Firefighters	2020 PRSC Males multiplied by 127%	2020 PRSC Males multiplied by 107%

TOWN OF CHERAW, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

7. Pension Plan (continued)

The long-term expected rate of return on pension plan investments for actuarial purposes is based upon the 30-year capital market assumptions. The long-term expected rate of returns represented assumptions developed using an arithmetic building block approach primarily based on consensus expectations and market-based inputs. Expected returns are net of investment fees.

The expected returns, along with the expected inflation rate, form the basis for the target asset allocation adopted at the beginning of the 2021 fiscal year. The long-term expected rate of return is produced by weighting the expected future real rates of return by the target allocation percentage and adding expected inflation and is summarized in the table on the following page. 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.

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Allocation / Exposure	Policy Target	Expected Arithmetic Real Rate of Return	Long Term Expected Portfolio Real Rate of Return
Public Equity	46.00%	6.79%	3.12%
Bonds	26.00%	35.00%	-0.09%
Private Equity	9.00%	8.75%	0.79%
Privated Debt	7.00%	6.00%	0.42%
Real Assets	12.00%		
Real Estate	9.00%	4.12%	0.37%
Infrastructure	3.00%	5.88%	0.18%
Total Expected Return	100.00%		4.79%
Inflation for Actuarial Purposes			2.25%
			<u>7.04%</u>

The discount rate used to measure the total pension liability (TPL) was 7.00 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers in SCRS and PORS will be made based on the actuarially determined rates based on provisions in the South Carolina Code of Laws. Based on those assumptions, the Systems' fiduciary net position was projected to be available to make all the projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL.

TOWN OF CHERAW, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

7. Pension Plan (continued)

The following table represents the Town's proportionate share of the net SCRS and PORS pension liabilities calculated using the discount rate of 7.00 percent, as well as what the Town's respective net pension liabilities would be if it were calculated using a discount rate of 1.00 percent lower (6.00 percent) or 1.00 percent higher (8.00 percent) than the current rate.

Plan	1% Decrease 6.00%	Current Rate 7.00%	1% Increase 8.00%
SCRS	\$ 6,023,668	\$ 4,698,196	\$ 3,596,239
PORS	4,025,290	2,886,672	1,954,606
	<u>\$ 10,048,958</u>	<u>\$ 7,584,868</u>	<u>\$ 5,550,845</u>

Deferred Compensation Plans

Several optional deferred compensation plans are available to state employees and employers of its political subdivisions. Certain employees of the Town have elected to participate. The multiple-employers plans were created under Internal Revenue Sections 457, 401(k), and 403(b), are administrated by third parties and are not included in the Comprehensive Annual Financial Report of the State of South Carolina. Compensation deferred under the plans is placed in trust for the contributing employee. The State has no liability for losses under the plans. Employees may withdraw the current value of their contributions when they terminate state employment. Employees may also withdraw contributions prior to termination if they meet requirements specified by the applicable plan.

8. Long-Term Debt

The following is the long-term debt activity for the Governmental Activities:

Lease – Fire Truck

The Town entered into a capital lease for \$965,431 to purchase a fire truck in fiscal year ended June 30, 2014. The lease is payable in annual installments of \$81,039 at 3.03% interest, ending on March 12, 2029. The balance of the lease at June 30, 2023 is \$438,567.

Lease – Fire Truck (2)

The Town entered into a capital lease for \$327,652 to purchase a fire truck in fiscal year ended June 30, 2019. The lease is payable in annual installments of \$33,984 at 3.49% interest ending on July 6, 2031. The balance of the lease at June 30, 2023 is \$232,624.

TOWN OF CHERAW, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

8. Long-Term Debt (continued)

Lease – Police Vehicles

The Town entered into a capital lease for \$280,000 to purchase a five police vehicles in fiscal year ended June 30, 2021. The lease is payable in annual installments of \$58,819 at 1.66% interest ending on August 4, 2025. The balance of the lease at June 30, 2023 is \$170,758.

Lease – Sand Pro Tractor

The Town entered into a capital lease for \$21,417 to purchase a Toro Sand Pro in fiscal year ended June 30, 2021. The lease is payable in annual installments of \$4,449 at 1.66% interest ending on October 29, 2025. The balance of the lease at June 30, 2023 is \$13,061.

Total annual debt service requirements for the Governmental Activities are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 153,882	\$ 24,459	\$ 178,341
2025	157,838	20,503	178,341
2026	161,905	16,436	190,960
2027	102,766	12,257	115,023
2028	106,012	9,011	115,023
2029-2033	172,607	8,968	181,575
	<u>\$ 855,010</u>	<u>\$ 82,666</u>	<u>\$ 777,688</u>

The following is the long-term debt activity for the Business-type Activities:

Revenue Bond Series 2021

In fiscal year ending June 30, 2022, the Town executed a loan agreement for \$5,883,681 with the South Carolina Water Quality Revolving Fund Authority. The purpose of this agreement was to finance the upgrade to the Cheraw Wastewater Treatment Plant. As of June 30, 2023, the Town had drawn \$3,164,130 of the total loan amount. As of June 30, 2023, the balance was \$2,897,018.

Total annual debt service requirements for the Business-type Activities are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 269,793	\$ 55,156	\$ 324,949
2025	272,501	52,448	324,949
2026	275,236	49,713	337,568
2027	277,999	46,950	324,949
2028	280,789	44,160	324,949
2029-2033	1,446,793	177,952	1,624,745
2034-2038	73,907	6,984	80,891
	<u>\$ 2,897,018</u>	<u>\$ 248,427</u>	<u>\$ 1,637,364</u>

TOWN OF CHERAW, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

8. Long-Term Debt (continued)

Changes in long-term liabilities for the year ended June 30, 2023 are as follows:

	July 1, 2022	Increases	Decreases	June 30, 2023	Due Within One Year
Governmental activities:					
Capital Leases	\$ 1,005,044	\$ -	\$ (150,034)	\$ 855,010	\$ 153,882
Compensated absences	299,270	289,626	(299,270)	289,626	289,626
Total governmental activities	1,304,314	289,626	(449,304)	1,144,636	443,508
Business-type Activities:					
Revenue bond	1,390,055	1,774,075	(267,112)	2,897,018	269,793
Compensated absences	29,956	36,740	(29,956)	36,740	36,740
Total business-type activities	1,420,011	1,810,815	(297,068)	2,933,758	306,533
Total	\$ 2,724,325	\$ 2,100,441	\$ (746,372)	\$ 4,078,394	\$ 750,041

9. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; error and omissions; injuries to employees; and natural disasters. The Town carries commercial property insurance coverage and general liability coverage for these risks. There have been no significant reductions in insurance coverage in the last two years and settled claims have not exceeded coverage in any of the last four fiscal years.

The Town participates in the South Carolina Municipal Insurance Reserve Fund, an insurance pool currently operating as a common tort liability and insurance program. The limit of the tort liability is \$600,000 per occurrence, while the limit for casualty insurance varies depending on the value of the property.

10. Postemployment Benefits Other than Pensions

Plan Description

In accordance with the South Carolina Code of Laws and the annual Appropriation Act, the Town has autonomy in establishing retiree and post-employment benefits. The Town provides certain health insurance benefits to certain active and retired Town employees and certain surviving dependents or retirees. All permanent full-time employees of the Town who have completed 15 year of service are eligible to receive these benefits. After this date, the Town will not pay any portion of the employee only health insurance.

TOWN OF CHERAW, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

10. Postemployment Benefits Other than Pensions (continued)

At July 1, 2022, evaluation date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	9
Inactive members entitled to but not yet receiving benefits	0
Active employees	93
Total Membership	<u>102</u>

Funding Policy

Employer and employee contribution rates are established by the State of South Carolina Employee Insurance Plan. The Town currently funds the plan on a pay-as-you go basis. As of July 1, 2022, the valuation date, plan members pay the employee contribution portion of the monthly premium cost and the Town contributes a percentage of the remainder of the premium cost.

Change in OPEB Liability

Changes in OPEB liability from June 30, 2022 to June 30, 2023 is shown in the following table:

	Total OPEB (Assets) / Liability
Balance as of June 30, 2022 - restated	\$ 265,538
Changes for the year:	
Service Cost	(42,148)
Interest on Total OPEB liability	(12,171)
Effect of economic/demographic gains or losses	50,903
Effect of assumption changes or inputs	(11,825)
Benefit payments	<u>2,121</u>
Balance as of June 30, 2023	<u>\$ 252,418</u>

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates

The following presents the Town's Total OPEB Liability, calculated using the discount rate of 3.54%. It also presents what the Town's Total OPEB Liability would be if it were calculated using a discount rate one percentage point lower (2.54%) and one percentage point higher (4.54%) than the current rate:

	1% Decrease (2.54%)	Discount Rate (3.54%)	1% Increase (4.54%)
Total OPEB Liability	\$ 291,349	\$ 252,418	\$ 221,031

TOWN OF CHERAW, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

10. Postemployment Benefits Other than Pensions (continued)

The following presents the Town's Total OPEB Liability, calculated using the current healthcare trend rates. It also presents what the Town's Total OPEB Liability would be if it were calculated using a discount rate one percentage point lower or one percentage point higher than the current rate:

	1% Decrease in Trend Rate	Current Trend Rate	1% Increase in Trend Rate
Total OPEB Liability	\$ 215,766	\$ 252,418	\$ 299,603

Actuarial Method and Assumptions

The Town does not pre-fund OPEB. Instead it pays benefits directly from general assets on a pay-as-you-go basis. The following actuarial methods and assumptions were used in the July 1, 2022 accounting valuation.

Inflation	2.25%
Real wage growth	
SCRS	0.75%
PORS	1.25%
Wage inflation	
SCRS	3.00%
PORS	3.50%
Salary increases, including wage inflation	
SCRS	3.00% - 9.50%
PORS	3.50% - 10.50%
Municipal Bond Index Rate	
Prior Measurement Date	2.16%
Measurement Date	3.54%
Health Care Cost Rates	
Pre-Medicare	14.60% for 2022 decreasing to an ultimate rate of 4.50% by 2032
Medicare	14.60% for 2022 decreasing to an ultimate rate of 4.50% by 2025
Dental	3.50%
Vision	2.00%

TOWN OF CHERAW, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

10. Postemployment Benefits Other than Pensions (continued)

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

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	\$ 788,460	\$ 631,873
Changes of assumptions	31,906	12,396
Total	<u>\$ 820,366</u>	<u>\$ 644,269</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ended June 30,</u>	
2024	\$ 32,556
2025	32,556
2026	32,800
2027	33,329
2028	33,329
Thereafter	11,527
Total	<u>\$ 176,097</u>

11. Tax Abatements

The Town's property tax revenues were reduced by \$201,684 under agreements entered into by Chesterfield County as of June 30, 2023. See the chart detail below for further details.

<u>Tax Abatement Program</u>	<u>Amount of Taxes Abated during the Fiscal Year</u>
Ad Valorem Property Tax	\$ 793,106
Fee-in-Lieu of Taxes Program (FILOT)	(591,422)
	<u>\$ 201,684</u>

TOWN OF CHERAW, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

12. Restatement

During the year, the Town received the actuarial OPEB report. It was determined that prior years OPEB liability was incorrect. This requires the Town to restate the beginning net position balance for the Governmental and Business Type Activities.

The balances that were affected are as followed:

	Governmental Activites	Business-type Activites
Audited net position as of June 30, 2022	\$ 6,697,342	\$ 8,188,371
Difference due to OPEB liability	(610,442)	(212,959)
Restated net position balance as of June 30, 2022	<u>\$ 6,086,900</u>	<u>\$ 7,975,412</u>

13. Subsequent events

Subsequent events were evaluated through December 11, 2023, which is the date the financial statements were available for issue. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be required.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF CHERAW, SOUTH CAROLINA

SCHEDULE OF PROPORTIONATE SHARE OF THE SOUTH CAROLINA RETIREMENT SYSTEMS NET PENSION LIABILITIES

LAST TEN FISCAL YEARS*

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
South Carolina Retirement System								
Town's proportion of the net pension liability	0.0194%	0.0198%	0.0205%	0.0201%	0.0198%	0.0198%	0.0207%	0.0210%
Town's proportionate share of the net pension liability	\$ 4,698,196	\$ 4,283,742	\$ 5,241,199	\$ 4,590,489	\$ 4,433,277	\$ 4,433,277	\$ 4,665,081	\$ 4,488,132
Town's covered payroll	\$ 2,307,737	\$ 2,237,565	\$ 2,291,356	\$ 2,107,196	\$ 2,052,222	\$ 2,052,222	\$ 2,087,870	\$ 2,042,172
Town's proportionate share of the net pension liability as a percentage of its covered payroll	203.58%	191.45%	228.74%	217.85%	216.02%	216.02%	223.44%	219.77%
Plan fiduciary net position as a percentage of the total pension liability	57.10%	60.70%	54.40%	54.40%	54.10%	54.10%	53.34%	52.91%
South Carolina Police Officers Retirement System								
Town's proportion of the net pension liability	0.0963%	0.0969%	0.0944%	0.0948%	0.0961%	0.0961%	0.0961%	0.1001%
Town's proportionate share of the net pension liability	\$ 2,886,672	\$ 2,492,901	\$ 3,131,860	\$ 2,717,040	\$ 2,722,801	\$ 2,722,801	\$ 2,633,348	\$ 2,539,721
Town's covered payroll	\$ 1,507,362	\$ 1,454,732	\$ 1,423,711	\$ 1,390,790	\$ 1,328,150	\$ 1,328,150	\$ 1,297,486	\$ 1,269,085
Town's proportionate share of the net pension liability as a percentage of its covered payroll	191.50%	171.36%	219.98%	195.36%	205.01%	205.01%	202.96%	200.12%
Plan fiduciary net position as a percentage of the total pension liability	66.40%	70.40%	62.69%	62.69%	61.73%	61.73%	60.94%	60.44%

* - The amounts presented for each fiscal year were determined as of July 1 of one year prior, using membership data as of the day, projected forward to June 30 of the current. Additionally, the Town implemented GASB 68 during fiscal year 2015. As such, only the last eight years of information is available.

TOWN OF CHERAW, SOUTH CAROLINA

SCHEDULE OF SOUTH CAROLINA RETIREMENT SYSTEMS CONTRIBUTIONS

LAST TEN FISCAL YEARS *

	2023	2022	2021	2020	2019	2018	2017	2016
South Carolina Retirement System								
Contractually required contributions	\$ 404,326	\$ 378,700	\$ 344,809	\$ 353,098	\$ 303,647	\$ 275,203	\$ 238,226	\$ 222,801
Contributions in relation to the contractually required contribution	(404,326)	(378,700)	(344,809)	(353,098)	(303,647)	(275,203)	(238,226)	(222,801)
Contribution deficiency/(excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town covered payroll	\$ 2,322,378	\$ 2,307,737	\$ 2,237,565	\$ 2,291,356	\$ 2,107,196	\$ 2,052,222	\$ 2,087,870	\$ 2,042,172
Contributions as a percentage of covered payroll	17.41%	16.41%	15.41%	15.41%	14.41%	13.41%	11.41%	10.91%
South Carolina Police Officers Retirement System								
Contractually required contributions	\$ 294,132	\$ 283,987	\$ 259,524	\$ 253,990	\$ 234,209	\$ 210,379	\$ 179,572	\$ 174,372
Contributions in relation to the contractually required contribution	(294,132)	(283,987)	(259,524)	(253,990)	(234,209)	(210,379)	(179,572)	(174,372)
Contribution deficiency/(excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town covered payroll	\$ 1,482,520	\$ 1,507,362	\$ 1,454,732	\$ 1,423,711	\$ 1,390,790	\$ 1,328,150	\$ 1,297,486	\$ 1,269,085
Contributions as a percentage of covered payroll	19.84%	18.84%	17.84%	17.84%	16.84%	15.84%	13.84%	13.74%

* - The amounts presented for each fiscal year were determined as of July 1 of one year prior, using membership data as of the day, projected forward to June 30 of the current year. Additionally, the Town implemented GASB 68 during fiscal year 2015. As such, only the last eight years of information is available.

TOWN OF CHERAW, SOUTH CAROLINA

SCHEDULE OF CHANGES IN THE TOWN'S TOTAL OPEB LIABILITY AND RELATED RATIOS

LAST TEN FISCAL YEARS*

	2023	2022	2021	2020	2019	2018
Total OPEB Liability						
Service cost	\$ (42,148)	\$ (41,450)	\$ 11,288	\$ 10,220	\$ 8,577	\$ 8,412
Interest	(12,171)	5,072	8,711	7,686	6,905	6,302
Changes of benefit terms	-	-	-	-	-	-
Economic/demographic gains or (losses)	50,903	25,090	-	34,610	-	-
Difference between expected and actual experience	-	-	-	-	-	-
Changes of assumptions or other inputs	(11,825)	13,604	27,243	6,991	(4,774)	(1,319)
Benefit payments and implicit study credit	2,121	(15,435)	(12,282)	(8,268)	(5,103)	3,615
Other	-	-	-	-	-	-
Net change in Total OPEB Liability	(13,120)	(13,119)	34,960	51,239	5,605	17,010
Total OPEB Liability - beginning - restated	265,538	278,657	243,697	192,458	186,853	169,843
Total OPEB Liability - ending	<u>\$ 252,418</u>	<u>\$ 265,538</u>	<u>\$ 278,657</u>	<u>\$ 243,697</u>	<u>\$ 192,458</u>	<u>\$ 186,853</u>
Covered-employee payroll	\$ 3,277,112	\$ 3,496,208	\$ 2,994,329	\$ 2,994,329	\$ 2,712,371	\$ 2,712,371
Total OPEB Liability as a percentage of covered payroll	7.70%	7.60%	9.31%	8.14%	7.10%	6.89%

* - The amounts presented for each fiscal year were determined as of July 1 of one prior, using membership data as of the day, projected forward to June 30 of the current year. Additionally, the Town implemented GASB 75 during fiscal year 2018. As such, only six years subsequent to fiscal year 2017 have information available.

COMBINING FUND FINANCIAL STATEMENTS

TOWN OF CHERAW, SOUTH CAROLINA

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2023

	Police Seizure	Community Development	Cheraw/ Chesterfield Industrial Park	Airport Land Sales	Demolition Fund	State Shared Accommodations Tax	Hotel Tax	Victims Assistance	Airport Grant Fund	Equipment Replacement Fund	Total
Assets											
Cash	\$ 30,406	\$ 44,146	\$ 871	\$ 6,188	\$ -	\$ -	\$ -	\$ -	\$ 57,770	\$ -	\$ 139,381
Loans receivable	-	34,301	-	-	-	-	-	-	-	-	34,301
Due from other governments	-	-	20,011	-	-	-	-	-	-	-	20,011
Due from other funds	-	649	-	-	-	216,899	354,810	26,014	-	198,317	796,689
Total assets	<u>30,406</u>	<u>79,096</u>	<u>20,882</u>	<u>6,188</u>	<u>-</u>	<u>216,899</u>	<u>354,810</u>	<u>26,014</u>	<u>57,770</u>	<u>198,317</u>	<u>990,382</u>
Liabilities and fund balances											
Liabilities											
Unearned revenue	-	-	-	-	-	-	-	-	217,252	-	217,252
Due to other governments	-	153,591	-	-	-	-	-	-	-	-	153,591
Due to other funds	-	35,722	649	-	11,715	-	-	-	58,015	-	106,101
Total liabilities	<u>-</u>	<u>189,313</u>	<u>649</u>	<u>-</u>	<u>11,715</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>275,267</u>	<u>-</u>	<u>476,944</u>
Fund Balance											
Committed	-	-	-	-	-	-	-	-	-	198,317	198,317
Assigned	-	-	20,233	6,188	-	-	-	-	-	-	26,421
Restricted	30,406	(110,217)	-	-	(11,715)	216,899	354,810	26,014	(217,497)	-	288,700
Total fund balance	<u>30,406</u>	<u>(110,217)</u>	<u>20,233</u>	<u>6,188</u>	<u>(11,715)</u>	<u>216,899</u>	<u>354,810</u>	<u>26,014</u>	<u>(217,497)</u>	<u>198,317</u>	<u>513,438</u>
Total liabilities and fund balances	<u>\$ 30,406</u>	<u>\$ 79,096</u>	<u>\$ 20,882</u>	<u>\$ 6,188</u>	<u>\$ -</u>	<u>\$ 216,899</u>	<u>\$ 354,810</u>	<u>\$ 26,014</u>	<u>\$ 57,770</u>	<u>\$ 198,317</u>	<u>\$ 990,382</u>

TOWN OF CHERAW, SOUTH CAROLINA

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - NONMAJOR
GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2023

	Police Seizure	Community Development	Cheraw/ Chesterfield Industrial Park	Airport Land Sales	Demolition Fund	State Shared Accommodations Tax	Hotel Tax	Victims Assistance	Airport Grant Fund	Equipment Replacement Fund	Total
Revenues											
State Funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 52,679	\$ -	\$ -	\$ -	\$ -	\$ 52,679
Special activities and programs	-	-	-	-	-	-	-	4,700	-	-	4,700
Interest	14	18	-	-	-	-	-	-	24	-	56
Miscellaneous	21,841	-	4,407	3,250	-	-	103,806	-	-	-	133,304
Total revenues	<u>21,855</u>	<u>18</u>	<u>4,407</u>	<u>3,250</u>	<u>-</u>	<u>52,679</u>	<u>103,806</u>	<u>4,700</u>	<u>24</u>	<u>-</u>	<u>190,739</u>
Expenditures											
Special activities and programs	-	166,587	-	-	-	-	-	3,294	209,256	-	379,137
Other expenditures	17,679	-	7,863	-	-	11,223	-	-	-	-	36,765
Total expenditures	<u>17,679</u>	<u>166,587</u>	<u>7,863</u>	<u>-</u>	<u>-</u>	<u>11,223</u>	<u>-</u>	<u>3,294</u>	<u>209,256</u>	<u>-</u>	<u>415,902</u>
Other financing sources											
Grant revenue	-	-	-	-	-	-	-	-	355,355	-	355,355
Gran expense	-	-	-	-	-	-	-	-	(98,319)	-	(98,319)
Transfers in	-	32,820	-	-	-	-	-	-	-	-	32,820
Total other financing sources	<u>-</u>	<u>32,820</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>257,036</u>	<u>-</u>	<u>289,856</u>
Net change in fund balances	4,176	(133,749)	(3,456)	3,250	-	41,456	103,806	1,406	47,804	-	64,693
Fund balances, beginning of year	26,230	23,532	23,689	2,938	(11,715)	175,443	251,004	24,608	(265,301)	198,317	448,745
Fund balances, ending	<u>30,406</u>	<u>(110,217)</u>	<u>20,233</u>	<u>6,188</u>	<u>(11,715)</u>	<u>216,899</u>	<u>354,810</u>	<u>26,014</u>	<u>(217,497)</u>	<u>198,317</u>	<u>513,438</u>

OTHER FINANCIAL INFORMATION

TOWN OF CHERAW, SOUTH CAROLINA

SCHEDULE OF COURT FINES, FEES, ASSESSMENTS AND SURCHARGES

YEAR ENDED JUNE 30, 2023

Total Court Fines and Assessments:

Court fines and assessments collected	\$	77,090
Court fines and assessments remitted to State Treasurer		<u>(41,910)</u>
Total Court fines and assessments retained	\$	<u><u>35,180</u></u>

Surcharges and Assessments retained for Victim's Services

Surcharges collected and retained	\$	1,055
Assessments retained		<u>3,644</u>
Total surcharges and assessments retained for victims services	\$	<u><u>4,699</u></u>

Victim Services Collected

Carryforward from previous year - beginning balance	\$	25,571
Victim Service Revenue		
Victim service assessments retained by the Town		3,644
Victim service surcharges retained by the Town		<u>1,055</u>
Total funds allocated to victim service fund + beginning balance (A)		<u><u>30,270</u></u>
Expenditures for Victim Service Program		
Operating expenditures		<u>3,294</u>
Total expenditures from victim service fund/program (B)		<u><u>3,294</u></u>
Total victim service funds retained by the Town (A-B)		26,976
Less: prior year fund deficit repayment		<u>-</u>
Carryforward funds - end of year	\$	<u><u>26,976</u></u>

See independent auditors' report on other financial information

TOWN OF CHERAW, SOUTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2023

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal Assistance Listing Number	Federal Expenditures June 30, 2023
United States Environmental Protection Agency		
Capitalization Grants for Clean Water State Revolving Funds	66.458	\$ 1,774,075
Total United States Environmental Protection Agency		<u>1,774,075</u>
Department of Commerce		
Economic Adjustment Assistance	11.307	48,498
Total Department of Commerce		<u>48,498</u>
Department of the Interior		
Outdoor Recreation Acquisition, Development and Planning	15.916	84,098
Emergency Supplemental Historic Preservation Fund	15.957	241,720
Total Department of the Interior		<u>325,818</u>
United States Department of Justice		
Coronavirus Emergency Supplemental Funding Program	16.034	82,592
Bulletproof Vest Partnership Program	16.607	7,717
Total United States Department of Justice		<u>90,309</u>
Department of Transportation		
Airport Improvement Program	20.106	196,597
Total Department of Transportation		<u>196,597</u>
Department of the Treasury		
Coronavirus State and Local Fiscal Recovery Funds (Single or Program-specific Audit)	21.027	631,960
Total Department of the Treasury		<u>631,960</u>
United States Department of Agriculture		
Rural Housing Preservation Grants	10.433	163,418
Total United States Department of Agriculture		<u>163,418</u>
Total Expenditures of Federal Awards		<u>\$ 3,230,675</u>

TOWN OF CHERAW, SOUTH CAROLINA

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

JUNE 30, 2023

1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Town under programs of the federal government for the fiscal year ended June 30, 2023. The information in this schedule is presented in accordance with requirements of the *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Town of Cheraw, it is not intended to and does not present the financial position, changes in net position or cash flows of the Town of Cheraw.

2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles obtained in the *Uniform Guidance* and/or OMB Circular A-122, *Cost Principles for Non-profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

3. Indirect Costs

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

THE BRITTINGHAM GROUP, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

501 STATE STREET
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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Honorable Mayor and Members
Of Town Council
Town of Cheraw
200 Market Street, P.O. Box 219
Cheraw, South Carolina 29520

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 Cheraw, (the "Town") as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated December 11, 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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

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

Purpose of this Report

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

The Brittingham Group LLP

West Columbia, South Carolina
December 11, 2023

THE BRITTINGHAM GROUP, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Honorable Mayor and Members
Of Town Council
Town of Cheraw
200 Market Street, P.O. Box 219
Cheraw, South Carolina 29520

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Town of Cheraw'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, 2023. 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 types of 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, 2023.

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; the standards applicable to the financial audit contained in Government Auditing Standards, issued by the Comptroller General of the United States; 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 generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. 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 judgement 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 generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgement 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 and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. 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.

The Brittingham Group LLP

West Columbia, South Carolina
December 11, 2023

TOWN OF CHERAW, SOUTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2023

Summary of Auditors' Results:

1. The auditor's report expresses an unmodified opinion on the basic financial statements of Town of Cheraw.
2. No material weaknesses or significant deficiencies relating to the financial statements are reported in the Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of the Town of Cheraw were disclosed during the audit.
4. No material weaknesses or significant deficiencies relating to the audit of major federal awards are reported in the Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance.
5. The auditor's report on compliance for the major federal award programs for the Town of Cheraw expresses an unmodified opinion.
6. No audit findings were reported relative to the major federal award programs for the Town of Cheraw as depicted below in this schedule.
7. Major federal programs:

Capitalization Grants for Clean Water State Revolving Funds	CFDA #66.458
Coronavirus State and Local Fiscal Recovery Funds	CFDA #21.027

8. The threshold for distinguishing between Type A and Type B Programs was \$750,000.

9. Town of Cheraw did not qualify as a low-risk auditee.

Financial Statement Findings:

None

Federal Awards Findings and Questioned Costs:

None findings or questioned costs.

Status of Prior Year Findings:

None were reported.