

**TOWN OF RIDGEWAY,
SOUTH CAROLINA**

BASIC FINANCIAL STATEMENTS

JUNE 30, 2024

**TOWN OF RIDGEWAY, SOUTH CAROLINA
BASIC FINANCIAL STATEMENTS
JUNE 30, 2024**

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INDEPENDENT AUDITORS REPORT

Town Council
Town of Ridgeway, South Carolina
Ridgeway, South Carolina

Report on the Audit of the Financial Statements

Qualified Opinion

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Town of Ridgeway, South Carolina as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Town of Ridgeway, South Carolina's basic financial statements as listed in the table of contents.

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major, and the aggregate remaining fund information of the Town of Ridgeway, South Carolina, as of June 30, 2024, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Qualified Opinion

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

Matter Giving Rise to the Qualified Opinion

As discussed in Note 10, the Town of Ridgeway, South Carolina was unable to provide sufficient supporting documentation for certain expenditures totaling \$299,555, which represents 20.2% of total expenses.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Ridgeway, South

Carolina's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards, we:

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

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

Required Supplementary Information

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

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

Other Matters

Required Supplementary Information

Management has omitted the management, discussion, and analysis and the budgetary comparison schedules that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 14, 2025 on our consideration of the Town of Ridgeway, South Carolina's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 of Ridgeway, South Carolina's internal control over financial reporting and compliance.

Love Bailey & Associates, LLC

Love Bailey & Associates, LLC
Laurens, South Carolina
March 14, 2025

TOWN OF RIDGEWAY, SOUTH CAROLINA
STATEMENT OF NET POSITION
JUNE 30, 2024

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets:			
Cash	\$ 326,277	\$ 692,971	\$ 1,019,248
Restricted cash	255,215	-	255,215
Account receivables, net	66,150	92,349	158,499
Due to/from other funds	215,027	-	215,027
Total current assets	<u>862,669</u>	<u>785,320</u>	<u>1,647,989</u>
NONCURRENT ASSETS			
Capital assets			
Other Asset	12,493	-	12,493
Non-depreciable capital assets	116,693	23,710	140,403
Depreciable capital assets, net	378,885	1,018,745	1,397,630
Total noncurrent assets	<u>508,071</u>	<u>1,042,455</u>	<u>1,550,526</u>
Total assets	<u>1,370,740</u>	<u>1,827,775</u>	<u>3,198,515</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows on net pension liability	94,157	83,981	178,138
Total deferred outflows of resources	<u>94,157</u>	<u>83,981</u>	<u>178,138</u>
LIABILITIES			
Current liabilities:			
Accounts payable	12,863	-	12,863
Accrued liabilities	10,820	10,005	20,825
Unearned revenue	-	678	678
Due to other funds	-	215,027	215,027
Total current liabilities	<u>23,683</u>	<u>225,710</u>	<u>249,393</u>
Non-current liabilities:			
Net pension liability	130,235	193,685	323,920
Accrued compensated absences	-	1,429	1,429
Total non-current liabilities	<u>130,235</u>	<u>195,114</u>	<u>325,349</u>
Total liabilities	<u>153,918</u>	<u>420,824</u>	<u>574,742</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows on net pension liability	25,527	34,759	60,286
Fairfield County appropriations	50,000	-	50,000
	<u>75,527</u>	<u>34,759</u>	<u>110,286</u>
NET POSITION			
Net investment in capital assets	495,578	1,042,455	1,538,033
Nonspendable:			
Other asset (Note 6)	12,863	-	12,863
Restricted for:			
Capital fund	177,523	-	177,523
Pig on the ridge	1,006	-	1,006
Municipal court	10,647	-	10,647
Hospitality fund	65,969	-	65,969
Accomodations tax	70	-	70
Unrestricted	471,796	413,718	885,514
Total net position	<u>\$ 1,235,452</u>	<u>\$ 1,456,173</u>	<u>\$ 2,691,625</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF RIDGEWAY, SOUTH CAROLINA
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2024

			Net (Expense) Revenue and Changes in Net Position			
			Primary Government			
Program Revenues						
	Expenses	Charges for Services	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
PRIMARY GOVERNMENT						
Governmental activities						
General government	\$ 517,271	\$ -	\$ 82,212	\$ (435,059)	\$ -	\$ (435,059)
Festival expenses	3,680	-	-	(3,680)	-	(3,680)
Total governmental activities	520,951	-	82,212	(438,739)	-	(438,739)
Business-type activities						
Public works	510,538	544,110	-	-	33,572	33,572
Total business-type activity	510,538	544,110	-	-	33,572	33,572
Total primary government	\$ 1,031,489	\$ 544,110	\$ 82,212	(438,739)	33,572	(405,167)
GENERAL REVENUES						
Tax revenue				162,211	-	162,211
Licenses, permits, and franchise fees				177,030	-	177,030
Festival income				6,072	-	6,072
Rental income				14,186	-	14,186
Interest income				14,386	14,162	28,548
Other income				76,501	623	77,124
Transfers				88,030	(88,030)	-
Total general revenues, capital contributions, and transfers				538,416	(73,245)	465,171
Change in net position				99,677	(39,673)	60,004
Net position, beginning of year				1,135,775	1,495,846	2,631,621
Net position, end of year				\$ 1,235,452	\$ 1,456,173	\$ 2,691,625

The accompanying notes are an integral part of these financial statements.

TOWN OF RIDGEWAY, SOUTH CAROLINA
BALANCE SHEET - GOVERNMENTAL FUND
JUNE 30, 2024

ASSETS

Cash and cash equivalents	\$ 326,277
Restricted cash	255,215
Account receivables	66,150
Due from water and sewer fund	<u>215,027</u>
Total assets	<u><u>\$ 862,669</u></u>

**LIABILITIES, DEFERRED INFLOWS OF
RESOURCES, AND FUND BALANCES**

LIABILITIES

Accounts payable	\$ 12,863
Accrued liabilities	<u>10,820</u>
Total liabilities	<u>23,683</u>

DEFERRED INFLOWS OF RESOURCES

Fairfield County appropriations	<u>50,000</u>
Total deferred inflows of resources	<u>50,000</u>

FUND BALANCES

Restricted	255,215
Unassigned	<u>788,986</u>
Total fund balance	<u>788,986</u>
Total liabilities, deferred inflows of resources, and fund balance	<u><u>\$ 862,669</u></u>

The accompanying notes are an integral part of these financial statements.

TOWN OF RIDGEWAY, SOUTH CAROLINA
RECONCILIATION OF THE BALANCE SHEET OF THE GOVERNMENTAL FUND
TO THE STATEMENT OF NET POSITION
JUNE 30, 2024

Total fund balance for governmental fund balances	\$ 788,986
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets, net of accumulated depreciation, used in governmental activities are not financial sources and; therefore, are not reported in the governmental fund.	495,578
Other assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental fund	12,493
The Town's proportionate shares of the net pension liability, deferred outflows of resources, and deferred inflows of resources related to its participation in the State pension plan are not recorded in the governmental funds but are recorded in the statement of net position.	(61,605)
Total net position of governmental activities	<u>\$ 1,235,452</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF RIDGEWAY, SOUTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
GOVERNMENTAL FUND
YEAR ENDED JUNE 30, 2024

REVENUES

Tax revenue	\$ 162,211
Licenses, permits, and franchise fees	177,030
Intergovernmental	6,072
Rental income	14,186
Grant income	82,212
Interest income	14,386
Other income	76,501
	<hr/>
Total revenues	532,598
	<hr/>

EXPENDITURES

General governmental	499,686
Festival expenses	3,680
Capital outlay	184,761
	<hr/>
Total expenditures	688,127
	<hr/>

**EXCESS (DEFICIENCY) OF REVENUES
OVER EXPENDITURES**

(155,529)

OTHER FINANCING SOURCES (USES)

Transfers in (out)	88,030
	<hr/>
Total other financing (uses) sources	88,030
	<hr/>

Net change in fund balances (67,499)

Fund balance, beginning of year	856,485
	<hr/>
Fund balance, end of year	\$ 788,986
	<hr/> <hr/>

The accompanying notes are an integral part of these financial statements.

**TOWN OF RIDGEWAY, SOUTH CAROLINA
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF THE GOVERNMENTAL FUND
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2024**

Net change in fund balance - governmental fund		\$	(67,499)
Amounts reported for governmental activities in the statement of activities are different			
Governmental fund reports capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense.			
Capital asset additions	\$	184,761	
Less, current year depreciation		<u>(19,644)</u>	165,117
Some expenses reported in the statement of activities do not require the use of current financial resources, therefore, are not reported as expenditures in governmental fund.			
Change in pension liability and related deferred inflows/outflows			<u>2,059</u>
Change in net position of governmental activities		\$	<u><u>99,677</u></u>

The accompanying notes are an integral part of these financial statements.

TOWN OF RIDGEWAY, SOUTH CAROLINA
STATEMENT OF NET POSITION - PROPRIETARY FUND
JUNE 30, 2024

ASSETS

Current Assets:

Cash	\$ 692,971
Account receivables	92,349
Total current assets	<u>785,320</u>

Non-current assets:

Non-depreciable capital assets	23,710
Depreciable capital assets, net	1,018,745
Total noncurrent assets	<u>1,042,455</u>
Total assets	<u>1,827,775</u>

DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows on net pension liability	<u>83,981</u>
Total deferred outflows of resources	<u>83,981</u>

LIABILITIES

Current liabilities:

Accrued liabilities	10,005
Unearned revenue	678
Due to other funds	215,027
Total current liabilities	<u>225,710</u>

Noncurrent liabilities:

Net pension liability	193,685
Accrued compensated absences	1,429
Total noncurrent liabilities	<u>195,114</u>
Total liabilities	<u>420,824</u>

DEFERRED INFLOWS OF RESOURCES

Deferred inflows on net pension liability	<u>34,759</u>
Total deferred inflows of resources	<u>34,759</u>

NET POSITION

Net investment in capital assets	1,042,455
Unrestricted	413,718
Total net position	<u>\$ 1,456,173</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF RIDGEWAY, SOUTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN NET POSITION
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2024

OPERATING REVENUES

Charges and fees	\$ 544,110
Other Revenues	623
Total operating revenues	<u>544,733</u>

OPERATING EXPENSES

Public works	
Salaries and benefits	134,806
Winnsboro water purchases	215,054
Sludge removal	6,570
Chemicals and testing	1,117
Repairs and maintenance	48,992
Utilities	24,129
Professional fees	17,541
Office Supplies	3,958
Fuel	3,736
State testing	9,062
Waste management	673
Bank service charges	1,332
Depreciation	42,225
Miscellaneous	1,343
Total operating expenses	<u>510,538</u>

Operating income (loss)	34,195
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NON-OPERATING REVENUES (EXPENSES)

Interest income	<u>14,162</u>
Total non-operating expenses	<u>14,162</u>

Net income (loss) before transfers	48,357
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Transfers in (out)	(88,030)
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Change in net position	(39,673)
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Net position, beginning of year as restated	<u>1,495,846</u>
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Net position, end of year	<u><u>\$ 1,456,173</u></u>
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The accompanying notes are an integral part of these financial statements.

TOWN OF RIDGEWAY, SOUTH CAROLINA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2024

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from customers	\$ 502,249
Payments for supplies for goods and services	(328,312)
Transfers out	(88,030)
Payments to or on behalf of employees	(32,567)
	<hr/>
Net cash provided by operating activities	53,340
	<hr/>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Purchase of capital assets	(5,994)
	<hr/>
Net cash used in capital and related financing activities	(5,994)
	<hr/>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest income	14,162
	<hr/>
Net cash provided by investing activities	14,162
	<hr/>
Net increase in cash	61,508

CASH, BEGINNING OF YEAR

631,463

CASH, END OF YEAR

\$ 692,971

**RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY
OPERATING ACTIVITIES**

Operating income (loss)	\$ 34,195
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation	42,225
Decrease (increase) in:	
Accounts receivable	(42,484)
Increase (decrease) in:	
Accounts liabilities	5,196
Due to other funds	14,284
Pension liability	(77)
	<hr/>
Net cash provided by operating activities	\$ 53,340
	<hr/>

The accompanying notes are an integral part of these financial statements.

TOWN OF RIDGEWAY, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACTIVITIES

Nature of Organization

The Town of Ridgeway, South Carolina (the “Town”) is an incorporated municipality established in 1896 located in Fairfield County. The Town operates under a mayor-council form of government. The Town’s governing body consists of an elected mayor and four-member council.

Reporting Entity

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

The accompanying basic financial statements include all Town funds and governmental functions. The primary criterion for determining inclusion or exclusion of a legally separate entity (component unit) is financial accountability, which is presumed to exist if the Town both appoints a voting majority of the entity’s governing body, and either 1) the Town is able to impose its will on the entity or, 2) there is a potential for the entity to provide specific benefits to, or impose specific financial burdens on the Town.

If either or both of the foregoing conditions are not met, the entity could still be considered a component unit if it is fiscally dependent on the Town. In order to be considered fiscally independent, an entity must have the authority to do all of the following: determine its budget without the Town having authority to approve or modify that budget; levy taxes or set rates or charges without approval by the Town; and issue bonded debt without approval by the Town. Finally, an entity could be a component unit even if it met all the conditions described above if excluding it would cause the Town’s basic financial statements to be misleading or incomplete.

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

Basis of Presentation

The government-wide basic financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the Town. For the most part, the effect of interfund activity has been removed from these basic financial statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

(Continued)

TOWN OF RIDGEWAY, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACTIVITIES, Continued

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

Government-Wide Financial Statements

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Business licenses are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

Fund Financial Statements

The fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Property taxes, intergovernmental revenues, franchise taxes, licenses, and interest associated with the current period are all considered to be measurable and susceptible to accrual and so have been recognized as revenues of the current period. For this purpose, the government considers its revenues to be available if they are collected within 60 days of the end of the current fiscal period. All other revenue items are considered to be measurable and available only when cash has been received by the Town. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures and capital lease expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payments are due and payable. Capital asset acquisitions are reported as capital outlay expenditures in governmental funds. Proceeds of long-term debt are reported as other financing sources.

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

(Continued)

TOWN OF RIDGEWAY, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACTIVITIES, Continued

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

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

Governmental Fund Types

The Town's expendable financial resources and related assets and liabilities (except for those accounted for in the Proprietary Funds) are accounted for through governmental funds. Governmental funds are accounted for using a current financial resources measurement focus and the modified accrual basis of accounting.

The following is the Town's only governmental fund type:

General Fund – The general fund is the general operating fund of the Town and accounts for all revenues and expenditures of the Town except those required to be accounted for in another fund. All general revenues and other receipts that are not allocated by law or contractual agreement to other funds are accounted for in the General Fund. General operating expenditures and the capital improvement costs that are not paid through other funds are paid from the General Fund. This is a budgeted fund, and any unreserved fund balance is considered a resource available for use.

Proprietary Fund

The proprietary fund types are accounted for based on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The Town applies all applicable GASB pronouncements, as well as the requirements of Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins.

(Continued)

TOWN OF RIDGEWAY, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACTIVITIES, Continued

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Proprietary Fund types include the following 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 costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The principal operating revenues of enterprise funds are primarily charges for services and fees. Operating expenses for enterprise funds include the expense for providing goods and services, administrative expenses, maintenance, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The Town has one enterprise funds.

The Water and Sewer Fund is used to account for water and sewer services provided to the residents of the Town.

Budgets

The Town's 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 and Proprietary Fund. The presented budgetary information is as originally adopted or as amended by Council. All annual appropriations lapse at fiscal year-end.

Accounts Receivable

During the course of its operations, the Town has numerous transactions occurring between funds. These transactions include expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying basic financial statements generally reflect such transactions as transfers in (out). To the extent that certain transactions between funds had not been paid or received as of June 30, 2024, balances of interfund receivables or payables have been recorded.

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

Capital Assets

Capital assets, which include land, facilities and equipment, are reported in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation.

(Continued)

TOWN OF RIDGEWAY, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACTIVITIES, Continued

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

Major outlays for capital assets and improvements are capitalized as the projects are constructed.

All reported capital assets are depreciated using the straight-line method over the following useful lives:

<u>Asset</u>	<u>Years</u>
Buildings & Improvements	20 – 30
Land Improvements	20
Equipment & Furnishings	5 – 15
Vehicles	7

Compensated Absences

It is the Town's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the Town does not have a policy to pay any amounts when employees separate from service with the Town.

All vacation pay and salary related expenses are accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This statement 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 (expenses/expenditure) until then. The Town currently reports deferred outflows of resources in the amount of \$178,208 at June 30, 2024.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This statement financial statement element, *deferred inflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenues) until that time. The government has two types of deferred inflow of resources; these items arise under the full accrual basis of accounting. The Town currently reports deferred inflows of resources in the amount of \$60,286 and \$50,000 at June 30, 2024 for the pension liability and Fairfield County appropriations, respectively.

Fund Balance

In the fund basic financial statements, the Town reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity, which is available for appropriation in future periods.

(Continued)

TOWN OF RIDGEWAY, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACTIVITIES, Continued

The Town's use of the term "reserve" relative to the fund balance of its governmental fund is limited to indicating that a portion of the fund balance is not available for expenditure or is legally segregated for a specific future use.

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based on the extent to which the Town is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

Nonspendable – This classification includes amounts that inherently cannot be spent either because it is not in spendable form (i.e. prepaids, inventories, etc.) or because of legal or contractual requirements (i.e. principal on an endowment, etc.)

Restricted – This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grants, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

Unassigned – This classification includes the residual fund balance for the General Fund. The Unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

Net Position

Net position represents the difference between assets and deferred outflows (if any) and liabilities and deferred inflows (if any). Net position is classified as net investment in capital assets; restricted; and unrestricted. Net investment in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets. Net position assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. All other net position assets are treated as unrestricted.

Use of Estimates

The financial statements include estimates and assumptions that affect the Town's financial position and results of operations and disclosure of contingent assets and liabilities. Actual results could differ from these estimates.

TOWN OF RIDGEWAY, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 2 – DEPOSITS AND INVESTMENTS

The following are the components of the Town's cash, restricted cash and cash equivalents at June 30, 2024:

Checking and other cash – general fund	\$ 581,492
Checking and other cash – water and sewer system	<u>692,971</u>
	<u>\$ 1,274,463</u>

Custodial credit risk

Custodial credit risk is the risk that, in the event of a bank failure, the Town's deposits might not be recovered. The Town does not have a formal policy for custodial credit risk, but follows the investment policy statutes of the State of South Carolina. As of June 30, 2024, none of the Town's bank balances of \$1,304,499 were exposed to custodial credit risk because they were insured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Town's name. The Town's bank balance consisted of \$778,878 in cash and \$525,622 in local government investment pool.

NOTE 3 – RESTRICTED CASH

At June 30, 2024 the general fund had restricted cash as follows:

	<u>General Fund</u>
Capital fund	\$ 177,523
Pig on the ridge	1,006
Municipal court	10,647
Hospitality fund	65,969
Accommodations tax	70
Total restricted assets	<u>\$ 255,215</u>

NOTE 4 – RECEIVABLES

At June 30, 2024 the receivables for general fund and water and sewer fund in the aggregate, including applicable allowances for uncollectible accounts, are as follows:

	<u>General Fund</u>	<u>Water and Sewer Fund</u>	<u>Total</u>
Receivables:			
Local options sales tax	\$ 43,981	\$ -	\$ 43,981
Accommodation's tax	1,717	-	1,717
Local government	3,008	-	3,008
Franchise fee	17,444	-	17,444
Sewer fees	-	34,385	34,385
Water fees	-	58,946	58,946
Other	-	4,912	4,912
Gross receivables	<u>66,150</u>	<u>98,243</u>	<u>164,393</u>
Less: allowance for uncollectible	-	(5,985)	(5,985)
Net receivables	<u>\$ 66,150</u>	<u>\$ 92,258</u>	<u>\$ 158,408</u>

TOWN OF RIDGEWAY, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2024 for governmental activities was as follows:

	Balance June 30, 2023	Additions	Deletions	Transfers	Balance June 30, 2024
Non-depreciable capital assets:					
Land	\$ 111,693	\$ -	\$ -	\$ -	\$ 111,693
Construction in progress	66,100	-	-	(66,100)	-
Total non-depreciable capital assets	177,793	-	-	(66,100)	111,693
Depreciable capital assets:					
Buildings and improvements	1,493,246	178,000	-	66,100	1,737,346
Land improvements	70,890	-	-	-	70,890
Vehicles and equipment	23,800	-	-	-	23,800
Furniture and fixtures	47,525	6,761	-	-	54,286
Total depreciable capital assets	1,635,461	184,761	-	66,100	1,886,322
Less accumulated depreciation	(1,482,904)	(19,644)	-	-	(1,502,548)
Total depreciable capital assets, net	152,668	165,006	-	66,100	383,774
Capital assets, net	<u>\$ 330,461</u>	<u>\$ 165,006</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 495,467</u>

For the year ended June 30, 2024 depreciation expense of \$19,644 was charged to the function of the general government.

TOWN OF RIDGEWAY, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 5 – CAPITAL ASSETS, Continued

Capital asset activity for the year ended June 30, 2024 for business-type activities was as follows:

	Balance June 30, 2023	Additions	Deletions	Balance June 30, 2024
Non-depreciable capital assets:				
Land	\$ 23,710	\$ -	\$ -	\$ 23,710
Total non-depreciable capital assets	23,710	-	-	23,710
Depreciable capital assets:				
Buildings and improvements	320,660	-	-	320,660
Vehicles	23,557	-	-	23,557
Equipment	263,200	-	-	263,200
Furniture and fixtures	47,907	5,994	-	53,901
Water and sewer system	2,834,919	-	-	2,834,919
Total depreciable capital assets	3,490,243	5,994	-	3,496,237
Less accumulated depreciation	(2,435,267)	(42,225)	-	(2,477,492)
Total depreciable capital assets, net	1,054,976	(36,231)	-	1,018,745
Capital assets, net	\$ 1,078,686	\$ (36,231)	\$ -	\$ 1,042,455

For the year ended June 30, 2024 depreciation expense of \$42,225 was charged to the water and sewer fund.

NOTE 6 - OTHER ASSET

During the year ended June 30, 2021, the Town purchased new playground equipment for the Town park. The Town paid a total of \$12,493 for the equipment in advance. Due to supply chain disruptions, the Town had not received the equipment as of June 30, 2024. As such, the Town has recorded an other asset in the amount of \$12,493 for the government-wide financial statements and capital outlay for the fund financial statements.

TOWN OF RIDGEWAY, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 7 – PENSION PLANS

State Retirement Plan

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

For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Systems and additions to/deductions from the Systems fiduciary net position have been determined on the accrual basis of accounting as they are reported by the Systems in accordance with generally accepted accounting principles (GAAP). For this purpose, revenues are recognized when earned and expenses are recognized when incurred. Benefit and refund expenses are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value. PEBA issues an Annual Comprehensive Financial Report (ACFR) containing financial statements and required supplementary information for the Systems' Pension Trust Funds. The Annual Comprehensive Financial Report (ACFR) is publicly available through PEBA's website at www.peba.sc.gov, or a copy may be obtained by submitting a request to PEBA, 202 Arbor Lake Drive, Columbia, SC 29223. PEBA is considered a division of the primary government of the state of South Carolina and therefore, retirement trust fund financial information is also included in the comprehensive annual financial report of the state.

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

(Continued)

TOWN OF RIDGEWAY, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 7 – PENSION PLANS, Continued

Plan Descriptions

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

In addition to the plans described above, PEBA also administers three single employer defined benefit pension plans, which are not covered in this report. They are the Retirement System for Members of the General Assembly of the State of South Carolina (GARS), the Retirement System for Judges and Solicitors of the State of South Carolina (JSRS), and the South Carolina National Guard Supplemental Retirement Plan (SCNG).

Membership

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

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

(Continued)

TOWN OF RIDGEWAY, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 7 – PENSION PLANS, Continued

- PORS - To be eligible for PORS membership, an employee must be required by the terms of his employment, by election or appointment, to preserve public order, protect life and property, and detect crimes in the state; to prevent and control property destruction by fire; be a coroner in a full-time permanent position; or be a peace officer employed by the Department of Corrections, the Department of Juvenile Justice or the Department of Mental Health. Probate judges and coroners may elect membership in PORS. Magistrates are required to participate in PORS for service as a magistrate. PORS members, other than magistrates and probate judges, must also earn at least \$2,000 per year and devote at least 1,600 hours per year to this work, unless exempted by statute. An employee member of the system with an effective date of membership prior to July 1, 2012, is a Class Two member. An employee member of the system with an effective date of membership on or after July 1, 2012, is a Class Three member.

Benefits

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

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

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

(Continued)

TOWN OF RIDGEWAY, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 7 – PENSION PLANS, Continued

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

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

Contributions

Actuarial valuations are performed annually by an external consulting actuary to ensure applicable contribution rates satisfy the funding parameters specified in Title 9 of the South Carolina Code of Laws. Under these provisions, SCRS and PORS contribution requirements must be sufficient to maintain an amortization period for the financing of the unfunded actuarial accrued liability (UAAL) over a period that does not exceed the number of years scheduled in state statute. Legislation in 2017 increased, but also established a ceiling for SCRS and PORS employee contribution rates. Effective July 1, 2017, employee rates were increased to a capped rate of 9.00 percent for SCRS and 9.75 percent for PORS. The legislation also increased employer contribution rates beginning July 1, 2017 for both SCRS and PORS by two percentage points and further scheduled employer contribution rates to increase by a minimum of one percentage point each year in accordance with state statute. However, the General Assembly postponed the one percent increase in the SCRS and PORS employer contribution rates that was scheduled to go into effect beginning July 1, 2020. If the scheduled contributions are not sufficient to meet the funding periods set in state statute, the board shall increase the employer contribution rates as necessary to meet the funding periods set for the applicable year. The maximum funding period of SCRS and PORS is scheduled to be reduced over a ten-year schedule from 30 years beginning fiscal year 2018 to 20 years by fiscal year 2028.

Additionally, the Board is prohibited from decreasing the SCRS and PORS contribution rates until the funded ratio is at least 85 percent. If the most recent annual actuarial valuation of the Systems for funding purposes shows a ratio of the actuarial value of system assets to the actuarial accrued liability of the system (the funded ratio) that is equal to or greater than 85 percent, then the board, effective on the following July 1, may decrease the then current contribution rates upon making a finding that the decrease will not result in a funded ratio of less than 85 percent. If contribution rates are decreased pursuant to this provision, and the most recent annual actuarial valuation of the system shows a funded ratio of less than 85 percent, then effective on the following July 1, and annually thereafter as necessary, the board shall increase the then current contribution rates until a subsequent annual actuarial valuation of the system shows a funded ratio that is equal to or greater than 85 percent.

(Continued)

TOWN OF RIDGEWAY, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 7 – PENSION PLANS, Continued

Required employee contribution rates¹ are as follows:

	<u>Fiscal Year 2024¹</u>	<u>Fiscal Year 2023¹</u>
SCRS		
Employee Class Two	9.00%	9.00%
Employee Class Three	9.00%	9.00%
PORS		
Employee Class Two	9.75%	9.75%
Employee Class Three	9.75%	9.75%

Required employer contribution rates¹ are as follows:

	<u>Fiscal Year 2024¹</u>	<u>Fiscal Year 2023¹</u>
SCRS		
Employee Class Two	18.41%	17.41%
Employee Class Three	18.41%	17.41%
Employer Incidental Death Benefit	0.15%	0.15%
PORS		
Employee Class Two	20.84%	19.84%
Employee Class Three	20.84%	19.84%
Employer Incidental Death Benefit	0.20%	0.20%
Employer Accidental Death Benefit	0.20%	0.20%

Actuarial Assumptions and Methods

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

The June 30, 2023, total pension liability (TPL), net pension liability (NPL), and sensitivity information shown in this report were determined by our consulting actuary, Gabriel Roeder Smith & Company (GRS) and are based on an actuarial valuation performed as of July 1, 2022. The total pension liability was rolled-forward from the valuation date to the plans' fiscal year end, June 30, 2023, using generally accepted actuarial principles. There was no legislation enacted during the 2023 legislative session that had a material change in the benefit provisions for any of the systems.

(Continued)

¹ Calculated on earnable compensation as defined in Title 9 of the South Carolina Code of Laws.

TOWN OF RIDGEWAY, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 7 – PENSION PLANS, Continued

The following table provides a summary of the actuarial assumptions and methods used to calculate the TPL as of June 30, 2023 (measurement date) for the SCRS and PORS.

	SCRS	PORS
Actuarial cost method:	Entry age normal	Entry age normal
Investment rate of return ²	7.00%	7.00%
Projected salary increases	3.0% to 11.0% (varies by service) ¹	3.5% to 10.5% (varies by service) ¹
Benefit adjustments	lesser of 1% or \$500 annually	lesser of 1% or \$500 annually

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

Assumptions used in the determination of the June 30, 2023, TPL are as follows.

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

Net Pension Liability

The NPL is calculated separately for each system and represents that particular system's TPL determined in accordance with GASB 67 less that system's fiduciary net position. NPL totals, as of June 30, 2023, for SCRS and PORS are presented below.

<u>System</u>	<u>Employers' Net Pension Liability (Asset)</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u>	<u>Town's Proportionate Share of the Collective Net Pension Liability</u>
SCRS	\$ 289,283	58.6%	.001196%
PORS	\$ 34,637	67.8%	.001138%

(Continued)

² Includes inflation at 2.25%

TOWN OF RIDGEWAY, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 7 – PENSION PLANS, Continued

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

Long-term Expected Rate of Return

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

The expected returns, along with the expected inflation rate, form the basis for the target asset allocation adopted at the beginning of the 2023 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.

Allocation/Exposure	Policy Target	Expected Arithmetic Real Rate of Return	Long Term Expected Portfolio Real Rate of Return
Public Equity³	46.0%	6.62%	3.04%
Bonds	26.0%	0.31%	0.08%
Private Equity^{1 4}	9.0%	10.91%	0.98%
Private Debt²	7.0%	6.16%	0.43%
Real Assets	12.0%		
Real Estate ²	9.0%	6.41%	0.58%
Infrastructure ²	3.0%	6.62%	0.20%
Total Expected Real Return ⁵	100.0%		5.31%
Inflation for Actuarial Purposes			2.25%
Total Expected Nominal Return			7.56%

Pensions

At June 30, 2024, the Town reported a liability of \$289,283 and \$34,637 for its proportionate share of the net pension liability for SCRS and PORS, respectively. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

(Continued)

³ The target weight to Private Equity will be equal to its actual weight, reported by the custodial bank, as of prior month end. When flows have occurred, flow adjusted weights are used to more accurately reflect the impact of the asset class weight. Private Equity and Public Equity combine for 55% of the entire portfolio.

⁴ Staff and Consultant will notify the Commission if Private Markets assets exceed 25% of total assets.

⁵ Portable Alpha Strategies, which are not included in the Policy Target, will be capped at 12% of total assets; hedge funds (including all hedge funds used in portable alpha implementation) are capped at 20% of total assets.

TOWN OF RIDGEWAY, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 7 – PENSION PLANS, Continued

For the year ended June 30, 2024, the Town recognized pension expense for the SCRS and PORS plans of \$30,636 and \$5,300, respectively. At June 30, 2024, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred outflow of resources	Deferred inflow of resources
SCRS		
Differences between expected and actual experience	\$ 9,454	\$ 802
Changes in proportionate share and differences between employer contributions and proportionate share of total plan employer contributions	115,109	396
Net difference between projected and actual earnings on pension plan investments	-	57,800
Town's contributions subsequent to the measurement date	21,899	-
Total SCRS	<u>\$ 146,462</u>	<u>\$ 58,998</u>
PORS		
Differences between expected and actual experience	\$ 2,384	\$ 427
Changes in proportionate share and differences between employer contributions and proportionate share of total plan employer contributions	22,006	59
Net difference between projected and actual earnings on pension plan investments	-	802
Town's contributions subsequent to the measurement date	7,286	-
Total PORS	<u>\$ 31,676</u>	<u>\$ 1,288</u>

The \$21,899 and \$7,286 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date for the SCRS and PORS plans, respectively, during the year ended June 30, 2023 will be recognized as a reduction of the net pension liabilities in the year ending June 30, 2024.

(Continued)

TOWN OF RIDGEWAY, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 7 – PENSION PLANS, Continued

The following schedule reflects the amortization of the net balance of remaining deferred outflows/(inflows) of resources at the measurement date. Average remaining service lives of all employees provided with pensions through the pension plan at the measurement date was 4.00 years for SCRS and PORS:

Year Ended June 30,	SCRS	PORS	Total
2023	\$ 15,334	\$ 8,169	\$ 23,503
2024	12,757	7,122	19,879
2025	37,645	7,847	45,492
2026	(171)	(36)	(207)
	\$ 65,565	\$ 23,102	\$ 86,667

Discount Rate

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

Sensitivity Analysis

The following table presents the collective NPL of the participating employers calculated using the discount rate of 7.00 percent, as well as what the employers' NPL would be if it were calculated using a discount rate that is 1.00% lower (6.00%) or 1.00% higher (8.00%) than the current rate.

System	1.00% Decrease (6.00%)	Current Discount Rate (7.00%)	1.00% Increase (8.00%)
Town's proportionate share of the net pension liability of the SCRS	\$ 373,781	\$ 289,283	\$ 219,051
Town's proportionate share of the net pension liability of the PORS	\$ 48,865	\$ 34,637	\$ 22,988

(Continued)

TOWN OF RIDGEWAY, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 7 – PENSION PLANS, Continued

Additional Financial and Actuarial Information

Information contained in these Notes to the Schedules of Employer and Nonemployer Allocations and Schedules of Pension Amounts by Employer (Schedules) was compiled from the Systems' audited financial statements for the fiscal year ended June 30, 2024, and the accounting valuation report as of June 30, 2023. Additional financial information supporting the preparation of the Schedules (including the unmodified audit opinion on the financial statements and required supplementary information) is available in the Systems' Comprehensive Annual Financial Report.

NOTE 8 – RISK MANAGEMENT

The Town is exposed to various risks of losses related to torts; thefts of; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disaster. The Town manages risk through employee educational and prevention programs and through the purchase of casualty and liability insurance. Expenditures and claims are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. In determining claims, the Town considers all events that might give rise to possible claims both reported and unreported.

In the normal course of operations, the Town participates in various federal or state grant/loan programs from year to year. The grant/loan programs are often subject to additional audits by agency of the granting or loaning agency, the purpose of which is to ensure compliance with the specific conditions of the grant or loan. Any liability for reimbursement that may arise as a result of these audits cannot be reasonably determined at this time, although it is believed the amount, if any, would not be material.

Various claims and lawsuits are pending against the Town. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the Town's management and legal counsel that resolution of these matters will not have a material adverse effect on the financial condition of the Town.

NOTE 9 – CONTINGENCIES

In the opinion of Town management, after consultation with legal counsel, there are no material claims or lawsuits against the Town that are not covered by insurance or whose settlement would materially affect the Town's financial position. The Town also participates in certain federal and state assisted grant programs. These programs are subject to program compliance audits by grantors or their representatives. Any liability for reimbursement which may arise as a result of these audits is not believed to be material.

TOWN OF RIDGEWAY, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 10 – MISSING SUPPORTING DOCUMENTATION FOR CERTAIN TRANSACTIONS

During the fiscal year, the Town was unable to locate supporting documentation for certain transactions, including the following:

- Various professional fees charges totaling \$39,579 recorded as expenditures.
- Various supplies expenses totaling \$21,809 recorded as expenditures.
- Utilities, fuel, and other various expenditures totaling \$13,516 recorded as expenditures.
- Various capital assets and maintenance totaling \$215,792 of which \$144,761 was recorded as capital outlay and the rest to expenditures.
- Various operating costs for the water and sewer fund totaling \$8,859 recorded as expenditures.

These transactions totaled \$299,555 which was approximately 20.2% of the Town total expenses. While management believe these amounts are accurately recorded in the financial statements, the lack of supporting documentation precludes the auditor from obtaining sufficient audit evidence regarding the completeness of these amounts.

NOTE 11 – PRIOR PERIOD ADJUSTMENT

For the year ended June 30, 2024 the Town recorded the following prior period adjustment to capital assets for the enterprise fund:

	Business-type Activities Net Position
Beginning net position, as previously reported at June 30, 2023	\$ 1,513,014
Prior period adjustments:	
Capital assets included in the prior year	(17,168)
Net position, as restated at July 1, 2023	<u>\$ 1,495,846</u>

NOTE 12 – SUBSEQUENTS EVENTS

Management has evaluated all other subsequent events through March 14, 2025 which is the date that these financial statements were available to issue.

**TOWN OF RIDGEWAY, SOUTH CAROLINA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
SOUTH CAROLINA RETIREMENT SYSTEM**

Only seven years of information is presented as only seven years of data were available.

SCRS	Year Ended June 30,						
	2024	2023	2022	2021	2020	2019	2018
Town's proportion of the net pension liability	0.119600%	0.000519%	0.001043%	0.001054%	0.001197%	0.001186%	0.001140%
Town's proportionate share of the net pension liability	\$ 289,283	\$ 125,704	\$ 225,674	\$ 269,201	\$ 273,284	\$ 265,694	\$ 256,632
Town's covered-employee payroll	\$ 117,991	\$ 100,724	\$ 117,232	\$ 117,877	\$ 117,538	\$ 126,381	\$ 122,879
Town's proportionate share of the net pension liability as a percentage of its covered-employee payroll	245.2%	124.8%	192.5%	228.4%	232.5%	210.2%	208.8%
Plan fiduciary net position as a percentage of the total pension liability	58.6%	57.1%	60.7%	50.7%	54.4%	54.1%	53.3%

Notes to schedule:

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

**TOWN OF RIDGEWAY, SOUTH CAROLINA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE TOWN'S PENSION PLAN CONTRIBUTIONS
SOUTH CAROLINA RETIREMENT SYSTEM**

Only eight years of information is presented as only eight years of data were available.

SCRS	Year Ended June 30,							
	2024	2023	2022	2021	2020	2019	2018	2017
Contractually required contribution	\$ 21,899	\$ 17,687	\$ 19,414	\$ 18,342	\$ 18,289	\$ 18,401	\$ 16,662	\$ 13,296
Contributions in relation to the contractually required contribution	21,899	17,687	19,414	18,342	18,289	18,401	16,662	13,296
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's covered-employee payroll	\$ 117,991	\$ 100,724	\$ 117,232	\$ 117,877	\$ 117,538	\$ 126,381	\$ 122,879	\$ 115,019
Contributions as a percentage of covered-employee payroll	18.56%	17.56%	16.56%	15.56%	15.56%	14.56%	13.56%	11.56%

**TOWN OF RIDGEWAY, SOUTH CAROLINA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
POLICE OFFICER'S RETIREMENT SYSTEM**

Only seven years of information is presented as only seven years of data were available.

PORS	Year Ended June 30,						
	2024	2023	2022	2021	2020	2019	2018
Town's proportion of the net pension liability	0.001138%	0.000097%	0.000108%	0.000110%	0.000687%	0.002938%	0.00289%
Town's proportionate share of the net pension liability	\$ 323,920	\$ 2,902	\$ 2,764	\$ 3,546	\$ 19,675	\$ 83,259	\$ 79,255
Town's covered-employee payroll	\$ 34,630	\$ -	\$ -	\$ -	\$ 9,958	\$ 40,671	\$ 38,980
Town's proportionate share of the net pension liability as a percentage of its covered-employee payroll	935.4%	0.0%	0.0%	0.0%	197.6%	204.7%	203.3%
Plan fiduciary net position as a percentage of the total pension liability	67.8%	66.4%	70.4%	58.8%	62.7%	61.7%	60.9%

Notes to schedule:

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

**TOWN OF RDIGEWAY, SOUTH CAROLINA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE TOWN'S PENSION PLAN CONTRIBUTIONS
POLICE OFFICER'S RETIREMENT SYSTEM**

Only eight years of information is presented as only eight years of data were available.

PORS	Year Ended June 30,							
	2024	2023	2022	2021	2020	2019	2018	2017
Contractually required contribution	\$ 7,286	\$ -	\$ -	\$ -	\$ -	\$ 1,717	\$ 6,605	\$ 5,551
Contributions in relation to the contractually required contribution	7,286	-	-	-	-	1,717	6,605	5,551
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's covered-employee payroll	\$ 34,630	\$ -	\$ -	\$ -	\$ -	\$ 9,958	\$ 40,671	\$ 38,980
Contributions as a percentage of covered-employee payroll	21.04%	0.00%	0.00%	0.00%	0.00%	17.24%	16.24%	14.24%



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

To the Town Council
Town of Ridgeway, South Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Town of Ridgeway, South Carolina, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise Town of Ridgeway, South Carolina's basic financial statements and have issued our report thereon dated March 14, 2025.

Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2024-001, 2024-002 and 2024-003 that we consider to be significant deficiencies.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Town of Ridgeway, South Carolina'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 instances of noncompliance or other matters that are required to be

reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2024-001, 2024-002, and 2024-003.

Town of Ridgeway, South Carolina's Response to Findings

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

Purpose of This Report

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

Love Bailey & Associates, LLC

Love Bailey & Associates, LLC
Laurens, South Carolina
March 14, 2025

**TOWN OF RIDGEWAY, SOUTH CAROLINA
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2024**

CURRENT YEARS FINDINGS – 2024

Material Weaknesses

2024-001 Lack of Budgetary Controls

Criteria: Preparing a budget for the fiscal year.

Condition: During the financial statement audit, it was identified that there were no budgets passed or implemented for the fiscal year. The absence of a budget suggest a failure to adhere to South Carolina Laws and Regulations, as the preparation and approval of a budget are mandated by statute. Compliance with these laws I crucial for ensuring transparency, accountability, and prudent financial management within organizations.

Cause: The Town’s governance did not pass a budget.

Effect: This represents a deficiency in the internal control procedures pertaining to the Town’s financial management and governance processes. Failure to prepare and approve a budget increases the risk of errors, misappropriation of funds, and the possibility of fraudulent activities going undetected. Additionally, the lack of a budget indicates non-compliance with South Carolina Laws and Regulations since preparing and approving a budget is a statutory requirement.

Recommendation: Have several Town council meetings that are centered around the budget process. This includes drafting and improving several budgets, setting specific time parameters for when these meetings happen, and ultimately pass a timely budget prior to the beginning of the fiscal year. This process can be implemented by electing new government officials that know and adhere to the South Carolina Laws and Regulations or holding the current government officials accountable for those laws and regulations.

Management’s Response: The Town has hired an outsourced bookkeeper who has the skills, knowledge, and experience with compliance with South Carolina Laws and Regulations as well as skills, knowledge, and experience with drafting and passing budgets for municipalities within the state of South Carolina.

2024-002 Lack of Council Meetings Minutes

Criteria: South Carolina laws and regulations, as well as best practices for governance, require municipalities to document official proceedings, decisions, and discussions through meeting minutes. Properly maintained council meeting minutes ensure transparency, accountability, and a record of actions taken by governing bodies.

Condition: During the financial statement audit, it was identified that the Town did not maintain council meeting minutes for the fiscal year. The lack of meeting minutes indicates a failure to document and preserve records of council meetings, including decisions and discussions related to the Town's governance and operations.

Cause: The Town's governance processes did not prioritize or enforce the preparation and retention of council meeting minutes.

Effect: The absence of council meeting minutes undermines transparency and accountability, creating challenges in verifying decisions made by the governing body. This deficiency increases the risk of disputes, miscommunication, and a lack of evidence to support official actions, which could negatively impact the Town’s operations and compliance with regulations.

**TOWN OF RIDGEWAY, SOUTH CAROLINA
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2024**

2024-002 Lack of Council Meetings Minutes, Continued

Recommendation: Develop and implement a formal policy requiring the preparation and approval of detailed council meeting minutes for every meeting. Designate a staff member or council secretary responsible for recording and maintaining the minutes. Ensure that meetings include key details, such as attendance, topics discussed, decisions made, votes taken, and any follow-up actions. Regularly review and approve meeting minutes during subsequent council meetings to ensure accuracy and completeness. Train council members and staff on the importance of documenting meetings to comply with legal and operational standards

Management's Response: The Town will adopt a formal process for recording and maintaining council meeting minutes. This includes assigning responsibility for documentation to a staff member or external resource and ensuring all minutes are reviewed and approved during subsequent meetings. These steps will strengthen governance and align with compliance requirements.

Criteria: Lost invoices that were necessary for recording keeping.

Condition: During the financial statement audit, it was identified that there were several invoices that were unable to be located for testing purposes. The absence of these invoices suggest a failure to properly keep up with records during the year.

Cause: The Town did not have a standard process for record keeping

Effect: This represents a deficiency in the internal control procedures pertaining to the Town's financial management and governance processes. Failure to properly keep records of invoices increase the risk of errors, misappropriation of funds, and the possibility of fraudulent activities going undetected.

Recommendation: Hire an outsourced CPA Firm and create procedures with their help to properly keep records for the expenditures each year.

Management's Response: The Town has hired an outsourced bookkeeper who has the skills, knowledge, and experience to properly keep records.

**TOWN OF RIDGEWAY, SOUTH CAROLINA
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2024**

PRIOR YEARS FINDINGS – 2023

Material Weaknesses

2023-001 Lack of Budgetary Controls

Criteria: Preparing a budget for the fiscal year.

Condition: During the financial statement audit, it was identified that there were no budgets passed or implemented for the fiscal year. The absence of a budget suggest a failure to adhere to South Carolina Laws and Regulations, as the preparation and approval of a budget are mandated by statute. Compliance with these laws I crucial for ensuring transparency, accountability, and prudent financial management within organizations.

Cause: The Town’s governance did not pass a budget.

Effect: This represents a deficiency in the internal control procedures pertaining to the Town’s financial management and governance processes. Failure to prepare and approve a budget increases the risk of errors, misappropriation of funds, and the possibility of fraudulent activities going undetected. Additionally, the lack of a budget indicates non-compliance with South Carolina Laws and Regulations since preparing and approving a budget is a statutory requirement.

Recommendation: Have several Town council meetings that are centered around the budget process. This includes drafting and improving several budgets, setting specific time parameters for when these meetings happen, and ultimately pass a timely budget prior to the beginning of the fiscal year. This process can be implemented by electing new government officials that know and adhere to the South Carolina Laws and Regulations or holding the current government officials accountable for those laws and regulations.

Management’s Response: The Town has hired an outsourced bookkeeper who has the skills, knowledge, and experience with compliance with South Carolina Laws and Regulations as well as skills, knowledge, and experience with drafting and passing budgets for municipalities within the state of South Carolina.

2023-002 Lack of Record Keeping

Criteria: Lost invoices that were necessary for recording keeping.

Condition: During the financial statement audit, it was identified that there were several invoices that were unable to be located for testing purposes. The absence of these invoices suggest a failure to properly keep up with records during the year.

Cause: The Town did not have a standard process for record keeping

Effect: This represents a deficiency in the internal control procedures pertaining to the Town’s financial management and governance processes. Failure to properly keep records of invoices increase the risk of errors, misappropriation of funds, and the possibility of fraudulent activities going undetected.

Recommendation: Hire an outsourced CPA Firm and create procedures with their help to properly keep records for the expenditures each year.

Management’s Response: : The Town has hired an outsourced bookkeeper who has the skills, knowledge, and experience to properly keep records.