

**TOWN OF KERSHAW, SOUTH CAROLINA**

**ANNUAL FINANCIAL REPORT**  
**Fiscal Year Ended June 30, 2023**

**TOWN OF KERSHAW, SOUTH CAROLINA  
ANNUAL FINANCIAL REPORT  
For the Fiscal Year Ended June 30, 2023**

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October 24, 2023

**INDEPENDENT AUDITOR'S REPORT**

To the Town Council  
Town of Kershaw  
Kershaw, South Carolina

**Opinions**

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Kershaw, South Carolina, as of June 30, 2023, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Basis for Opinions**

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

**Responsibilities of Management for the Financial Statements**

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Kershaw, 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 Kershaw, 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 Kershaw, South Carolina's ability to continue as a going concern for a reasonable period of time.

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

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the budgetary comparison information, the schedule of the Town's proportionate share of the net pension liability, and the schedule of the Town's contributions on pages 39-43 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.

Management has omitted the management's discussion and analysis 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 the 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.

### **Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Kershaw, South Carolina's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### **Other Information**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 24, 2023 on our consideration of the Town of Kershaw, 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 Kershaw, South Carolina's internal control over financial reporting and compliance.

*Sheheen, Hancock & Godwin, LLP*

Sheheen, Hancock and Godwin, LLP  
Camden, South Carolina

**TOWN OF KERSHAW, SOUTH CAROLINA**  
**STATEMENT OF NET POSITION**  
**June 30, 2023**

**Exhibit A**

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Cash and Cash Equivalents	\$ 4,163,234	\$ 1,804,192	\$ 5,967,426
Property Tax Receivable, Net	22,106	-	22,106
Grant	-	308,114	308,114
Water and Sewer Receivable, Net	-	190,027	190,027
Other Receivables, Net	192,641	-	192,641
<b>Capital Assets:</b>			
Land	711,105	34,482	745,587
Construction in Process	193,276	1,802,220	1,995,496
Infrastructure	989,634	-	989,634
Buildings	5,995,367	125,703	6,121,070
Water and Sewer Facilities and Equipment	-	12,221,299	12,221,299
Furniture and Equipment	2,769,724	-	2,769,724
Less: Accumulated Depreciation	(5,641,538)	(5,661,999)	(11,303,537)
Total Capital Assets, Net of Depreciation	5,017,568	8,521,705	13,539,273
<b>Deferred Outflows of Resources</b>			
Prepaid Pension Cost	215,157	51,335	266,492
<b>Total Assets and Deferred Outflows of Resources</b>	9,610,706	10,875,373	20,486,079
<b>Liabilities</b>			
Accounts Payable and Accrued Liabilities	43,768	167,389	211,157
Deposits Payable	-	41,795	41,795
Current Portion of Capital Lease	29,673	-	29,673
Due to/from General Fund	(464,095)	464,095	-
<b>Long-Term Liabilities:</b>			
<b>Due in More Than One Year:</b>			
Compensated Absences	26,503	-	26,503
Capital Lease	135,248	-	135,248
Net Pension Liability	555,829	605,013	1,160,842
<b>Total Liabilities</b>	326,926	1,278,292	1,605,218
<b>Deferred Inflows of Resources</b>			
Unavailable Revenue - Memberships	3,000	-	3,000
Unavailable Revenue - ARPA Funds	202,336	-	202,336
Unavailable Revenue - Pension	128,291	55,814	184,105
<b>Total Deferred Inflows of Resources</b>	333,627	55,814	389,441
<b>Net Position</b>			
Net Investment in Capital Assets	4,852,647	8,521,705	13,374,352
Unrestricted	4,097,506	1,019,562	5,117,068
<b>Total Net Position</b>	\$ 8,950,153	\$ 9,541,267	\$ 18,491,420

The notes to the financial statements are an integral part of these statements.

**TOWN OF KERSHAW, SOUTH CAROLINA**  
**STATEMENT OF ACTIVITIES**  
**For the Fiscal Year Ended June 30, 2023**

**Exhibit B**

Function/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Governmental Activities</b>							
General Government	\$ 896,883	\$ 549,337	\$ -	\$ 771,026	\$ 423,480	\$ -	\$ 423,480
Public Safety	1,142,776	-	-	-	(1,142,776)	-	(1,142,776)
Public Works	445,240	305,946	-	-	(139,294)	-	(139,294)
Recreation	363,980	499,159	-	-	135,179	-	135,179
Capital Outlay	67,623	-	-	-	(67,623)	-	(67,623)
<b>Total Governmental Activities</b>	<u>2,916,502</u>	<u>1,354,442</u>	<u>-</u>	<u>771,026</u>	<u>(791,034)</u>	<u>-</u>	<u>(791,034)</u>
<b>Business-Type Activities</b>							
Water and Sewer	1,882,192	4,635,795	-	-	-	2,753,603	2,753,603
<b>Total Business-Type Activities</b>	<u>1,882,192</u>	<u>4,635,795</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,753,603</u>	<u>2,753,603</u>
<b>Total</b>	<u>\$ 4,798,694</u>	<u>\$ 5,990,237</u>	<u>\$ -</u>	<u>\$ 771,026</u>	<u>(791,034)</u>	<u>2,753,603</u>	<u>1,962,569</u>
<b>General Revenues:</b>							
Property Taxes					1,023,246	-	1,023,246
Hospitality Tax					147,005	-	147,005
Franchise Fees					235,783	-	235,783
Miscellaneous					240,521	-	240,521
Gain on Sale of Asset					64,000	-	64,000
Unrestricted Investment Earnings					55,646	-	55,646
Intergovernmental					68,887	-	68,887
Transfers					(346,649)	346,649	-
<b>Total General Revenues</b>					<u>1,488,439</u>	<u>346,649</u>	<u>1,835,088</u>
<b>Change in Net Position</b>					<u>697,405</u>	<u>3,100,252</u>	<u>3,797,657</u>
<b>Net Position, Beginning of Year, as Restated</b>					<u>8,252,748</u>	<u>6,441,015</u>	<u>14,693,763</u>
<b>Net Position, End of Year</b>					<u>\$ 8,950,153</u>	<u>\$ 9,541,267</u>	<u>\$ 18,491,420</u>

The notes to the financial statements are an integral part of these statements.

**TOWN OF KERSHAW, SOUTH CAROLINA**  
**BALANCE SHEET – GOVERNMENTAL FUNDS**  
**June 30, 2023**

**Exhibit C**

	General	ARPA	Economic Development Fund	First Steps	Fireman's Fund	Total Governmental Funds
<b>Assets</b>						
Cash and Cash Equivalents	\$ 3,878,287	\$ 195,749	\$ -	\$ -	\$ 89,200	\$ 4,163,236
Due from Other Funds	464,095	-	-	-	-	464,095
Receivables:						
Property Taxes, Net	22,106	-	-	-	-	22,106
Vehicle Taxes	4,480	-	-	-	-	4,480
Intergovernmental	74,234	-	-	-	-	74,234
Franchise Fees	53,121	-	-	-	-	53,121
Garbage Fees, Net	24,801	-	-	-	-	24,801
Other	36,005	-	-	-	-	36,005
<b>Total Assets</b>	<b>\$ 4,557,129</b>	<b>\$ 195,749</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 89,200</b>	<b>\$ 4,842,078</b>
<b>Liabilities and Deferred Inflows of Resources</b>						
Accounts Payable and Accrued Liabilities	\$ 43,768	\$ -	\$ -	\$ -	\$ -	\$ 43,768
Total Current Liabilities	43,768	-	-	-	-	43,768
<b>Deferred Inflows of Resources:</b>						
Unavailable Revenue - ARPA	-	195,749	-	-	-	195,749
Unavailable Revenue - Property Taxes	21,890	-	-	-	-	21,890
Unavailable Revenue - Grant	6,587	-	-	-	-	6,587
Unavailable Revenue - Membership Fees	3,000	-	-	-	-	3,000
Total Deferred Inflows of Resources	31,477	195,749	-	-	-	227,226
<b>Fund Balances</b>						
Assigned:						
ARPA	-	-	-	-	-	-
Economic Development Fund	-	-	-	-	-	-
First Steps	-	-	-	-	-	-
Fireman's Fund	-	-	-	-	89,200	89,200
Unassigned	4,481,884	-	-	-	-	4,481,884
Total Fund Balances	4,481,884	-	-	-	89,200	4,571,084
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 4,557,129</b>	<b>\$ 195,749</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 89,200</b>	<b>\$ 4,842,078</b>

The notes to the financial statements are an integral part of these statements.

**TOWN OF KERSHAW, SOUTH CAROLINA**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET POSITION**  
**June 30, 2023**

**Exhibit D**

<b>Total Fund Balance - Governmental Funds (Exhibit C)</b>	\$ 4,571,084
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>	
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. The cost of the assets is \$10,659,106 and the accumulated depreciation is \$5,641,538.</p>	5,017,568
<p>Receivables will be collected this year, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds:</p> <p style="padding-left: 20px;">Property Taxes</p>	21,888
<p>Long-term liabilities are not due and payable in the current period and, therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of</p> <p style="padding-left: 20px;">Capital Lease</p> <p style="padding-left: 20px;">Compensated Absences</p>	(164,921) (26,503)
<p>Some liabilities, including net pension obligations, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.</p> <p style="padding-left: 20px;">Pension liability</p>	(555,829)
<p>Deferred outflows and inflows or resources related to pension are applicable to future periods and, therefore, are not reported in the funds</p> <p style="padding-left: 20px;">Deferred outflows of resources related to pensions (from pension schedule)</p> <p style="padding-left: 20px;">Deferred inflows of resources related to pensions (from pension schedule)</p>	215,157 <u>(128,291)</u>
<b>Total Net Position - Governmental Activities (Exhibit A)</b>	<b><u>\$ 8,950,153</u></b>

The notes to the financial statements are an integral part of these statements.

**TOWN OF KERSHAW, SOUTH CAROLINA**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended June 30, 2023**

**Exhibit E**

	General Fund	ARPA	Economic Development Fund	First Steps	Fireman's Fund	Total Governmental Funds
<b>Revenues</b>						
Taxes	\$ 1,145,506	\$ -	\$ -	\$ -	\$ -	\$ 1,145,506
Fines, Fees, Licenses and Permits	1,590,225	-	-	-	-	1,590,225
Intergovernmental	68,887	-	-	-	-	68,887
Grants	-	733,901	-	-	-	733,901
Other	284,542	-	1,799	-	60,300	346,641
<b>Total Revenues</b>	<u>3,089,160</u>	<u>733,901</u>	<u>1,799</u>	<u>-</u>	<u>60,300</u>	<u>3,885,160</u>
<b>Expenditures</b>						
Current:						
General Government	697,702	66,609	-	26,109	-	790,420
Public Safety	929,668	-	-	-	65,580	995,248
Public Works	387,761	-	-	-	-	387,761
Recreation	316,991	-	-	-	-	316,991
Capital Outlay	575,967	-	-	-	-	575,967
<b>Total Expenditures</b>	<u>2,908,089</u>	<u>66,609</u>	<u>-</u>	<u>26,109</u>	<u>65,580</u>	<u>3,066,387</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>181,071</u>	<u>667,292</u>	<u>1,799</u>	<u>(26,109)</u>	<u>(5,280)</u>	<u>818,773</u>
<b>Other Financing Sources (Uses)</b>						
Sale of Fixed Assets	64,000	-	-	-	-	64,000
Transfer to/from General Fund	512,694	(124,000)	(304,152)	(84,542)	-	-
Transfer to/from Utility Fund	413,380	(760,029)	-	-	-	(346,649)
<b>Total Other Financing Sources (Uses)</b>	<u>990,074</u>	<u>(884,029)</u>	<u>(304,152)</u>	<u>(84,542)</u>	<u>-</u>	<u>(282,649)</u>
<b>Net Change in Fund Balance</b>	1,171,145	(216,737)	(302,353)	(110,651)	(5,280)	536,124
<b>Fund Balances, Beginning of Year, as Restated</b>	<u>3,310,739</u>	<u>216,737</u>	<u>302,353</u>	<u>110,651</u>	<u>94,480</u>	<u>4,034,960</u>
<b>Fund Balances, End of Year</b>	<u>\$ 4,481,884</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 89,200</u>	<u>\$ 4,571,084</u>

The notes to the financial statements are an integral part of these statements.

**TOWN OF KERSHAW, SOUTH CAROLINA**  
**RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES,**  
**EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES**  
**For the Fiscal Year Ended June 30, 2023** **Exhibit F**

**Total Net Change In Fund Balance - Governmental Fund (Exhibit E)** \$ 536,124

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

Capital outlays are reported in the governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense. This is the amount by which capital outlays of \$505,723 exceeds depreciation of \$365,292 in the period. 140,431

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. 28,729

In Statement of Activities, certain operating expenses - compensated absences- are measured by the amount of financial resources used (essentially, the amounts actually paid). This year, vacation earned was more than the amount used by this amount. (7,495)

Some revenues in the statement of activities do not provide current financial resources and, therefore, are not reported as revenues in governmental funds.  
 Property taxes 11,396

Governmental funds report town pension contributions as expenditures. However in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.

Town pension contributions	\$	77,902	
Cost of benefits earned net of employee contributions (pension expense from benefit schedule)		(89,682)	(11,780)

**Change in Net Position of Governmental Activities (Exhibit B)** \$ 697,405

**TOWN OF KERSHAW, SOUTH CAROLINA**  
**STATEMENT OF NET POSITION – PROPRIETARY FUND**  
**June 30, 2023**

**Exhibit G**

	Water and Sewer Fund
<b>Assets</b>	
Current Assets:	
Cash and Cash Equivalents	\$ 1,804,192
Receivables:	
Grant	308,114
Wastewater, Net	190,027
 Total Current Assets	 2,302,333
Non-Current Assets:	
Capital Assets	
Land	34,482
Buildings	125,703
Construction in Process	1,802,220
Water and Sewer Facilities and Equipment	12,221,299
Less: Accumulated Depreciation	(5,661,999)
 Total Non-Current Assets	 8,521,705
 <b>Deferred Outflows of Resources</b>	
Prepaid Pension Cost	51,335
 <b>Total Assets and Deferred Outflows of Resources</b>	 10,875,373
 <b>Liabilities</b>	
Current Liabilities:	
Accounts Payable and Accrued Liabilities	167,389
Deposit Payable	41,795
Due to General Fund	464,095
Long-Term Liabilities - Due in More Than One Year	
Net Pension Liability	605,013
 <b>Total Liabilities</b>	 1,278,292
 <b>Deferred Inflows of Resources</b>	
Unavailable Revenue - Pension	55,814
 <b>Total Deferred Inflows of Resources</b>	 55,814
 <b>Net Position</b>	
Net Investment in Capital Assets	8,521,705
Unrestricted	1,019,562
 <b>Total Net Position</b>	 \$ 9,541,267

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

**TOWN OF KERSHAW, SOUTH CAROLINA**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**PROPRIETARY FUND**  
**For the Fiscal Year Ended June 30, 2023**

**Exhibit H**

	Water and Sewer Fund
<b>Operating Revenues:</b>	
Water Charges	\$ 1,200,997
Sewer Charges	981,511
Penalties	39,180
Taps and Reconnections	28,907
Other	2,385,200
 Total Operating Income	 4,635,795
 <b>Operating Expenses:</b>	
Salaries	260,542
Employee Expenses	42,198
Advertising	1,793
Bank Charges	63
Materials and Supplies	50,881
Insurance	71,914
Utilities	145,469
Professional Services	24,815
Travel and Training	373
Uniforms	4,224
Dues and Permits	11,526
Repairs and Maintenance	309,147
Water Testing Fees	14,653
Depreciation	301,204
Sludge Disposal	8,430
Water Purchase	634,960
 Total Operating Expenses	 1,882,192
 <b>Operating Income</b>	 2,753,603
 <b>Non-Operating Revenues and (Expenses):</b>	
Transfer from General Fund	346,649
 <b>Total Non-Operating Revenues (Expenses)</b>	 346,649
 <b>Change in Net Position</b>	 3,100,252
 <b>Total Net Position, Beginning of Year, as Restated</b>	 6,441,015
 <b>Total Net Position, End of Year</b>	 \$ 9,541,267

The notes to the financial statements are an integral part of these statements.

**TOWN OF KERSHAW, SOUTH CAROLINA**  
**STATEMENT OF CASH FLOW – PROPRIETARY FUNDS**  
**June 30, 2023**

**Exhibit I**

	Enterprise Fund Water and Sewer
<b>Cash Flows From Operating Activities:</b>	
Cash Received From Customers	\$ 4,302,328
Cash Paid to Suppliers	(1,202,197)
Cash Paid to Employees	<u>(260,542)</u>
 Net Cash Provided By Operating Activities	 <u>2,839,589</u>
<b>Cash Flows From Capital and Finance Related Activities:</b>	
Transfers from Other Funds	346,649
Purchases of Capital Assets	<u>(3,386,279)</u>
 Net Cash (Used) By Investing Activities	 <u>(3,039,630)</u>
 <b>Net Decrease in Cash</b>	 <b>(200,041)</b>
Cash, Beginning of Year	<u>2,004,233</u>
Cash, End of Year	<u><u>\$ 1,804,192</u></u>
 <b>Reconciliation of Operating Income to Net Cash Provided By Operating Activities</b>	
Operating Income	<u>\$ 2,753,603</u>
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:	
Depreciation	301,204
(Increase) in Receivables	(334,377)
Decrease in Deferred Outflows	40,148
Increase in Accounts Payable and Accrued Liabilities	132,938
Increase in Customer Deposits Payable	910
Increase in Net Pension Liability	5,193
(Decrease) in Deferred Inflows	<u>(60,030)</u>
 Total Adjustments	 <u>85,986</u>
 Net Cash Provided By Operating Activities	 <u><u>\$ 2,839,589</u></u>

The notes to the financial statements are an integral part of these statements.

**TOWN OF KERSHAW, SOUTH CAROLINA**  
**STATEMENT OF FIDUCIARY NET POSITION – FIDUCIARY FUNDS**  
**June 30, 2023**

**Exhibit J**

	Private-Purpose Trust Fund
<b>Assets</b>	
Cash and Cash Equivalents	\$ 349,674
Accounts Receivable	1,754
Inventory	9,000
Property and Equipment	207,173
Accumulated Depreciation	(174,380)
<b>Total Assets</b>	<b>393,221</b>
Net Position Held in Trust	\$ 393,221

The notes to the financial statements are an integral part of these statements.

**TOWN OF KERSHAW, SOUTH CAROLINA**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION – FIDUCIARY FUNDS**  
**For the Fiscal Year Ended June 30, 2023**

**Exhibit K**

	Private-Purpose Trust Fund
<b>Additions</b>	
Investment Earnings	
Interest Income	\$ 9,489
Donations	20,000
Sale of Plots	35,542
Total Additions	65,031
 <b>Deductions</b>	
Depreciation	5,875
Administrative Expenses	50,023
Total Deductions	55,898
 <b>Changes in Net Position</b>	 9,133
 <b>Net Position, Beginning of Year</b>	 384,088
 <b>Net Position, End of Year</b>	 \$ 393,221

The notes to the financial statements are an integral part of these statements.

**TOWN OF KERSHAW, SOUTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2023**

**Note 1. Summary of Significant Accounting Policies**

The Town of Kershaw municipality is incorporated under the laws of the State of South Carolina. The Town Charter was issued on December 22, 1888. The Town Council has adopted the Council form of local government. The Town Council consists of the Mayor and six Council members, all of whom are elected by the voters of the Town of Kershaw.

The financial statements of the Town of Kershaw have been prepared in conformity with generally accepted accounting principles (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. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. Following are the more significant of the Town's accounting policies.

**A. Reporting Entity**

The Town's basic financial statements include the accounts of all Town operations. The criteria for including organizations as component units within the Town's reporting entity, as set forth in Section 2100 of GASB's Codification of Governmental Accounting and Financial Reporting Standards, include whether:

- the organization is legally separate (can sue and be sued in their own name)
- the Town holds the corporate powers of the organization
- the Town appoints voting majority of the organization's board
- the Town is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the Town
- there is a fiscal dependency by the organization on the Town

Based on the aforementioned criteria, the Town of Kershaw has no component units.

**B. Basis of Presentation**

The Town's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

*Government-wide Financial Statements:*

The statement of net position and the statement of activities display information about the Town as a whole. These statements include the financial activities of the Town, except for fiduciary funds. The statements distinguish between those activities of the Town that are governmental in nature and those that are considered business-type activities.

**TOWN OF KERSHAW, SOUTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2023**

**Note 1. Summary of Significant Accounting Policies (continued)**

**B. Basis of Presentation (continued)**

Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Program revenues include charges paid by the recipients of goods or services offered by the program and grant and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues. Business-type activities are financed in whole or in part by fees charged to the external parties for goods or services.

The statement of activities presents a comparison between direct and program revenues for the different 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. The Town does not allocate indirect cost.

*Fund Financial Statements:*

Fund financial statements of the Town are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditure/expenses. Funds are organized into three major categories: governmental, proprietary and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the Town or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category of type; and
- b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The funds of the Town are described below:

**Governmental Funds**

Governmental funds are those through which most governmental functions of the Town are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balances. The General Fund is the Town's only major governmental fund.

**TOWN OF KERSHAW, SOUTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2023**

**Note 1. Summary of Significant Accounting Policies (continued)**

**B. Basis of Presentation (continued)**

*General Fund*

The General Fund is used to account for all financial resources except those required to be accounted for in another fund. All general tax revenues and other receipts that are not allocated by law or contractual agreement to other funds are accounted for in the General Fund. Operational expenditures for general administration and the traditional services provided by the Town are paid through the General 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 restricted to expenditures for specific purposes. The Town has four non-major Special Revenue funds, the ARPA Fund, the Fireman's Fund, the Economic Development Fund and the First Steps Fund.

*ARPA Fund* – This fund is used to account for the monies received and spent from the American Rescue Plan Act.

*Fireman's Fund* – This fund is used to account for the “one percent money” received from the State of South Carolina.

*Economic Development Fund* – This fund is used to account for economic development activities.

*First Steps Fund* – This fund is used to account for the renovation of the downtown bank building for the South Carolina First Steps program. First Steps is a child-care and early education center that will serve the citizens of Kershaw.

**Proprietary Fund**

Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows. The following is the Town's proprietary fund:

*Enterprise Fund*

Enterprise Funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on the net income measurement similar to the private sector. The Water and Sewer Fund is the Town's only enterprise fund and is used to account for the financial transactions related to the water and sewer service provided to the residents of the Town.

**Fiduciary Fund**

Fiduciary Fund reporting focuses on net position and changes in net position. The Town has one fiduciary fund which is a trust fund.

**TOWN OF KERSHAW, SOUTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2023**

**Note 1. Summary of Significant Accounting Policies (continued)**

**B. Basis of Presentation (continued)**

*Private-Purpose Trust Funds*

Private-Purpose trust funds are used to report trust arrangements under which principal and income benefit individuals, private organizations, or other governments. The Kershaw Cemetery Perpetual Care Fund is the Town's only Private-Purpose Trust Fund.

**C. Measurement Focus and Basis of Accounting**

*Measurement Focus*

*Government-Wide Financial Statements*

The government-wide financial statements are prepared using a flow of economic resources measurement focus. All assets and liabilities associated with the operation of the Town are included on the statement of net position.

*Fund Financial Statements*

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reflect the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the fund financial statements for governmental funds.

Like the government-wide financial statements, the proprietary fund is accounted for using a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of this fund are included on the statement of net position. The statement of revenues, expenses and changes in net position presents increases and decreases in total net position. The statement of cash flows reflects how the Town finances and meets the cash flow of its proprietary fund.

Private-Purpose Trust Funds are not involved in the measurement of results of operations; therefore, measurement focus is not applicable to them.

*Basis of Accounting*

In the government-wide statement of net position and statement of activities, both governmental and business-like activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains,

**TOWN OF KERSHAW, SOUTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2023**

**Note 1. Summary of Significant Accounting Policies (continued)**

**B. Basis of Presentation (continued)**

losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

**C. Measurement Focus and Basis of Accounting (continued)**

In the fund financial statements, governmental funds and agency funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when “measurable and available.” Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year end. Items such as property taxes, vehicle taxes, intergovernmental revenues, grants, franchise fees and garbage fees are considered to be susceptible to accrual. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for the general obligation bond principal and interest which are reported when due.

All proprietary funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

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

**D. Cash, Cash Equivalents and Investments**

*Cash and Cash Equivalents*

Cash and cash equivalents include cash on hand, amounts in demand deposits, and certificates of deposits.

*Investments*

Any investments held by the Town are stated at fair value in accordance with *GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for Investment Pools*. Investment policies of the Town must operate within existing state statutes of the State of South Carolina, which authorizes what the Town may and may not invest in. The Town did not have any investments at June 30, 2023.

**E. Receivables**

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible taxes receivable are based upon historical trends and the aging of taxes receivable. Major receivable balances for the governmental activities include property taxes, grants, and intergovernmental revenues. Business-type activities report water and sewer revenues as their major receivables.

**TOWN OF KERSHAW, SOUTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2023**

**Note 1. Summary of Significant Accounting Policies (continued)**

**E. Receivables (continued)**

In the fund financial statements, material receivables in governmental funds include revenue accruals for Federal and State revenue if they are both measurable and available. Non-exchange transactions collectible but not available such as property taxes are deferred in the fund financial statements in accordance with modified accrual, but not deferred in the government wide financial statements in accordance with the accrual basis. Proprietary fund material receivables consist of all revenues earned at year-end and not yet received. Wastewater receivables compose the majority of proprietary fund receivables. All trade and property tax receivables are recorded net of any allowances for uncollectible.

**F. Short-term Interfund Receivables/Payable**

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 the fund financial balance sheet. Interfund balances within governmental activities and within business-type activities are eliminated on the government-wide statement of net position.

**G. Capital Assets**

The accounting treatment over property, plant and equipment (fixed assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

*Government-Wide Statements*

In the government-wide financial statements, fixed assets are accounted for as capital assets. All fixed assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated fixed assets, which are reported at their estimated fair value at the date of donation. Estimated historical cost was used to value many of the assets acquired prior to July 1, 2003. The Town maintains a capitalization policy of \$1,000 for its capital assets. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

Infrastructure assets have not been retroactively reported. However, the financial statements include infrastructure fixed assets beginning with the implementation of GASB 34.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the statement of activities, with accumulated depreciation reflected in the statement of net position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation.

**TOWN OF KERSHAW, SOUTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2023**

**Note 1. Summary of Significant Accounting Policies (continued)**

**G. Capital Assets (continued)**

The range of estimated useful lives by type of asset is as follows:

Infrastructure	30 years
Buildings	25-50 years
Building Improvements	10-50 years
Sewer System	40 years
Furniture and Equipment	5-10 years
Vehicles	10 years

*Fund Financial Statements*

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Fixed assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

**H. Compensated Absences**

Employee vacation is determined by years of service with the Town. Vacation time may be accumulated and does not have to be taken in the year earned. Any current unused vacation is paid upon retirement or termination. As of June 30, 2023, the Town has accrued \$26,503 in compensated absences. Employees are not paid for accumulated sick leave upon retirement or termination. No liability has been accrued in the financial statements for accumulated sick leave.

**I. Equity Classifications**

*Government-Wide Statements*

Equity is classified as net position and displayed in three components:

- a. Net investment in capital assets. This consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, capital leases or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.
- b. Restricted net position. This consists of net position with constraints placed on the use by either external groups such as creditors, grantors, contributors, or laws or regulations of other governments or law through constitutional provisions or enabling legislation.
- c. Unrestricted net position. This consists of all other net position that does not meet the definition of “restricted” or “net investment in capital assets.”

*Fund Statements*

In the governmental fund financial statements, fund balances are classified as follows:

**TOWN OF KERSHAW, SOUTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2023**

**Note 1. Summary of Significant Accounting Policies (continued)**

**I. Equity Classifications (continued)**

- Non-spendable—Amounts that cannot be spent either because they are in a non-spendable form or because they are legally or contractually required to be maintained intact.
- Restricted—Amounts that can be spent only for specific purposes because of the Town Charter, the Town Code, state or federal laws, or externally imposed conditions by grantors or creditors.
- Committed—Amounts that can be used only for specific purposes determined by a formal action by Town Council ordinance or resolution.
- Assigned—Amounts that are designated by the Mayor for a particular purpose but are not spendable until a budget ordinance is passed or there is a majority vote approval (for capital projects or debt service) by Town Council.
- Unassigned—All amounts not included in other spendable classifications.

Proprietary fund equity is classified the same as in the government-wide statements.

**J. Interfund Transactions**

Transactions between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in the governmental funds and non-operating revenues/expenses in the enterprise fund. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

**K. Operating and Non-operating Revenues**

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

**L. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of management and are either unusual in nature or infrequent in occurrence. Neither of these types of transactions occurred during the fiscal year.

**TOWN OF KERSHAW, SOUTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2023**

**Note 1. Summary of Significant Accounting Policies (continued)**

**M. Long-term Obligations**

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources is reported as liabilities in the government-wide statements. The long-term debt consists of notes payable.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. The accounting for proprietary funds is the same in the fund statements as it is in the government-wide statements.

**N. Capital Contributions**

Contributions of capital on enterprise fund financial statements arise from outside contributions of capital assets, contributions from other funds, or grants or outside contributions of resources restricted to capital acquisition and construction.

**O. Restricted Assets**

Assets are reported as restricted when limitations on their use change the nature of normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, laws of other governments, or imposed by enabling legislation.

**P. 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 reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

**Q. Statement of Cash Flows**

For the purpose of the statement of cash flows, the Town's proprietary fund considers cash and cash equivalents. Cash equivalents are defined as short-term, highly liquid investments that are readily convertible to known amounts of cash and are so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. Cash equivalents include certificates of deposits.

**R. Deferred Outflows/Inflows of Resources**

In addition to assets, The Town reports deferred outflows of resources in a separate section of its government wide and proprietary fund statements. This separate financial statement

**TOWN OF KERSHAW, SOUTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2023**

**Note 1. Summary of Significant Accounting Policies (continued)**

**R. Deferred Outflows/Inflows of Resources (continued)**

element, deferred outflows of resources, represents a consumption of net position that applies to a future period. The Town only has one item that qualified for reporting in this category. It is prepaid cost related to the GASB 68 pension liability.

In addition to liabilities, The Town reports deferred inflows of resources in a separate section of its government wide, governmental and proprietary fund statements. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period. The Town has two types of items which occur because governmental fund revenues are not recognized until available (collected no later than 60 days after the end of the Town's fiscal year) under the modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, deferred property taxes, membership fees, and grant revenue are reported in the governmental fund balance sheet. The second item is future pension revenues related to the GASB 68 pension liability.

**S. Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the South Carolina Retirement System (SCRS) and additions to/deductions from SCRS's fiduciary net position have been determined on the same basis as they are reported by SCRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**T. Leases**

According to GASB Statement No. 87 ("GASB 87"), a lease is defined as a contract that conveys control of the right to use another entity's nonfinancial asset as specified in the contract for a period of time in an exchange or exchange-like transaction. Examples of nonfinancial assets include buildings, land, vehicles and equipment. Any contract that meets this definition should be accounted for under new guidelines for accounting and reporting of lease in accordance with GASB 87, which became effective beginning with fiscal year 2022. Any impacts from GASB 87 are to be reflected in the government-wide or proprietary fund statements. There is no impact on the fund financial statements. Based on the applicable criteria, management has determined that the Town is not party to any agreement (either as lessee or lessor) that meets the criteria described in GASB 87 as of June 30, 2023.

**TOWN OF KERSHAW, SOUTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2023**

**Note 1. Summary of Significant Accounting Policies (continued)**

**U. Prior Period Adjustment**

*Governmental Fund*

Fund Balance, beginning of the year, as previously stated	\$ 7,630,631
Increase resulting from transfers between funds	<u>622,117</u>
Fund Balance, end of the year, as Restated	<u>\$ 8,252,748</u>

*Water and Sewer Fund*

Net Position, beginning of the year, as previously stated	\$ 7,121,846
Decrease resulting from transfers between funds	<u>(680,831)</u>
Net Position, end of the year, as Restated	<u>\$ 6,441,015</u>

*General Fund*

Fund Balance, beginning of the year, as previously stated	\$ 2,905,356
Increase resulting from transfers between funds	<u>405,383</u>
Fund Balance, end of the year, as Restated	<u>\$ 3,310,739</u>

*ARPA Special Revenue Fund*

Fund Balance, beginning of the year, as previously stated	\$ -
Increase resulting from transfers between funds	<u>216,737</u>
Fund Balance, end of the year, as Restated	<u>\$ 216,737</u>

**Note 2. Property Taxes**

Real property taxes are levied on October 1 on the assessed valuations of property located in Lancaster County as of the preceding January 1, and are due and payable at that time. All unpaid taxes levied October 1 become delinquent January 15 of the following year, and property taxes attach as an enforceable lien if not paid by March 16 of the following year. Penalties are added to taxes depending on the date paid as follows:

January 16-February 1	3% of tax
February 2-March 16	10% of tax
March 17 and thereafter	15 % of tax plus collection costs

Motor vehicle taxes are levied on the first day of the month in which the motor vehicle license expires and is due by the end of the month. Property taxes are billed and collected by Lancaster County. Property tax revenue is recognized when collected by the County Treasurer's Office.

**TOWN OF KERSHAW, SOUTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2023**

**Note 2. Property Taxes (continued)**

Based on information provided by the Lancaster County Treasurer's Office, the Town has recorded uncollected, property taxes at June 30, 2023, of \$45,198 (net of allowance for uncollectible portion of \$23,092) for the General Fund. The remaining amount of \$21,890 has been recorded as deferred inflows of resources on the governmental fund basic financial statements because it was not collected within 60 days of year end.

**Note 3. Deposits – Custodial Credit Risk**

Custodial credit risk is the risk that, in the event of a bank failure, the Town's deposits may not be returned to it. The Town does not have a deposit policy for custodial credit risk. As of June 30, 2023, \$4,004,919 of the Town's bank balance of \$6,034,224 which has a carrying value of \$5,878,224 was exposed to custodial credit risk as follows:

Uninsured by FDIC, but collateral held by pledging bank in the Town's name	<u>\$4,004,919</u>
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**Note 4. Other Receivables**

Other governmental receivables at June 30, 2023, consist of intergovernmental revenues, franchise fees, grants and garbage fees.

Garbage fees receivable shown in the General Fund consist of garbage service rendered as of June but not collected. Water and Sewer receivables and Garbage receivables are shown net of an allowance for uncollectible of \$190,027 and \$24,801, respectively.

**TOWN OF KERSHAW, SOUTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2023**

**Note 5. Capital Assets**

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

	<u>Beginning</u>	<u>Additions</u>	<u>Transfers</u>	<u>Disposals</u>	<u>Ending</u>
<i>Governmental Activities</i>					
Non-depreciable assets:					
Land	\$ 711,105	\$ -	\$ -	\$ -	\$ 711,105
Construction in Progress	1,465,268	153,276	(1,425,268)	-	193,276
Depreciable assets:					
Buildings and Improvements	4,557,550	12,549	1,425,268	-	5,995,367
Infrastructure	865,634	124,000	-	-	989,634
Furniture and Equipment	<u>2,671,426</u>	<u>215,898</u>	<u>-</u>	<u>(117,600)</u>	<u>2,769,724</u>
Totals	<u>10,270,983</u>	<u>505,723</u>	<u>-</u>	<u>(117,600)</u>	<u>10,659,106</u>
Less: Accumulated Depreciation					
Buildings and Improvements	(2,302,624)	(156,656)	-	-	(2,459,280)
Infrastructure	(616,708)	(46,322)	-	-	(663,030)
Furniture and Equipment	<u>(2,474,514)</u>	<u>(162,314)</u>	<u>-</u>	<u>117,600</u>	<u>(2,519,228)</u>
Totals	<u>(5,393,846)</u>	<u>(365,292)</u>	<u>-</u>	<u>117,600</u>	<u>(5,641,538)</u>
Governmental Activities					
Capital Assets, Net	<u>\$ 4,877,137</u>	<u>\$ 140,431</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,017,568</u>
<i>Business-type Activities</i>					
Non-depreciable assets:					
Land & Land Improvements	\$ 34,482	\$ -	\$ -	\$ -	\$ 34,482
Construction in Process	372,219	1,748,321	(318,320)	-	1,802,220
Depreciable assets:					
Equipment	886,285	135,069	-	-	1,021,354
Buildings	125,703	-	-	-	125,703
Water and Sewer System	<u>9,595,472</u>	<u>1,286,153</u>	<u>318,320</u>	<u>-</u>	<u>11,199,945</u>
Totals	<u>11,014,161</u>	<u>3,169,543</u>	<u>-</u>	<u>-</u>	<u>14,183,704</u>
Less: Accumulated Depreciation					
Equipment	(648,599)	(65,771)	-	-	(714,370)
Buildings	(46,459)	(3,223)	-	-	(49,682)
Water and Sewer System	<u>(4,665,737)</u>	<u>(232,210)</u>	<u>-</u>	<u>-</u>	<u>(4,897,947)</u>
Totals	<u>(5,360,795)</u>	<u>(301,204)</u>	<u>-</u>	<u>-</u>	<u>(5,661,999)</u>
Business-type Activities					
Capital Assets, Net	<u>\$ 5,653,366</u>	<u>\$ 2,868,339</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,521,705</u>

**TOWN OF KERSHAW, SOUTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2023**

**Note 5. Capital Assets (continued)**

Depreciation expense to governmental activities was charged to functions as follows:

General Government	\$ 113,296
Public Safety	147,528
Recreation	46,989
Public Works	<u>57,479</u>
 Total	 <u>\$ 365,292</u>

Construction in progress and construction commitments – consisted of the following at June 30, 2023:

	Expenditures To Date	Total Contract	Contract Payments Remaining
<i>Business-type Activities:</i>			
Wastewater Treatment Expansion	<u>\$ 1,802,220</u>	<u>\$ 3,064,432</u>	<u>\$(1,262,212)</u>

**Note 6. Long-Term Debt**

***Governmental Activities:***

As of June 30, 2023, the governmental long-term debt consisted of one capital lease and compensated absences.

*Capital Lease Payable*

On August 17, 2018, the Town entered into a capital lease arrangement with BB&T to purchase a rescue truck and equipment in the amount of \$308,746. The lease is payable in yearly installments beginning October 1, 2018. As of June 30, 2023, the Town had an outstanding balance of \$164,921.

The following is a schedule of the future minimum payments under the capital lease and the present value of the net minimum lease payments as of June 30, 2023.

	Balance July 1, 2022	Additions	Reductions	Balance June 30, 2023	Due Within One Year
<i>Governmental Activities:</i>					
Capital Lease Payable	\$ 193,650	\$ -	\$ (28,729)	\$ 164,921	\$ 29,673
Compensated Absences	<u>19,008</u>	<u>26,503</u>	<u>(19,008)</u>	<u>26,503</u>	<u>-</u>
	<u>\$ 212,658</u>	<u>\$ 26,503</u>	<u>\$ (47,737)</u>	<u>\$ 191,424</u>	<u>\$ 29,673</u>

**TOWN OF KERSHAW, SOUTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2023**

**Note 7. Employee Retirement Systems**

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

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

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

SCRS - Generally, all employees of covered employers are required to participate in and contribute to the system as a condition of employment. This plan covers general employees and teachers and first-term individuals elected to the South Carolina General Assembly. 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.

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.

**TOWN OF KERSHAW, SOUTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2023**

**Note 7. Employee Retirement Systems (continued)**

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

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

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

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

*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. The Retirement Funding and Administration Act of 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.

**TOWN OF KERSHAW, SOUTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2023**

**Note 7. Employee Retirement Systems (continued)**

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. In accordance with the legislative funding schedule, employer contribution rates will continue to increase by 1 percentage point each year until reaching 18.56 percent for SCRS and 21.24 percent for PORS but may be increased further, if the scheduled contributions are not sufficient to meet the funding periods set for the applicable year. The board shall increase the employer contribution rates as necessary to meet the amortization period set in state statute.

Pension reform legislation modified statute such that the employer contribution rates for SCRS and PORS to be further increased, not to exceed one-half of one percent in any one year if necessary, in order to improve the funding of the plans. The statute set rates intended to reduce the unfunded liability of SCRS and PORS to the maximum amortization period of 20 years from 30 years over a ten-year schedule, as determined by the annual actuarial valuations of the plan. Finally, under the revised statute, the contribution rates for SCRS and PORS may not be decreased until the plans are at least 85 percent funded.

Required employee contribution rates are as follows:

<b>SCRS</b>	<b><u>Fiscal Year 2023*</u></b>	<b><u>Fiscal Year 2022*</u></b>
Employee Class Two	9.00 % of earnable compensation	9.00 % of earnable compensation
Employee Class Three	9.00 % of earnable compensation	9.00 % of earnable compensation
<b>PORS</b>	<b><u>Fiscal Year 2023*</u></b>	<b><u>Fiscal Year 2022*</u></b>
Employee Class Two	9.75 % of earnable compensation	9.75 % of earnable compensation
Employee Class Three	9.75 % of earnable compensation	9.75 % of earnable compensation

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

**TOWN OF KERSHAW, SOUTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2023**

**Note 7. Employee Retirement Systems (continued)**

Required employer contributions are as follows:

<b>SCRS</b>	<b><u>Fiscal Year 2023*</u></b>	<b><u>Fiscal Year 2022*</u></b>
Employer Class Two	17.41 % of earnable compensation	16.41 % of earnable compensation
Employer Class Three	17.41 % of earnable compensation	16.41 % of earnable compensation
Employer Incidental Death Benefit	0.15 % of earnable compensation	0.15 % of earnable compensation
<b>PORS</b>	<b><u>Fiscal Year 2023*</u></b>	<b><u>Fiscal Year 2022*</u></b>
Employer Class Two	19.84 % of earnable compensation	18.84 % of earnable compensation
Employer Class Three	19.84 % of earnable compensation	18.84 % of earnable compensation
Employer Incidental Death Benefit	0.20 % of earnable compensation	0.20 % of earnable compensation
Employer Accidental Death Program	0.20 % of earnable compensation	0.20 % of earnable compensation

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

*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, 2022, 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, 2021. The total pension liability was rolled-forward from the valuation date to the plans' fiscal year end, June 30, 2022, using generally accepted actuarial principles. There was no legislation enacted during the 2022 legislative session that had a material change in the benefit provisions for any of the systems.

**TOWN OF KERSHAW, SOUTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2023**

**Note 7. Employee Retirement Systems (continued)**

The following table provides a summary of the actuarial assumptions and methods used to calculate the TPL as of June 30, 2022.

	SCRS	PORS
Actuarial cost method	Entry age normal	Entry age normal
Investment rate of return <sup>1</sup>	7%	7%
Projected salary increases	3.0% to 11.0% (varies by service) <sup>1</sup>	3.5% to 10.5% (varies by service) <sup>1</sup>
Benefit adjustments	lesser of 1% or \$500 annually	lesser of 1% or \$500 annually
<sup>1</sup> Includes inflation at 2.25%		

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

Assumptions used in the determination of the June 30, 2022, 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 No. 67 less that system's fiduciary net position. NPL totals, as of June 30, 2022, for SCRS and PORS are presented below.

System	Total Pension Liability	Plan Fiduciary Net Position	Employers' Net Pension Liability (Asset)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
SCRS	\$ 56,454,779,872	\$ 32,212,626,932	\$ 24,242,152,940	57.1%
PORS	8,937,686,946	5,938,707,767	2,998,979,179	66.4%

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

**TOWN OF KERSHAW, SOUTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2023**

**Note 7. Employee Retirement Systems (continued)**

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

The expected returns, along with the expected inflation rate, form the basis for the target asset allocation adopted at the beginning of the 2022 fiscal year. The long-term expected rate of return is produced by weighting the expected future real rates of return by the target allocation percentage and adding expected inflation and is summarized in the table below. For actuarial purposes, the 7 percent assumed annual investment rate of return used in the calculation of the TPL includes a 4.75 percent real rate of return and a 2.25 percent inflation component.

Allocation / Exposure	Policy Target	Expected Arithmetic Real Rate of Return	Long Term Expected Portfolio Real Rate of Return
Public Equity	46.0%	6.79%	3.12%
Bonds	26.0%	(0.35)%	(0.09)%
Private Equity <sup>1</sup>	9.0%	8.75%	0.79%
Private Debt <sup>1</sup>	7.0%	6.00%	0.42%
Real Assets	12.0%		
Real Estate <sup>1</sup>	9.0%	4.12%	0.37%
Infrastructure <sup>1</sup>	3.0%	5.88%	0.18%
Total Expected Return <sup>2</sup>	100.0%		4.79%
Inflation for Actuarial Purposes			2.25%
			7.04%

<sup>1</sup> RSIC staff and consultant will notify the Commission if the collective exposure to Private Equity, Private Debt and Private Real Assets exceeds 30 percent of total plan assets.

<sup>2</sup> 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 15% of total assets.

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

*Sensitivity Analysis-* The following table presents the collective NPL of the participating employers calculated using the discount rate of 7 percent, as well as what the employers' NPL would be if it were calculated using a discount rate that is 1 percent lower (6 percent) or 1 percent higher (8 percent) than the current rate.

**TOWN OF KERSHAW, SOUTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2023**

**Note 7. Employee Retirement Systems (continued)**

<b>System</b>	<b><u>6.00%</u></b>	<b><u>7.00%</u></b>	<b><u>8.00%</u></b>
<b>SCRS</b>	\$ 1,228,479	\$ 958,159	\$ 733,424
<b>PORS</b>	\$ 282,629	\$ 202,683	\$ 137,239

*Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions* – At June 30, 2023, the Town reported a liability of \$1,160,842 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, 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 state entities, actuarially determined. At June 30, 2023, the Town’s proportion was a 0.00000406 percent decrease from its proportion measured as of June 30, 2022.

For the year ended June 30, 2023, the Town recognized pension expense of \$11,780. As of June 30, 2023, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b><u>Deferred Outflows of Resources</u></b>	<b><u>Deferred Inflows of Resources</u></b>
Differences between expected and actual experience	\$ 11,726	\$ 8,183
Changes of assumptions	39,170	-
Net difference between projected and actual earnings on pension plan investments	2,091	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	135,603	175,922
Town contributions subsequent to measurement date	<u>77,902</u>	<u>-</u>
Total	<u>\$ 266,492</u>	<u>\$ 184,105</u>

The Town’s contributions subsequent to the measurement date of \$77,902 are reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ended June 30, 2023.

Other amounts reported as deferred outflows of resources and deferred inflows related to pensions will be recognized in the pension expense as follows:

**TOWN OF KERSHAW, SOUTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2023**

**Note 7. Employee Retirement Systems (continued)**

Year Ended June 30:	<u>SCRS</u>	<u>PORS</u>	<u>Total</u>
2023	(101,900)	49,112	(52,788)
2024	(6,275)	45,132	38,857
2025	(41,886)	27,434	(14,452)
2026	24,988	7,879	32,867
Total	<u>\$ (125,073)</u>	<u>\$ 129,557</u>	<u>\$ 4,484</u>

**Note 8. Volunteer Fireman’s Retirement Plan**

The Town participates in a defined contribution pension plan covering all eligible volunteer firemen. The plan is sponsored by the South Carolina State Firemen's Association. Contributions to the plan are made at the discretion of the Town Council. Total contributions for the year ended June 30, 2023, were approximately \$5,400.

**Note 9. Risk Management**

The Town is exposed to various risks of loss related to torts, theft, damage and destruction of assets, errors and omissions, injuries to employees, and natural disasters. To help minimize the risks of loss, the Town purchases insurance coverage through the South Carolina Insurance Reserve Fund and other insurance carriers.

**Note 10. Economic Dependency**

The Town of Kershaw receives approximately 35% of total water and sewer income from the prison.

**Note 11. Leases**

The Golf Course fund has entered into the following lease:

- Golf Course Equipment lease for 60 months, beginning April 1, 2023, and ended March 1, 2028.

The lease expense related to this lease for the year ended June 30, 2023, amounted to \$0.

**Note 12. Interfund Transaction**

During the course of normal operations, the Town has numerous transactions between funds including expenditures and transfers of resources primarily to provide services. The governmental and proprietary type funds financial statements generally reflect such transactions as transfers.

**TOWN OF KERSHAW, SOUTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2023**

**Note 12. Interfund Transaction (continued)**

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service form the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Individual fund operating transfers for fiscal year 2023 were as follows:

*General Fund*

Transfer from Economic Development	\$ 304,152
Transfer from First Steps	84,542
Transfer from ARPA	124,000
Transfer from Proprietary Funds (net)	<u>413,380</u>
 Net Transfers	 <u>\$ 926,074</u>

*Special Revenue Fund - ARPA*

Transfer to General Fund	(124,000)
Transfer to Proprietary Fund	<u>(760,029)</u>
 Net Transfers	 <u>\$ (884,029)</u>

*Special Revenue Fund - Economic Development*

Transfer to General Fund	<u>\$ (304,152)</u>
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*Special Revenue Fund - First Steps*

Transfer to General Fund	<u>\$ (84,542)</u>
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*Proprietary Funds*

Transfer from ARPA Fund	760,029
Transfer to General Fund (net)	<u>(413,380)</u>
 Net Transfers	 <u>\$ 346,649</u>

**TOWN OF KERSHAW, SOUTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2023**

**Note 13.        Commitments and Contingencies**

In the normal course of business, the Town enters into agreements with contractors for construction projects. As of June 30, 2023, open contracts and project budgets for construction totaled \$3,064,432 of which \$1,802,220 has been recorded as construction in progress.

**Note 14.        Subsequent Events**

The Town evaluated all events or transactions that occurred after June 30, 2023, through October 24, 2023, the date the Town issued these financial statements. During this period, the Town did not have any material subsequent events that required recognition in the Town's disclosures to the June 30, 2023, financial statements.

### **General Fund**

The General Fund is the major operating fund of the Town and is used to account for resources traditionally associated with government which are not required legally or by sound financial management to be accounted for in another fund.

**TOWN OF KERSHAW, SOUTH CAROLINA**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**For the Fiscal Year Ended June 30, 2023**

	Budget	Actual	Variance Positive (Negative)
<b>Revenues:</b>			
<b>Taxes</b>			
Local Option Sales Tax	\$ 105,000	\$ 117,919	\$ 12,919
Real Property	689,554	831,854	142,300
Vehicles	42,500	48,728	6,228
Hospitality Tax	130,000	147,005	17,005
Subtotal	967,054	1,145,506	178,452
<b>Fines, Fees, Licenses and Permits</b>			
Business License and Penalties	358,700	549,337	190,637
Franchise Fees	413,000	235,783	(177,217)
Country Club	341,800	499,159	157,359
Garbage Fees	280,000	305,946	25,946
Subtotal	1,393,500	1,590,225	196,725
<b>Intergovernmental</b>			
State Government Revenue	42,000	51,453	9,453
Accommodations Tax	5,500	8,624	3,124
Inventory Tax	10,000	8,810	(1,190)
Subtotal	57,500	68,887	11,387
<b>Other</b>			
Interest	150	53,815	53,665
Grants	-	37,125	37,125
Miscellaneous	127,600	193,602	66,002
Subtotal	127,750	284,542	156,792
<b>Total Revenues</b>	<b>2,545,804</b>	<b>3,089,160</b>	<b>543,356</b>

**TOWN OF KERSHAW, SOUTH CAROLINA**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**For the Fiscal Year Ended June 30, 2023**  
**(continued)**

	Budget	Actual	Variance Positive (Negative)
<b>Expenditures:</b>			
Current:			
General Government	\$ 716,807	\$ 697,702	\$ 19,105
Public Safety	937,965	929,668	8,297
Public Works	402,280	387,761	14,519
Recreation	299,232	316,991	(17,759)
Capital Outlay	189,520	575,967	(386,447)
Total Expenditures	2,545,804	2,908,089	(362,285)
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	-	181,071	181,071
<b>Other Financing Sources (Uses):</b>			
Sale of Fixed Assets	-	64,000	64,000
Transfer from Special Revenue Fund	-	512,694	512,694
Transfer from Utility Fund	-	413,380	413,380
Total Other Financing Sources (Uses)	-	990,074	990,074
<b>Net Change in Fund Balance</b>	\$ -	1,171,145	\$ 1,171,145
<b>Fund Balance, Beginning of Year, as Restated</b>		3,310,739	
<b>Fund Balance, End of Year</b>		\$ 4,481,884	

**TOWN OF KERSHAW, SOUTH CAROLINA**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**For the Fiscal Year Ended June 30, 2023**

	Budgeted Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Taxes	967,054	\$ 967,054	\$ 1,145,506	\$ 178,452
Fines, Fees, Licenses and Permits	1,393,500	1,393,500	1,590,225	196,725
Intergovernmental	57,500	57,500	68,887	11,387
Other	<u>127,750</u>	<u>127,750</u>	<u>284,542</u>	<u>156,792</u>
 Total Revenues	 <u>2,545,804</u>	 <u>2,545,804</u>	 <u>3,089,160</u>	 <u>543,356</u>
<b>Expenditures</b>				
Current:				
General Government	716,807	716,807	697,702	19,105
Public Safety	937,965	937,965	929,668	8,297
Public Works	402,280	402,280	387,761	14,519
Recreation	299,232	299,232	316,991	(17,759)
Capital Outlay	<u>189,520</u>	<u>189,520</u>	<u>575,967</u>	<u>(386,447)</u>
 Total Expenditures	 <u>2,545,804</u>	 <u>2,545,804</u>	 <u>2,908,089</u>	 <u>(362,285)</u>
 <b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	 <u>-</u>	 <u>-</u>	 <u>181,071</u>	 <u>181,071</u>
<b>Other Financing Sources (Uses):</b>				
Sale of Fixed Assets	-	-	64,000	64,000
Transfer from Special Revenue	-	-	512,694	512,694
Transfer from Utility Fund	<u>-</u>	<u>-</u>	<u>413,380</u>	<u>413,380</u>
 Total Other Financing Sources (Uses)	 <u>-</u>	 <u>-</u>	 <u>990,074</u>	 <u>990,074</u>
 <b>Net Change in Fund Balance</b>	 <u>\$ -</u>	 <u>\$ -</u>	 <u>1,171,145</u>	 <u>\$ 1,171,145</u>
 <b>Fund Balance, Beginning of Year, as Restated</b>			 <u>3,310,739</u>	
 <b>Fund Balance, End of Year</b>			 <u>\$ 4,481,884</u>	

**TOWN OF KERSHAW, SOUTH CAROLINA**  
**SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF**  
**THE NET PENSION LIABILITY**

**For the Fiscal Year Ended June 30, 2023**

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b>SCRS</b>									
Town's proportion of the net pension liability (asset)	0.0039520%	0.0043580%	0.0042470%	0.0061790%	0.0048910%	0.0048550%	0.0057350%	0.0052550%	0.0060510%
Town's proportionate share of the net pension liability (asset)	\$ 958,159	\$ 943,192	\$ 1,085,082	\$ 1,410,980	\$ 1,095,874	\$ 1,092,939	\$ 1,224,988	\$ 996,636	\$ 1,041,782
Town's covered employee payroll	\$ 449,713	\$ 446,874	\$ 421,115	\$ 442,443	\$ 498,369	\$ 485,439	\$ 491,935	\$ 555,404	\$ 492,704
Town's proportionate share of the net pension liability (asset)	213.06%	211.06%	257.67%	318.91%	219.89%	225.14%	249.01%	179.44%	211.44%
as a percentage of its covered-employee payroll	57.06%	60.75%	50.71%	54.40%	54.10%	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of total pension liability									
<b>PORS</b>									
Town's proportion of the net pension liability (asset)	0.0067600%	0.0013500%	0.0011810%	0.0009330%					
Town's proportionate share of the net pension liability (asset)	\$ 202,683	\$ 34,639	\$ 39,180	\$ 26,745					
Town's covered employee payroll	\$ 87,214	\$ 46,905	\$ 15,331	\$ 17,848					
Town's proportionate share of the net pension liability (asset)	232.40%	73.85%	255.56%	149.85%					
as a percentage of its covered-employee payroll	66.45%	70.37%	58.79%	62.69%					
Plan fiduciary net position as a percentage of total pension liability									

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10- year trend is compiled, governments should present information for those years for which information is available

**TOWN OF KERSHAW, SOUTH CAROLINA**  
**SCHEDULE OF THE TOWN'S CONTRIBUTIONS**  
**June 30, 2023**

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 77,902	\$ 83,027	\$ 78,569	\$ 81,423	\$ 84,690	\$ 65,826	\$ 56,868	\$ 61,428	\$ 53,705
Contributions in relation to contractually required contribution	<u>(77,902)</u>	<u>(83,027)</u>	<u>(78,569)</u>	<u>(81,423)</u>	<u>(84,690)</u>	<u>(65,826)</u>	<u>(56,868)</u>	<u>(61,428)</u>	<u>(53,705)</u>
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Town's covered-employee payroll	\$ 536,927	\$ 493,779	\$ 421,115	\$ 442,443	\$ 498,369	\$ 485,439	\$ 491,935	\$ 555,404	\$ 492,704
Contributions as a percentage of covered-employee payroll	14.51%	16.81%	18.66%	18.40%	16.99%	13.56%	11.56%	11.06%	10.90%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available

**TOWN OF KERSHAW, SOUTH CAROLINA**  
**NOTES TO REQUIRED SUPPLEMENTAL INFORMATION**  
**June 30, 2023**

**A. Budgets and Budgetary Accounting**

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. The accounting system provides for appropriate budgetary control. Budgetary comparisons are included in the supplemental schedules for the General Fund and the Wastewater Fund. All annual appropriations lapse at fiscal year-end.

The Town does not use encumbrance accounting due to the size of operations involved.

**B. Legal Compliance – Budgets**

The Finance Committee, composed of three members of the Town Council, submits to Town Council an operating budget. The budget includes proposed expenditures and the means for financing them. The budget is prepared by fund, object and activity. Public meetings are held to obtain additional comments from interested individual taxpayers. The fiscal year of the Town begins each July 1, and the Council adopts the tentative budget for the coming year. The budget is legally adopted after majority approval by Town Council in two consecutive readings.

**TOWN OF KERSHAW, SOUTH CAROLINA**  
**SCHEDULE OF GENERAL FUND EXPENDITURES**  
**GENERAL GOVERNMENT**  
**BUDGET AND ACTUAL**  
**For the Fiscal Year Ended June 30, 2023**

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
<b>General Government</b>			
Salaries	\$ 152,100	\$ 159,320	\$ (7,220)
Employee Expenses	35,482	26,928	8,554
Material and Supplies	51,020	65,292	(14,272)
Council Expense	6,700	6,505	195
Insurance	73,625	67,527	6,098
Community Development	40,000	36,547	3,453
Technology and Equipment	82,400	61,331	21,069
Advertising	3,500	3,772	(272)
Utilities	83,200	96,194	(12,994)
Professional Fees	64,300	55,630	8,670
Travel and Training	2,000	1,304	696
Dues	5,000	4,680	320
Repairs and Maintenance	72,480	76,588	(4,108)
Bank Charges	1,000	1,049	(49)
Capital Outlay	160,000	57,914	102,086
Other	44,000	35,035	8,965
	<u>44,000</u>	<u>35,035</u>	<u>8,965</u>
<b>Total General Government Expenditures</b>	<u>\$ 876,807</u>	<u>\$ 755,616</u>	<u>\$ 121,191</u>

**TOWN OF KERSHAW, SOUTH CAROLINA**  
**SCHEDULE OF GENERAL FUND EXPENDITURES**  
**PUBLIC SAFETY AND PUBLIC WORKS**  
**BUDGET AND ACTUAL**  
**For the Fiscal Year Ended June 30, 2023**

	Budget	Actual	Variance Positive (Negative)
<b>Police Department</b>			
Contract Services	\$ 703,765	\$ 697,765	\$ 6,000
Sub-Total	703,765	697,765	6,000
<b>Fire Department</b>			
Contract Services	173,200	166,228	6,972
Repairs and Maintenance	16,000	20,676	(4,676)
Travel and Training	45,000	44,999	1
Sub-Total	234,200	231,903	2,297
<b>Total Public Safety Expenditures</b>	<b>\$ 937,965</b>	<b>\$ 929,668</b>	<b>\$ 8,297</b>
	Budget	Actual	Variance Positive (Negative)
<b>Sanitation Department</b>			
Salaries	\$ 172,060	\$ 170,433	\$ 1,627
Employee Expenses	43,930	36,714	7,216
Insurance	36,670	18,241	18,429
Vehicle Repairs	-	8	(8)
Repairs and Maintenance	40,000	36,622	3,378
Sundry Labor	2,000	-	2,000
Professional Fees	107,620	125,743	(18,123)
Capital Outlay	-	195,529	(195,529)
<b>Total Public Works Expenditures</b>	<b>\$ 402,280</b>	<b>\$ 583,290</b>	<b>\$ (181,010)</b>

**TOWN OF KERSHAW, SOUTH CAROLINA**  
**SCHEDULE OF GENERAL FUND EXPENDITURES**  
**RECREATION**  
**BUDGET AND ACTUAL**  
**For the Fiscal Year Ended June 30, 2022**

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
<b>Recreation</b>			
Salaries	\$ 170,000	\$ 160,637	\$ 9,363
Employee Expenses	27,178	23,313	3,865
Materials and Supplies	9,750	23,601	(13,851)
Insurance	5,404	5,273	131
Repairs and Maintenance	52,500	67,260	(14,760)
Bank Charges	4,700	3,273	1,427
Advertising	1,500	124	1,376
Sales Tax	20,750	29,367	(8,617)
Dues	-	2,220	(2,220)
Sundry Labor	250	-	250
Capital Outlay	29,520	322,524	(293,004)
Other	<u>7,200</u>	<u>1,923</u>	<u>5,277</u>
<b>Total Recreation Expenditures</b>	<u>\$ 328,752</u>	<u>\$ 639,515</u>	<u>\$ (310,763)</u>

### **Special Revenue Funds**

The special revenue funds are used by the Town to account for the accumulation and disbursement of restricted resources. The following is a description of the Town's Special Revenue Funds:

**ARPA Fund** - To account for the monies received and spent from the American Rescue Plan Act.

**Fireman's Fund** – To account for “one percent money” received from the State.

**Economic Development Fund** – To account for economic development activities.

**First Steps Fund** –To account for the renovation of the downtown bank building for the South Carolina First Steps program. First Steps is a child-care and early education center that will serve the citizens of Kershaw.

**TOWN OF KERSHAW, SOUTH CAROLINA  
BALANCE SHEET  
SPECIAL REVENUE FUNDS  
June 30, 2023**

	<u>ARPA</u>	<u>Economic Development Fund</u>	<u>First Steps</u>	<u>Fireman's Fund</u>	<u>Total Special Revenue Funds</u>
<b>Assets</b>					
Cash and Cash Equivalents	\$ 195,749	\$ -	\$ -	\$ 89,200	\$ 89,200
<b>Total Assets</b>	<u>195,749</u>	<u>-</u>	<u>-</u>	<u>89,200</u>	<u>89,200</u>
<b>Liabilities and Fund Balance</b>					
<b>Liabilities and Deferred Inflows of Resources</b>					
Unavailable Revenue - ARPA	<u>195,749</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Deferred Inflows of Resources</b>	<u>195,749</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balance</b>					
Assigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>89,200</u>	<u>89,200</u>
<b>Total Fund Balance</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>89,200</u>	<u>89,200</u>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balance</b>	<u>\$ 195,749</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 89,200</u>	<u>\$ 89,200</u>

**TOWN OF KERSHAW, SOUTH CAROLINA**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**SPECIAL REVENUE FUNDS**  
**For the Fiscal Year Ended June 30, 2023**

	ARPA	Economic Development Fund	First Steps	Fireman's Fund	Total Special Revenue Funds
<b>Revenues:</b>					
State	\$ -	\$ -	\$ -	\$ 13,350	\$ 13,350
Contributions	-	-	-	46,919	46,919
Grants	733,901	-	-	-	733,901
Interest	-	1,799	-	31	1,830
	<u>733,901</u>	<u>1,799</u>	<u>-</u>	<u>60,300</u>	<u>796,000</u>
Total Revenues					
<b>Expenditures:</b>					
Salaries	35,869	-	-	-	35,869
Contributions	-	-	-	19,649	19,649
Repairs and Maintenance	30,740	-	-	36,463	67,203
Travel and Training	-	-	-	3,759	3,759
Other	-	-	26,109	5,709	31,818
	<u>66,609</u>	<u>-</u>	<u>26,109</u>	<u>65,580</u>	<u>158,298</u>
Total Expenditures					
Excess of Revenues Over Expenditures	<u>667,292</u>	<u>1,799</u>	<u>(26,109)</u>	<u>(5,280)</u>	<u>637,702</u>
<b>Other Financing Sources (Uses):</b>					
Transfer to Utility Fund	(760,029)	-	-	-	(760,029)
Transfer to General Fund	(124,000)	(304,152)	(84,542)	-	(512,694)
	<u>(884,029)</u>	<u>(304,152)</u>	<u>(84,542)</u>	<u>-</u>	<u>(1,272,723)</u>
Total Other Financing Sources (Uses)					
<b>Net Change in Fund Balance</b>	(216,737)	(302,353)	(110,651)	(5,280)	(635,021)
Assigned Fund Balance, Beginning of Year, as Restated	<u>216,737</u>	<u>302,353</u>	<u>110,651</u>	<u>94,480</u>	<u>724,221</u>
Assigned Fund Balance, End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 89,200</u>	<u>\$ 89,200</u>

### **Enterprise Fund**

Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost of providing goods or services to the general public be financed or recovered primarily through user charges. The Town of Kershaw has one Enterprise Fund described below:

***Water and Sewer Fund*** - This fund is used to account for all financial resources associated with furnishing Water & Sewer service to domestic and industrial users.

**TOWN OF KERSHAW, SOUTH CAROLINA**  
**WATER AND SEWER FUND**  
**SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**BUDGET AND ACTUAL**  
**For the Fiscal Year Ended June 30, 2023**

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
<b>Operating Revenues:</b>			
Water Charges	\$ 1,105,624	\$ 1,200,997	\$ 95,373
Sewer Charges	827,000	981,511	154,511
Penalties	17,000	39,180	22,180
Taps and Reconnections	20,500	28,907	8,407
Other	<u>60,362</u>	<u>2,385,200</u>	<u>2,324,838</u>
Total Operating Income	<u>2,030,486</u>	<u>4,635,795</u>	<u>2,605,309</u>
<b>Operating Expenses:</b>			
Salaries	249,500	260,542	(11,042)
Employee Expenses	62,920	42,198	20,722
Advertising	2,000	1,793	207
Bank Charges	-	63	(63)
Materials and Supplies	52,000	50,881	1,119
Insurance	70,052	71,914	(1,862)
Utilities	130,000	145,469	(15,469)
Refunds	6,000	-	6,000
Professional Services	55,000	24,815	30,185
Travel and Training	4,000	373	3,627
Uniforms	3,600	4,224	(624)
Dues and Permits	14,000	11,526	2,474
Repairs and Maintenance	341,414	309,147	32,267
Water Testing Fees	26,000	14,653	11,347
Depreciation	-	301,204	(301,204)
Sludge Disposal	19,000	8,430	10,570
Water Purchase	<u>725,000</u>	<u>634,960</u>	<u>90,040</u>
Total Operating Expenses	<u>1,760,486</u>	<u>1,882,192</u>	<u>(121,706)</u>
<b>Operating Income</b>	<u>270,000</u>	<u>2,753,603</u>	<u>2,483,603</u>
<b>Non-Operating Revenues/(Expenses):</b>			
Transfers from Other Funds	<u>(270,000)</u>	<u>346,649</u>	<u>616,649</u>
<b>Total Non-Operating Revenues</b>	<u>(270,000)</u>	<u>346,649</u>	<u>616,649</u>
<b>Change in Net Position</b>	<u>\$ -</u>	<u>3,100,252</u>	<u>\$ 3,100,252</u>
<b>Total Net Position, Beginning of Year, as Restated</b>		<u>6,441,015</u>	
<b>Total Net Position, End of Year</b>		<u>\$ 9,541,267</u>	

**TOWN OF KERSHAW, SOUTH CAROLINA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**June 30, 2023**

<i>Federal Grantor/Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Pass-through Entity Identifying Number</i>	<i>Federal Expenditures(\$)</i>
<b><i>Economic Development Cluster-Cluster</i></b>			
Department of Commerce			
Investments for Public Works and Economic Development Facilities			
Investments for Public Works and Economic Development Facilities	11.300	*	1,540,698
Total Investments for Public Works and Economic Development Facilities			1,540,698
<i>Total Department of Commerce</i>			1,540,698
<b><i>Total Economic Development Cluster-Cluster</i></b>			1,540,698
<b><i>Other Programs</i></b>			
Department of the Treasury			
CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS			
CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS	21.027		733,901
Total CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS			733,901
<i>Total Department of the Treasury</i>			733,901
<b><i>Total Other Programs</i></b>			733,901
<b><i>Total Expenditures of Federal Awards</i></b>			\$ 2,274,599

The accompanying notes are an integral part of this schedule

\*Tested as Major Program

**TOWN OF KERSHAW, SOUTH CAROLINA**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**June 30, 2023**

- Note 1. The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal award programs of the Town of Kershaw for the year ended June 30, 2023. All federal awards received directly from federal agencies as well as those passed through other government agencies are included on the Schedule.
- Note 2. The accompanying Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting, which is described in the notes to the Town's basic financial statements.
- Note 3. Federal award expenditures are reported in the Town's basic financial statements as expenditures in the Special Revenue Funds.
- Note 4. Difference between the amount of revenue from federal awards and the related expenditures are recognized as either deferred revenue or receivables in the basic financial statements. The amounts recorded on the Schedule of Expenditures of Federal Awards agree with the amounts recorded in the basic financial statements.

# SHEHEEN, HANCOCK & GODWIN, LLP

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CAMDEN, SOUTH CAROLINA 29021

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October 24, 2023

## 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

Honorable Mayor and Town Council  
Town of Kershaw  
Kershaw, South Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Kershaw, South Carolina as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Town of Kershaw, South Carolina's basic financial statements and have issued our report thereon dated October 24, 2023.

### Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Kershaw, 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 the Town of Kershaw, South Carolina's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Kershaw, 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. 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 of Kershaw, South Carolina's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants 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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Sheheen, Hancock & Godwin, LLP*

Sheheen, Hancock and Godwin, LLP  
Camden, South Carolina

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October 24, 2023

## **INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Honorable Members of the Town Council  
Town of Kershaw  
Kershaw, South Carolina

### **Report on Compliance for Each Major Federal Program**

#### ***Opinion on Each Major Federal Program***

We have audited the Town of Kershaw, South Carolina's compliance with the types of compliance requirements identified as subject to audit in the OMB *Circular Compliance Supplement* that could have a direct and material effect on each of Town of Kershaw, South Carolina's major federal programs for the year ended June 30, 2023. Town of Kershaw, South Carolina'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, Town of Kershaw, South Carolina 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 financial audits 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, Costs 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 Town of Kershaw, South Carolina and to meet our 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 Town of Kershaw, South Carolina'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 Town of Kershaw, South Carolina'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 Town of Kershaw, South Carolina'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 judgment made by a reasonable user of the report on compliance about Town of Kershaw, South Carolina'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 judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Town of Kershaw, South Carolina'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 Town of Kershaw, South Carolina'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 Town of Kershaw, South Carolina'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 combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that

material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

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

*Sheheen, Hancock & Godwin, LLP*

Sheheen, Hancock and Godwin, LLP  
Camden, South Carolina

**TOWN OF KERSHAW, SOUTH CAROLINA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the Fiscal Year Ended June 30, 2023**

**A. SUMMARY OF RESULTS**

1. The financial statement opinion is unmodified.
2. No significant deficiency in internal control over financial reporting were disclosed by the audit of the financial statements.
3. The audit disclosed no instances of noncompliance to the financial statements for Town of Kershaw, South Carolina.
4. No material weaknesses in internal control over major programs were disclosed by the audit. No significant deficiencies in internal control over major programs were disclosed by the audit.
5. We have issued an unqualified report on compliance for major programs.
6. The audit disclosed no audit findings.
7. Major programs are as follows:  
  
**U.S. Department of Commerce**  
Investments for Public Works and Economic Development Facilities
8. Type A programs are those exceeding \$750,000. Type B programs are those not exceeding \$750,000.
9. Town of Kershaw, South Carolina did qualify as a low-risk auditee.

**B. FINDINGS RELATED TO FINANCIAL STATEMENTS**

**NONE**

**C. FINDINGS RELATED TO FEDERAL AWARDS**

**NONE**

**TOWN OF KERSHAW, SOUTH CAROLINA  
SUMMARY OF PRIOR AUDIT FINDINGS  
For the Fiscal Year Ended June 30, 2023**

**A. FINDINGS – FINANCIAL STATEMENTS AUDIT**

NONE