

TOWN OF CHESTERFIELD
Chesterfield, South Carolina

FINANCIAL STATEMENTS and
REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2019

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, major funds and the aggregate remaining fund information of Town of Chesterfield, South Carolina as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

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, the major funds and the aggregate remaining fund information of Town of Chesterfield, South Carolina as of June 30, 2019, 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.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The supplementary schedules, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements and the statement of fines and assessments are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 fund financial statements and the statement of fines and assessments are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 27, 2019, on our consideration of the Town of Chesterfield, South Carolina's internal control over financial reporting and 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 the 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 Town of Chesterfield, South Carolina's internal control over financial reporting and compliance.

Cantey, Tiller, Pierce & Green, LLP

Cantey, Tiller, Pierce and Green, LLP
Camden, South Carolina

November 27, 2019

TOWN of CHESTERFIELD, SOUTH CAROLINA

STATEMENT of NET POSITION
June 30, 2019

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
ASSETS			
CURRENT ASSETS			
Cash and Cash Equivalents	\$ 2,099,192	\$ 404,493	\$ 2,503,685
Accrued Interest Receivable	7	5	12
Accounts Receivable, Net	145,661	151,286	296,947
Intergovernmental Receivables	2,316	-	2,316
Internal Balances	20,041	(20,041)	-
Other Assets	-	63	63
Total Current Assets	<u>2,267,217</u>	<u>535,806</u>	<u>2,803,023</u>
NON-CURRENT ASSETS			
RESTRICTED ASSETS			
Cash and Cash Equivalents	439,608	185,317	624,925
Customer Deposits Held in Trust	-	64,418	64,418
Total Restricted Assets	<u>439,608</u>	<u>249,735</u>	<u>689,343</u>
CAPITAL ASSETS			
Land and Construction in Progress	145,950	35,973	181,923
Other Capital Assets, Net of Accumulated Depreciation	1,521,865	4,514,386	6,036,251
Total Capital Assets	<u>1,667,815</u>	<u>4,550,359</u>	<u>6,218,174</u>
Total Non-Current Assets	<u>2,107,423</u>	<u>4,800,094</u>	<u>6,907,517</u>
Total Assets	<u>4,374,640</u>	<u>5,335,900</u>	<u>9,710,540</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflows Related to Pension Liability	194,197	-	194,197
Total Deferred Outflows of Resources	<u>194,197</u>	<u>-</u>	<u>194,197</u>
LIABILITIES			
CURRENT LIABILITIES			
Accounts Payable	42,949	124,639	167,588
Accrued Liabilities	(851)	-	(851)
Accrued Interest on Bonds Payable	5,859	4,313	10,172
Current Portion of Long-Term Obligations	78,147	85,786	163,933
Total Current Liabilities	<u>126,104</u>	<u>214,738</u>	<u>340,842</u>
NON-CURRENT LIABILITIES			
Compensated Absences	30,469	-	30,469
Liabilities Payable from Restricted Assets			
Customer Deposits	-	64,418	64,418
Net Pension Liability	882,386	-	882,386
Non-Current Portion of Long-Term Obligations	430,459	2,608,688	3,039,147
Total Non-Current Liabilities	<u>1,343,314</u>	<u>2,673,106</u>	<u>4,016,420</u>
Total Liabilities	<u>1,469,418</u>	<u>2,887,844</u>	<u>4,357,262</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflows Related to Pension Liability	139,896	-	139,896
Deferred Revenue	226,812	-	226,812
Deferred Revenue Held in Restricted Assets	439,608	-	439,608
Total Deferred Inflows of Resources	<u>806,316</u>	<u>-</u>	<u>806,316</u>
NET POSITION			
Net Investment in Capital Assets	1,159,209	1,855,885	3,015,094
Restricted for:			
Debt Service	-	185,317	185,317
Unrestricted	1,133,894	406,854	1,540,748
Total Net Position	<u>\$ 2,293,103</u>	<u>\$ 2,448,056</u>	<u>\$ 4,741,159</u>

The Accompanying Notes are an Integral Part of These Financial Statements

TOWN of CHESTERFIELD, SOUTH CAROLINA
STATEMENT of ACTIVITIES
For the Year Ended June 30, 2019

FUNCTIONS/PROGRAMS	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
PRIMARY GOVERNMENT							
Governmental Activities							
General Government	\$ 237,406	\$ 404,425	\$ -	\$ 108,502	\$ 275,521	\$ -	\$ 275,521
Public Safety	607,120	126,590	-	-	(480,530)	-	(480,530)
Highways and Streets	333,922	-	-	-	(333,922)	-	(333,922)
Sanitation	210,362	231,695	-	-	21,333	-	21,333
Health and Welfare	178,773	163,991	-	-	(14,782)	-	(14,782)
Interest on Long-Term Debt	19,075	-	-	-	(19,075)	-	(19,075)
Total Governmental Activities	<u>1,586,658</u>	<u>926,701</u>	<u>-</u>	<u>108,502</u>	<u>(551,455)</u>	<u>-</u>	<u>(551,455)</u>
Business-Type Activities:							
Water and Sewer Charges	<u>1,194,554</u>	<u>1,264,472</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>69,918</u>	<u>69,918</u>
Total Business-Type Activities	<u>1,194,554</u>	<u>1,264,472</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>69,918</u>	<u>69,918</u>
Total Primary Government	<u>\$ 2,781,212</u>	<u>\$ 2,191,173</u>	<u>\$ -</u>	<u>\$ 108,502</u>	<u>(551,455)</u>	<u>69,918</u>	<u>(481,537)</u>
					<u>Primary Government</u>		
General Revenues:							
Taxes:							
Property/Other Taxes					717,882	-	717,882
Franchise Taxes (Fees)					78,714	-	78,714
Unrestricted Investment Earnings					1,782	319	2,101
Loss on Disposal of Property					-	-	-
Miscellaneous					<u>142,445</u>	<u>-</u>	<u>142,445</u>
Total General Revenues					<u>940,823</u>	<u>319</u>	<u>941,142</u>
Change in Net Position					389,368	70,237	459,605
Net Position, Beginning of Year					<u>1,903,735</u>	<u>2,377,819</u>	<u>4,281,554</u>
Net Position, End of Year					<u>\$ 2,293,103</u>	<u>\$ 2,448,056</u>	<u>\$ 4,741,159</u>

The Accompanying Notes are an Integral Part of These Financial Statements

TOWN of CHESTERFIELD, SOUTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2019

	General	Special Revenue	Capital Projects	Total
ASSETS				
Cash on Hand and in Banks	\$ 1,922,939	\$ 12,623	\$ 163,630	\$ 2,099,192
Accrued Interest on Investments	6	1	-	7
Taxes and Other Accounts Receivable	34,805	-	110,856	145,661
Due from Other Funds	67,102	-	16,844	83,946
Due from Chesterfield/Cheraw Industrial Park	-	-	2,316	2,316
Restricted Assets				
Cash in Bank	439,608	-	-	439,608
Total Assets	<u>\$ 2,464,460</u>	<u>\$ 12,624</u>	<u>\$ 293,646</u>	<u>\$ 2,770,730</u>
LIABILITIES, DEFERRED INFLOW and FUND BALANCE				
LIABILITIES				
Accounts Payable	\$ 41,948	\$ -	\$ 1,001	\$ 42,949
Payroll Taxes and Employee Benefits	(851)	-	-	(851)
Due to Other Funds	-	63,905	-	63,905
Accrued Interest on Bonds Payable	-	-	5,859	5,859
Total Liabilities	<u>41,097</u>	<u>63,905</u>	<u>6,860</u>	<u>111,862</u>
Deferred Inflows of Resources				
Deferred Revenue	226,673	139	-	226,812
Deferred Revenue in Restricted Assets	439,608	-	-	439,608
Total Deferred Inflows of Resources	<u>666,281</u>	<u>139</u>	<u>-</u>	<u>666,420</u>
FUND BALANCE				
Restricted	-	(51,420)	286,786	235,366
Assigned	439,608	-	-	439,608
Unassigned	1,317,474	-	-	1,317,474
Total Fund Balance	<u>1,757,082</u>	<u>(51,420)</u>	<u>286,786</u>	<u>1,992,448</u>
Total Liabilities and Fund Balance	<u>\$ 2,464,460</u>	<u>\$ 12,624</u>	<u>\$ 293,646</u>	<u>\$ 2,770,730</u>

The Accompanying Notes are an Integral Part of These Financial Statements

TOWN of CHESTERFIELD, SOUTH CAROLINA

RECONCILIATION of the GOVERNMENTAL FUNDS BALANCE SHEET
to the STATEMENT of NET POSITION
June 30, 2019

Total Fund Balance for Governmental Funds	
Total Net Position reported for governmental activities in the statement of net position is different because:	\$ 1,992,448
Capital assets of \$3,850,315 net of accumulated depreciation of \$2,182,500, are not financial resources and, therefore, are not reported in the funds.	1,667,815
Deferred outflows and inflows related to the pension liability are applicable to future periods and therefore are not reported in the governmental funds:	
Deferred outflows-pension	194,197
Deferred inflows-pension	(139,896)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.	
General Obligation Bond	\$ (155,945)
Governmental Leases Payable	(341,311)
Notes Payable	(11,350)
Net Pension Liability	(882,386)
Compensated Absences	(30,469)
	<u>(1,421,461)</u>
Total Net Position of Governmental Activities	<u>\$ 2,293,103</u>

TOWN of CHESTERFIELD, SOUTH CAROLINA

STATEMENT of REVENUES, EXPENDITURES and CHANGES in FUND BALANCE
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2019

	General	Special Revenue	Capital Projects	Total
REVENUES				
Taxes	\$ 717,882	\$ -	\$ -	\$ 717,882
Licenses and Permits	404,425	-	-	404,425
Intergovernmental Revenues	78,714	108,502	-	187,216
Charges for Services	395,686	-	-	395,686
Fines and Forfeitures	126,590	-	-	126,590
Miscellaneous	88,848	3,995	49,602	142,445
Interest Income	1,416	46	320	1,782
Total Revenues	<u>1,813,561</u>	<u>112,543</u>	<u>49,922</u>	<u>1,976,026</u>
EXPENDITURES				
Current:				
General Government	237,764	-	52,711	290,475
Public Safety	538,953	-	-	538,953
Highways and Streets	303,046	-	-	303,046
Sanitation	204,714	-	-	204,714
Health and Welfare	67,889	105,826	-	173,715
Capital Outlay	53,822	7,393	-	61,215
Debt Service				
Principal	85,473	-	7,720	93,193
Interest	11,424	-	7,651	19,075
Total Expenditures	<u>1,503,085</u>	<u>113,219</u>	<u>68,082</u>	<u>1,684,386</u>
OTHER FINANCING SOURCES (USES)				
Financing Proceeds	24,410	-	-	24,410
Total Other Financing Sources (Uses)	<u>24,410</u>	<u>-</u>	<u>-</u>	<u>24,410</u>
EXCESS (DEFICIENCY) of REVENUES OVER (UNDER) EXPENDITURES	334,886	(676)	(18,160)	316,050
FUND BALANCE, Beginning of Year	1,422,196	(50,744)	304,946	1,676,398
FUND BALANCE, End of Year	<u>\$ 1,757,082</u>	<u>\$ (51,420)</u>	<u>\$ 286,786</u>	<u>\$ 1,992,448</u>

The Accompanying Notes are an Integral Part of These Financial Statements

TOWN of CHESTERFIELD, SOUTH CAROLINA

RECONCILIATION of the GOVERNMENTAL FUNDS STATEMENT of REVENUES, EXPENDITURES,
and CHANGES in FUND BALANCE to the STATEMENT of ACTIVITIES
For the Year Ended June 30, 2019

Net Changes in Fund Balance - Total Governmental Funds

The change in net position reported for governmental activities in the statement of activities is different because: \$ 316,050

Governmental funds report capital as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation of \$159,963 exceeded net capital outlays of \$61,215. (98,748)

The proceeds of debt issuances provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. The amount of debt repayments for the period are \$93,193 and the amount of debt issued is \$24,410. 68,783

Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in governmental funds. These include:

Net decrease in compensated absences	7,187
Net decrease in OPEB Liability	69,833
Net decrease in net pension related net liabilities	<u>26,263</u>

Changes in Net Position of Governmental Activities \$ 389,368

TOWN of CHESTERFIELD, SOUTH CAROLINA

STATEMENT of NET POSITION – PROPRIETARY FUNDS
June 30, 2019

ASSETS	
CURRENT ASSETS	
Cash	\$ 404,493
Water and Sewer Accounts Receivable, Net	95,988
Grants Receivable	55,298
Other Assets	68
Total Current Assets	<u>555,847</u>
NON-CURRENT ASSETS	
RESTRICTED ASSETS	
Cash-Reserve Bond	185,317
Cash-Customer Deposits	64,418
Total Restricted Assets	<u>249,735</u>
CAPITAL ASSETS	
Land	35,973
Improvements	6,083,528
Vehicles	36,045
Water System	3,203,798
Sub-Total	<u>9,359,344</u>
Less Accumulated Depreciation	<u>4,808,985</u>
Total Capital Assets	<u>4,550,359</u>
Total Non-Current Assets	<u>4,800,094</u>
Total Assets	<u>5,355,941</u>
LIABILITIES	
CURRENT LIABILITIES	
Accounts Payable	124,639
Accrued Interest Payable	4,313
Due to Other Funds	20,041
Notes Payable	35,704
Serial Bonds Payable, Current	50,082
Total Current Liabilities	<u>234,779</u>
NON-CURRENT LIABILITIES	
Liabilities Payable from Restricted Assets	
Customers' Deposits	64,418
Notes Payable, Non-Current	115,823
Serial Bonds Payable, Non-Current	2,492,865
Total Non-Current Liabilities	<u>2,673,106</u>
Total Liabilities	<u>2,907,885</u>
NET POSITION	
Net Investment in Capital Assets	1,855,885
Restricted for Debt Service	185,317
Unrestricted	406,854
Total Net Position	<u>\$2,448,056</u>

The Accompanying Notes are an Integral Part of These Financial Statements

TOWN of CHESTERFIELD, SOUTH CAROLINA

STATEMENT of REVENUES, EXPENSES and CHANGES in NET POSITION -
 PROPRIETARY FUNDS
 For the Year Ended June 30, 2019

OPERATING REVENUES	
Water Charges	\$ 388,481
Sewer Service Charges	443,931
Tap-On Fees and Reconnect Charges	10,281
Grant Revenues	419,142
Miscellaneous	2,637
Total Operating Revenues	<u>1,264,472</u>
OPERATING EXPENSES	
Supplies	229,212
Utilities and Telephone	28,676
Professional Services	224,679
Miscellaneous	361,203
Depreciation	241,346
Total Operating Expenses	<u>1,085,116</u>
Operating Income	<u>179,356</u>
NON-OPERATING INCOME (EXPENSE)	
Investment Income	319
Interest Expense	<u>(109,438)</u>
Total Non-operating Income (Expense)	<u>(109,119)</u>
Net Income	<u>70,237</u>
NET POSITION, Beginning of Year	<u>2,377,819</u>
NET POSITION, End of Year	<u>\$ 2,448,056</u>

TOWN of CHESTERFIELD, SOUTH CAROLINA

STATEMENT of CASH FLOWS - PROPRIETARY FUNDS
For the Year Ended June 30, 2019

CASH FLOWS from OPERATING ACTIVITIES:	
Cash Received from Customers and Others	\$ 1,197,099
Cash Payments to Suppliers for Goods and Services	(841,579)
Net Cash Provided by Operating Activities	<u>355,520</u>
CASH FLOWS from CAPITAL and RELATED FINANCING ACTIVITIES:	
Net Purchase of Assets	(50,621)
Principal Paid on Revenue Bonds	(48,102)
Principal Paid on Leases Payable	(34,344)
Interest Paid on Bonds	(109,438)
Net Cash Used in Capital and Related Financing Activities	<u>(242,505)</u>
CASH FLOWS from INVESTING ACTIVITIES:	
Interest on Investments	319
Net Cash Provided by Investing Activities	<u>319</u>
Net Increase in Cash and Cash Equivalents	113,334
Cash and Cash Equivalents at Beginning of Year	540,894
Cash and Cash Equivalents at End of Year	<u>\$ 654,228</u>
RECONCILIATION of OPERATING INCOME to NET	
CASH PROVIDED by OPERATING ACTIVITIES:	
Operating Income	\$ 179,356
Adjustments to Reconcile Operating Income to	
Net Cash Provided by Operating Activities:	
Depreciation	241,346
Changes in Assets and Liabilities:	
(Increase) Decrease in Current Assets	
Accounts Receivable	(12,075)
Grants Receivable	(55,298)
Increase (Decrease) in Current Liabilities	
Accounts Payable	42,476
Due to Other Funds	(42,835)
Customer Deposits	2,550
Net Cash Provided by Operating Activities	<u>\$ 355,520</u>
RECONCILIATION OF CASH FLOWS	
Cash	\$ 404,493
Cash - Reserve Bond	185,317
Cash - Customer Deposits	64,418
	<u>\$ 654,228</u>

The Accompanying Notes are an Integral Part of These Financial Statements

TOWN of CHESTERFIELD, SOUTH CAROLINA

Notes to the Financial Statements
June 30, 2019

NOTE 1 SUMMARY of ACCOUNTING POLICIES

The Town of Chesterfield was incorporated February 5, 1872, under a charter granted by the Secretary of State of South Carolina. On June 22, 1976, the Town adopted the mayor-council form of government under the provisions of Section 47-20 of the South Carolina Code of Laws, as amended. A new certificate of incorporation was issued on that date. The Town provides the following services as authorized by its charter: public safety (police and fire), street and sanitation, health and welfare, water and sewer and general administrative services.

The Town's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established in GAAP and used by the Town is discussed below.

A. Reporting Entity

The financial statements of the Town consist only of the funds of the Town. The Town has no oversight responsibility for any other governmental entity since no other entities are considered to be controlled by or dependent on the Town. Control or dependence is determined on the basis of budget adoption, taxing authority, funding and appointment of the respective governing board.

B. Basic Financial Statements - Government-Wide Statements

The Town's basic financial statements include both government-wide (reporting the Town as a whole) and fund financial statements (reporting the Town's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. The Town's public safety, streets and sanitation, health and welfare, and general administrative services are classified as governmental activities. The Town's utility services are classified as business-type activities.

In the government-wide Statement of Net Position, both the governmental and business-type activities are presented on a consolidated basis and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations.

The government-wide Statement of Activities reports both the gross and net cost of each of the Town's functions and business-type activities. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function or a business-type activity. Operating grants include operating-specific and discretionary grants while the capital grants column reflects capital-specific grants.

The net costs (by function or business-type activity) are normally covered by general revenue (property, sales taxes, intergovernmental revenues, interest income, etc.).

The Town does not allocate indirect costs. This government-wide focus is more on the sustainability of the Town as an entity and the change in the Town's net position.

NOTE 1 SUMMARY of ACCOUNTING POLICIES (Continued)

C. Basic Financial Statements - Fund Financial Statements

The financial transactions of the Town are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The following fund types are used by the Town:

1. Governmental Funds:

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the Town.

- a. General fund is the general operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund.
- b. Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.
- c. Capital projects are used to account for financial resources to be used for the acquisition and development of capital facilities (other than those financed by proprietary funds).

2. Proprietary Funds

The focus of proprietary fund measurement is upon determination of operating income, changes in net position, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The following is a description of the proprietary funds of the Town:

- a. Enterprise funds are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity (a) is financed with debt that is solely secured by a pledge of the net revenues, (b) has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges or (c) establishes fees and charges based on a pricing policy designed to recover similar costs.

D. Basis of Accounting

The government-wide statement reports using the economic resources measurement focus and the accrual basis of accounting generally include the reclassification or elimination of internal activity (between or within funds). Proprietary fund financial statements also report using this same focus and basis of accounting although internal activity is not eliminated in these statements. Revenues are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax revenues are recognized in the year for which they are levied while grants are recognized when grantor eligibility requirements are met.

NOTE 1 SUMMARY of ACCOUNTING POLICIES (Continued)

D. Basis of Accounting (Continued)

Governmental fund financial statements are reported using the current financial recourses measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The Town considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported as expenditures in the year due.

Major revenue sources susceptible to accrual include sales and use taxes, motel taxes, property taxes, franchise taxes (fees), intergovernmental revenues, and investment income. In general, other revenues are recognized when cash is received.

Operating income reported in proprietary fund financial statements include revenues and expenses related to the primary, continuing operations of the fund. Principal operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

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.

E. Budgets and Budgetary Accounting

Formal budgetary integration is employed as a management control device during the year for the General and Water and Sewer Funds. The General Fund Budget is adopted on a basis substantially consistent with the basis of accounting utilized by that fund. The Water and Sewer Fund budget is adopted on the cash basis.

The Town Council approves by ordinance the budget appropriations by department. Unused appropriations lapse at the end of the year.

The Town does not utilize a formal method of encumbrance accounting and reporting.

The Town has not presented budget information for special revenue funds and capital project funds since budgetary control is maintained on an individual grant basis. Due to timing, this information may not be meaningful.

F. Cash and Investments

For purposes of cash flows, the Town considers highly liquid investments (including restricted assets) with an original maturity of three months or less when purchased to be cash equivalents.

Investment Credit Risk - The Town has no investment policy that limits its investment choices other than the limitation of state law. The State of South Carolina General Statutes permits the Town to invest in the following types of instruments:

1. Obligations of the United States, and its agencies, the principal and interest of which is fully guaranteed by the United States.

NOTE 1 SUMMARY of ACCOUNTING POLICIES (Continued)

F. Cash and Investments (Continued)

2. Obligations issued by the Federal Financing Bank, Federal Farm Credit Bank, the Bank of Cooperatives, the Federal Intermediate Credit Bank, the Federal Land Banks, the Federal Home Loan Banks, the Federal Home Loan Mortgage Corporation, the Federal National Mortgage Association, the Government National Mortgage Association, the Federal Housing Administration, and the Farmers Home Administration, if, at the time of investment, the obligor has a long-term unenhanced, unsecured debt rating in one of the top two ratings categories, without regard to the refinement or graduation of rating category by numerical modifier or otherwise, issued by at least two nationally recognized credit rating organizations.
3. (i) General obligations of the State of South Carolina or any of its political units; or (ii) revenue obligations of the State of South Carolina or its political units, if at the time of investment, the obligor has a long-term, unenhanced, unsecured debt rating in one of the top two ratings categories, without regard to a refinement or graduation of rating category by numerical modifier or otherwise, issued by at least two nationally recognized credit rating organizations.
4. Savings and Loan Associations to the extent that the same are insured by an agency of the federal government.
5. Certificates of deposit where the certificates are collaterally secured by securities of the type described in (1) and (2) above held by a third party as escrow agent or custodian, of a market value not less than the amount of the certificate of deposit so secured, including interest; provided, however, such collateral shall not be required to the extent the same are insured by an agency of the federal government.
6. Repurchase agreements when collateralized by securities as set forth in this section.
7. No load open-end or closed-end management type investment companies or investment trusts registered under the Investment Company Act of 1940, as amended, where the investment is made by a bank or trust company or savings and loan association or other financial institution when acting as trustee or agent for a bond or other debt issue of that local government unit, political subdivision, or county treasurer if the particular portfolio of the investment company or investment trust in which the investment is made (i) is limited to obligations described in items (1), (2), (3), and (6) of this subsection, and (ii) has among its objectives the attempt to maintain a constant net asset value of one dollar a share and to that end, value its assets by the amortized cost method.

G. Inventory

The proprietary fund inventory consists primarily of chemicals and supplies which are recorded at lower of cost or market.

H. Receivables and Allowance for Uncollectible Accounts

The Town positively enforces the property tax collection policies described in Note 1-J.; thus, all property taxes receivable is expected to be fully collectible. Allowance for uncollectible accounts receivable in the enterprise fund at year end is \$74,009 at June 30, 2019.

NOTE 1 SUMMARY of ACCOUNTING POLICIES (Continued)

I. Capital Assets, Depreciation and Amortization

Capital assets are stated at historical cost or estimated historical cost. Donated capital assets are stated at their fair value on the date donated. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance is expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings and Improvements	20 - 60 Years
Mobile Equipment	5 Years
Furniture, Fixtures and Equipment	5 Years

No valuation has been made of plant assets in existence prior to the improvements under the 1960 bond issue and plant assets acquired by the Town prior to May 1, 1949. It is estimated that these assets are fully depreciated at, or prior to June 30, 2019. Depreciation is computed on the known improvements to the system since 1960 and system assets acquired by the Town since May 1, 1949. Cost of extensions to the system is based on estimates by the water superintendent since no records are maintained for the installation of each tap.

The capitalized cost of assets includes not only purchase price or construction cost, but also ancillary charges (such as site preparation and professional fees) and construction-period interest.

J. Revenue Recognition - Property Taxes

Property taxes attach an enforceable lien on property as of January 1. Taxes are levied on real property. Assessment is made by Chesterfield County. The Town provides the County with the tax levy, and the County prints the tax notices for the Town. The tax levy for 2018 was 135 mills. Property taxes are due January 15, with a 15% penalty added January 16. Notice of Levy to Taxes is sent by certified mail to delinquent taxpayers May 1. After May 1, additional costs of collection are added. Property is duly advertised for three consecutive weeks in July and sold for taxes, penalties and costs of sales on the first Monday in August.

Property tax revenues are recognized when they become available. Available includes those property taxes expected to be collected within sixty days after year end.

K. Compensated Absences

The Town permits employees to accumulate a limited amount of compensated absences. Annual leave will be accrued at the rate of one day for each calendar month worked. Annual leave will be accrued to a maximum of forty-five days. Vacation days accrued past forty-five days are lost if not used within the fiscal year of the Town. Upon termination of employment with the Town, an employee shall be paid for accrued annual leave which has been accrued but not used. Employees will not be paid for accrued annual leave if they resign before they have worked one year.

Sick leave is accrued at the rate of one working day per calendar month to a maximum of ninety days beginning with the first month of employment. Upon termination of employment with the Town, an employee shall not be paid for any sick leave which has been accrued but not used.

NOTE 1 SUMMARY of ACCOUNTING POLICIES (Continued)

K. Compensated Absences (Continued)

In the event an employee is required to devote an unusual amount of extra time to the work of the Town, the Mayor may provide for compensatory time off for such an employee.

Accumulated unpaid compensated absences totaled \$30,469 at June 30, 2019 for Town employees. Accumulated unpaid compensated absences are reported as accrued in the government-wide and proprietary financial statements. Governmental funds report only matured compensated absences payable to currently terminating employees and are included in wages and benefits payable.

L. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, Deferred Outflows of Resources, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Town has one item that meets these criterion-- pension-related deferrals. In addition to liabilities, the statement of financial position can also report a separate section for deferred inflows of resources. This separate financial statement element, Deferred Inflows of Resources, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Town has several items that meets these criterion—deferred revenue and pension-related deferrals.

M. Net Position

Net position is classified and presented in three components:

Net investment in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and amortization, and reduced by the outstanding balances of any mortgages, notes payable, or other borrowings, that are attributable to the acquisitions, construction, or improvement of those assets.

Restricted – Consists of assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

Unrestricted – All other assets that do not meet the definition of “restricted” or “invested in capital assets”.

N. Fund Balance

The Town has implemented GASB Statement 54 “Fund Balance Reporting and Governmental Fund Type Definitions”. This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on government’s fund balance more transparent. The following classification describes the relative strength of the spending constraints placed on the purpose for which resources can be used:

- Nonspendable fund balance—amounts that are not in a spendable form (such as inventory and prepaid) or are required to be maintained intact;
- Restricted fund balance—amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provision or by enabling legislation.

NOTE 1 SUMMARY of ACCOUNTING POLICIES (Continued)

N. Fund Balance (Continued)

- Committed fund balance—amounts constrained to specific purpose by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes same highest-level action to remove or change the constraint;
- Assigned fund balance—amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority;
- Unassigned fund balance—amounts that are available for any purpose; positive amounts are reported only in the general fund.
- 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 they are needed.

O. General Obligation Bonded Debt Service

The Town levies and collects annually upon all taxable property in the Town an ad valorem tax sufficient to pay the principal of and interest on its general obligation bonds as they respectively mature. The projected annual requirement takes into consideration the following items: the beginning fund balance available, the maintenance of an adequate ending balance, and the maintenance of an allocation rate large enough to satisfy the minimum amounts prescribed by the bond ordinances.

P. Accounting Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires the Town’s management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Q. Grants

In the normal course of operations, the Town receives grant funds from various federal and state agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement which may arise as the result of these audits is not believed to be material.

NOTE 2 CASH AND INVESTMENTS

Deposits are shown at carrying value at June 30, 2019, as follows:

	1	2	3	Bank Balance	Total Carrying Amount
Checking Accounts	\$ 413,630	\$ 725,773	\$ -	\$ 1,139,403	\$ 1,274,102
Savings Accounts	500,000	646,456	-	1,146,456	1,146,456
Certificates of Deposit	-	772,230	-	772,230	772,230
	<u>\$ 913,630</u>	<u>\$ 2,144,459</u>	<u>\$ -</u>	<u>\$ 3,058,089</u>	<u>3,192,788</u>
Cash on Hand and Other					240
					<u>\$ 3,193,028</u>

NOTE 2 CASH AND INVESTMENTS (Continued)

The Town's deposits are categorized to indicate the level of risk assumed by the Town at year end. Category 1 includes deposits that are insured or collateralized with securities held by the government or its agent in the government's name. Category 2 includes deposits that are collateralized with securities held by pledging financial institution's trust department or agent in the government's name. Category 3 includes uncollateralized deposits or deposits collateralized with securities held by the pledging financial institution or its trust department or agent but not in the Town's name.

Custodial Risk-Deposits - Deposits in financial institutions, reported as components of cash and cash equivalents, had a bank balance of \$3,058,089 at June 30, 2019, that was fully insured by depository insurance or secured with collateral held by the Town's agent in its name.

A reconciliation of cash and cash equivalents at June 30, 2019 as shown in the combined Statement of Net Position for the primary government follows:

Petty Cash and Other	\$ 240
Carrying Amount of Deposits	<u>3,192,788</u>
Total	<u>\$3,193,028</u>
Cash and Cash Equivalents	\$2,503,685
Cash and Cash Equivalents - Restricted	<u>689,343</u>
Total	<u>\$3,193,028</u>

NOTE 3 CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2019 was as follows:

	Primary Government			Ending Balance
	Beginning Balance	Increases	Decreases	
GOVERNMENTAL ACTIVITIES:				
Capital Assets not Being Depreciated:				
Land and Improvements	\$ 145,950	\$ -	\$ -	\$ 145,950
Total Capital Assets not Being Depreciated	<u>145,950</u>	<u>-</u>	<u>-</u>	<u>145,950</u>
Other Capital Assets:				
Land Improvements	29,993	-	-	29,993
Buildings and Improvements	1,287,444	15,660	(4,921)	1,298,183
Equipment	930,838	17,747	12,921	961,506
Furniture and Fixtures	47,170	3,398	-	50,568
Automotive Equipment	496,793	24,410	-	521,203
Streets, Sidewalks, Etc.	850,912	-	(8,000)	842,912
Total Other Capital Assets at Historical Cost	<u>3,643,150</u>	<u>61,215</u>	<u>-</u>	<u>3,704,365</u>

NOTE 3 CAPITAL ASSETS (Continued)

Less Accumulated Depreciation for:

Buildings and Improvements	(474,952)	(30,166)	-	(505,118)
Equipment	(773,329)	(46,322)	-	(819,651)
Furniture and Fixtures	(43,704)	(4,233)	-	(47,937)
Automotive Equipment	(206,669)	(32,586)	-	(239,255)
Land Improvements	(29,993)	-	-	(29,993)
Streets, Sidewalks, Etc.	(493,890)	(46,656)	-	(540,546)
Total Accumulated Depreciation	<u>(2,022,537)</u>	<u>(159,963)</u>	<u>-</u>	<u>(2,182,500)</u>
Other Capital Assets, Net Governmental Activities	<u>1,620,613</u>	<u>(98,748)</u>	<u>-</u>	<u>1,521,865</u>
Capital Assets, Net	<u>\$1,766,563</u>	<u>\$ (98,748)</u>	<u>\$ -</u>	<u>\$ 1,667,815</u>

Primary Government

	Beginning Balance	Increases	Decreases	Ending Balance
BUSINESS-TYPE ACTIVITIES:				
Capital Assets not Being Depreciated:				
Construction in Progress	\$ 39,705	\$ -	\$ (39,705)	\$ -
Land and Improvements	35,973	-	-	35,973
Total Capital Assets not Being Depreciated	<u>75,678</u>	<u>-</u>	<u>(39,705)</u>	<u>35,973</u>
Other Capital Assets:				
Improvements	6,838,993	-	(755,465)	6,083,528
Vehicles	43,545	-	(7,500)	36,045
Water System	2,350,507	50,622	802,669	3,203,798
Total Other Capital Assets at Historical Cost	<u>9,233,045</u>	<u>50,622</u>	<u>39,704</u>	<u>9,323,371</u>
Less Accumulated Depreciation	<u>(4,567,639)</u>	<u>(241,346)</u>	<u>-</u>	<u>(4,808,985)</u>
Other Capital Assets, Net	<u>4,665,406</u>	<u>(190,724)</u>	<u>39,704</u>	<u>4,514,386</u>
Business-Type Activities Capital Assets, Net	<u>\$4,741,084</u>	<u>\$ (190,724)</u>	<u>\$ -</u>	<u>\$ 4,550,359</u>

Depreciation expense for the year ended June 30, 2019, was charged to functions as follows:

GOVERNMENT ACTIVITIES:

General Government	\$ 50,214
Public Safety	68,167
Highways and Streets	30,876
Sanitation	5,648
Health and Welfare	5,058
Total Governmental Activities Depreciation Expense	<u>\$ 159,963</u>

BUSINESS-TYPE ACTIVITIES:

Water and Sewer System	\$ 241,346
Total Business-Type Activities Depreciation Expense	<u>\$ 241,346</u>

NOTE 4 CHANGES IN LONG-TERM DEBT-PROPRIETARY FUND

The following is a summary of the long-term liability activity of the proprietary fund for the year ended June 30, 2019:

	Balance June 30, 2018	Additions	Deductions	Balance June 30, 2019	Payable Within One Year
<u>Serial Bonds Payable</u>					
1994 Revenue Bond payable to FmHA in monthly installments of \$2,356 and maturing November, 2034, including interest at 5.25%	\$ 310,620	\$ -	\$ 12,256	\$ 298,364	\$ 12,914
2011A Revenue Bond Payable to USDA in monthly payments of \$919 and maturing May 13, 2051, including interest at 4.375%	190,848	-	2,724	188,124	2,863
2011B Revenue Bond Payable to USDA in monthly payments of \$9,240 and maturing June 13, 2051, including interest at 3.75%	2,089,581	-	33,122	2,056,459	34,305
Sub-Total	<u>2,591,049</u>	<u>-</u>	<u>48,102</u>	<u>2,542,947</u>	<u>50,082</u>
<u>Notes Payable</u>					
Lease-purchase financing payable to Branch Banking and Trust Company in annual payments of \$41,705 and maturing April 25, 2023, including interest at 3.96%	185,871	-	34,344	151,527	35,704
Sub-Total	<u>185,871</u>	<u>-</u>	<u>34,344</u>	<u>151,527</u>	<u>35,704</u>
Total Proprietary Fund Long-Term Debt	<u>\$2,776,920</u>	<u>\$ -</u>	<u>\$ 82,446</u>	<u>\$2,694,474</u>	<u>\$ 85,786</u>

The annual requirements to amortize notes payable as of June 30, 2019 are:

	1994 Revenue Bond		2011B Revenue Bond		2011A Revenue Bond	
	Principal	Interest	Principal	Interest	Principal	Interest
2020	\$ 12,914	\$ 15,358	\$ 34,305	\$ 76,575	\$ 2,863	\$ 8,165
2021	13,608	14,664	35,613	75,267	2,990	8,038
2022	14,340	13,932	36,972	73,908	3,124	7,904
2023	15,111	13,161	38,383	72,497	3,263	7,765
2024	15,924	12,348	39,847	71,033	3,409	7,619
2025-2029	93,425	47,935	223,232	331,168	19,468	35,672
2030-2034	121,399	19,961	269,190	285,210	24,219	30,921
2035-2039	11,644	155	324,611	229,789	30,129	25,011
2040-2044	-	-	391,441	162,959	37,482	17,658
2045-2049	-	-	472,030	82,370	46,628	8,512
2050-2051	-	-	190,851	6,831	14,532	452
Total	<u>\$ 298,365</u>	<u>\$ 137,514</u>	<u>\$2,056,475</u>	<u>\$1,467,607</u>	<u>\$ 188,107</u>	<u>\$157,717</u>

NOTE 4 CHANGES IN LONG-TERM DEBT-PROPRIETARY FUND (Continued)

	BB&T Lease Payable		Totals	
	Principal	Interest	Principal	Interest
2020	\$ 35,704	\$ 6,000	\$ 85,786	\$ 106,098
2021	37,118	4,587	89,329	102,556
2022	38,588	3,117	93,024	98,861
2023	40,117	1,588	96,874	95,011
2024			59,180	91,000
2025-2029	-	-	336,125	414,775
2030-2034	-	-	414,808	336,092
2035-2039	-	-	366,384	254,955
2040-2044			428,923	180,617
2045-2049			518,658	90,882
2050-2051			205,383	7,283
Total	<u>\$ 151,527</u>	<u>\$ 15,292</u>	<u>\$2,694,474</u>	<u>\$1,778,130</u>

The Town has complied with all significant covenants.

NOTE 5 CHANGES in GOVERNMENTAL FUND DEBT

A summary of the governmental fund debt as June 30, 2019 is as follows:

General Obligation Bond, \$12,449, Annually for 30 years at 4.125% Interest, Matures 8/3/37	\$ 155,945
Lease Obligation Payable, \$10,361 Annually at 1.9% Interest, Matures 3/30/20	10,167
Lease Obligation Payable, \$31,333 Annually at 3.99% Interest, Matures 7/15/21	86,964
Lease Obligation Payable, \$29,400 Annually at 2.46% Interest, Matures 6/30/27	211,158
Lease Obligation Payable, \$17,392 Annually at 2.16% Interest, Matures 7/12/20	33,022
Notes Payable, \$208.5 Monthly at 4.5% Interest, Matures 7/12/24	11,350
Total Bonds, Notes and Lease Obligations Payable	<u>508,606</u>
Liability for Compensated Absences	<u>30,469</u>
Total Governmental Fund Long-Term Debt	<u>\$ 539,075</u>

The following is a summary of the governmental fund debt activity for the year ended June 30, 2019:

	Balance			Balance 6/30/2019	Payable Within One Year
	6/30/2018	Additions	Deductions		
Capital Leases	\$ 402,374	\$ 24,410	\$ 85,473	\$341,311	\$ 70,098
Notes Payable	13,293	-	1,943	11,350	2,033
General Obligation Bond	161,722	-	5,777	155,945	6,016
Total Bonds, Notes, and Leases Payable	<u>577,389</u>	<u>24,410</u>	<u>93,193</u>	<u>508,606</u>	<u>\$ 78,147</u>
Compensated Absences	<u>37,656</u>	<u>-</u>	<u>7,187</u>	<u>30,469</u>	
Total Governmental Activities Long-Term Debt	<u>\$ 615,045</u>	<u>\$ 24,410</u>	<u>\$ 100,380</u>	<u>\$539,075</u>	

NOTE 5 CHANGES in GOVERNMENTAL FUND DEBT (Continued)

The annual debt service requirements to maturity, including principal and interest as of June 30, 2019 are as follows:

	Government Obligation Bond		Lease Obligation Dump Truck		Lease Obligation 2012 Fire Truck	
	Principal	Interest	Principal	Interest	Principal	Interest
2020	\$ 6,016	\$ 6,433	\$ 10,167	\$ 193	\$ 27,861	\$ 3,472
2021	6,264	6,184	-	-	28,973	2,359
2022	6,523	5,926	-	-	30,130	1,203
2023	6,792	5,657	-	-	-	-
2024	7,072	5,085	-	-	-	-
2025-2029	39,982	20,611	-	-	-	-
2030-2034	38,346	11,721	-	-	-	-
2035-2038	44,950	2,379	-	-	-	-
Total	<u>\$ 155,945</u>	<u>\$ 63,996</u>	<u>\$ 10,167</u>	<u>\$ 193</u>	<u>\$ 86,964</u>	<u>\$ 7,034</u>

	Lease Obligation 2017 Fire Truck		Lease Obligation 2018 2 Police Cars		Notes Payable King Land	
	Principal	Interest	Principal	Interest	Principal	Interest
2020	\$ 24,205	\$ 5,194	\$ -	\$ -	\$ 2,033	\$ 469
2021	24,800	4,599	17,024	368	2,123	379
2022	25,410	3,988	-	-	2,224	278
2023	26,035	3,364	-	-	2,326	176
2024	26,035	3,364	-	-	2,644	67
2025-2029	84,673	3,527	-	-	-	-
2030-2034	-	-	-	-	-	-
2035-2038	-	-	-	-	-	-
Total	<u>\$ 211,158</u>	<u>\$ 24,036</u>	<u>\$ 17,024</u>	<u>\$ 368</u>	<u>\$ 11,350</u>	<u>\$ 1,369</u>

	Total		Total	
	Principal	Interest	Principal	Interest
2020	\$ 7,865	\$ 546	\$ 78,147	\$ 16,307
2021	8,133	277	87,317	14,166
2022			64,287	11,395
2023			35,153	9,197
2024			35,751	8,516
2025-2029			124,655	24,138
2030-2034			38,346	11,721
2035-2038			44,950	2,379
Total	<u>\$ 15,998</u>	<u>\$ 823</u>	<u>\$ 508,606</u>	<u>\$ 97,819</u>

NOTE 6 INTERFUND RECEIVABLES and PAYABLE

The following is a summary of amounts due from and due to other funds at June 30, 2019:

	Due to Capital Projects	Due to General Fund	Total
Due from Special Revenue	\$ 63,906	\$ -	\$ 63,906
Due (to) from Water & Sewer	(17,062)	37,102	20,040
Due (to) from Capital Projects	(30,000)	30,000	-
	<u>\$ 16,844</u>	<u>\$ 67,102</u>	<u>\$ 83,946</u>

NOTE 7 COMPONENTS OF RESTRICTED ASSETS

Certain assets of the Town have been restricted for debt service, and customer deposits. These assets, which consist of cash and short-term investments at June 30, 2019, were as follows:

	General Fund	Proprietary Fund Type
Restricted Assets		
Reserve for Victim Assistance and Fines	\$ 50,521	\$ -
Reserve for Hospitality Tax	176,606	-
Local Option Sale Tax	211,968	-
Bail Bonds Deposited	513	-
Customer Deposits	-	64,418
Reserve for Cushion	-	185,317
Total Restricted Assets	<u>\$ 439,608</u>	<u>\$ 249,735</u>
Payable from Restricted Assets	<u>\$ 439,608</u>	<u>\$ 249,735</u>

NOTE 8 RETIREMENT PLAN

The South Carolina Public Employee Benefit Authority (PEBA), which was created July 1, 2012, administers the various retirement System and retirement programs managed by its Retirement Division. PEBA has an 11-member Board of Directors, appointed by the Governor and General Assembly leadership, which serves as co-trustee and co-fiduciary of the System and the trust funds. By law, the State Fiscal Accountability Authority (SFAA), which consists of five elected officials, also reviews certain PEBA Board decisions regarding the funding of the System and serves as a co-trustee of the System in conducting that review.

For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the System and additions to/deductions from the System fiduciary net position have been determined on the accrual basis of accounting as they are reported by the System in accordance with generally accepted accounting principles (GAAP). For this purpose, revenues are recognized when earned and expenses are recognized when incurred. Benefit and refund expenses are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value.

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

Plan Descriptions

The South Carolina Retirement System (SCRS), a cost-sharing multiple-employer defined benefit pension plan, was established effective July 1, 1945, pursuant to the provisions of Section 9-1-20 of the South Carolina Code of Laws for the purpose of providing retirement allowances and other benefits for employees of the state, its public school districts, and political subdivisions.

The State Optional Retirement Program (ORP) is a defined contribution plan that is offered as an alternative to certain newly hired state, public school, and higher education employees. State ORP participants direct the investment of their funds into a plan administered by one of four investment providers.

The South Carolina Police Officers Retirement System (PORS), a cost-sharing multiple-employer defined benefit pension plan, was established effective July 1, 1962, pursuant to the provisions of Section 9-11-20 of the South Carolina Code of Laws for the purpose of providing retirement allowances and other benefits for police officers and fireman of the state and its political subdivisions.

Membership

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

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

State ORP - As an alternative to membership in SCRS, newly hired state, public school, and higher education employees and individuals newly elected to the S.C. General Assembly beginning with the November 2012 general election have the option to participate in the State Optional Retirement Program (State ORP), which is a defined contribution plan. State ORP participants direct the investment of their funds into a plan administered by one of four investment providers. PEBA assumes no liability for State ORP benefits. Rather, the benefits are the liability of the investment providers. The South Carolina Police Officers Retirement System (PORS), a cost-sharing multiple-employer defined benefit pension plan, was established effective July 1, 1962, pursuant to the provisions of Section 9-11-20 of the South Carolina Code of Laws for the purpose of providing retirement allowances and other benefits for police officers and fireman of the state and its political subdivisions.

For this reason, State ORP programs are not considered part of the retirement systems for financial statement purposes. Employee and Employer contributions to the State ORP are at the same rates as SCRS. A direct remittance is required from the employers to the member's account with investment providers for the employee contribution and a portion of the employer contribution. A direct remittance is also required to SCRS for the remaining portion of the employer contribution and an incidental death benefit contribution, if applicable, which is retained by SCRS.

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; or to serve as 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.

NOTE 8 RETIREMENT PLAN (Continued)

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. A brief summary of benefit terms for each system is presented below.

SCRS - A Class Two member who has separated from service with at least five or more years of earned service is eligible for a monthly pension at age 65 or with 28 years credited service regardless of age. A member may elect early retirement with reduced pension benefits payable at age 55 with 25 years of service credit. A Class Three member who has separated from service with at least eight or more years of earned service is eligible for a monthly pension upon satisfying the Rule of 90 requirements 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 credited 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 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

Contributions are prescribed in Title 9 of the South Carolina Code of Laws. The PEBA Board may increase the SCRS and PORS employer and employee contribution rates on the basis of the actuarial valuations, but any such increase may not result in a differential between the employee and employer contribution rate that exceeds 2.9 percent of earnable compensation for SCRS and 5 percent for PORS. An increase in the contribution rates adopted by the board may not provide for an increase of more than one-half of one percent in any one year. If the scheduled employee and employer contributions provided in statute or the rates last adopted by the board are insufficient to maintain a thirty year amortization schedule of the unfunded liabilities of the plans, the board shall increase the contribution rates in equal percentage amounts for the employer and employee as necessary to maintain the thirty-year amortization period; and, this increase is not limited to one- half of one percent per year.

NOTE 8 RETIREMENT PLAN (Continued)

The following provides a summary of the Town of Chesterfield, South Carolina's actual retirement plan contributions at June 30, 2019: (includes group life insurance)

<u>Retirement System</u>	<u>Covered</u>	<u>Employee</u>	<u>Employer</u>	<u>Total</u>
	<u>Salaries</u>	<u>Contributions</u>	<u>Contributions</u>	<u>Contributions</u>
SCRS	\$270,450	\$ 24,341	\$ 39,378	\$ 63,719
PORS	\$189,142	\$ 18,441	\$ 32,230	\$ 50,671
<u>Contribution Rates</u>				
		<u>Employee</u>	<u>Employer</u>	<u>Total</u>
SCRS		9.00%	14.56%	23.56%
PORS		9.75%	17.04%	26.79%

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

At June 30, 2019, the Town reported a liability of \$882,386 for its proportionate share of the net pension liability. The net pension liability was measured as of July 1, 2018, 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 entities, actuarially determined. The Town's proportion was .00237 % for the SCRS and .0127% for the PORS.

For the year ended June 30, 2019, the Town recognized pension expense of \$45,723. At June 30, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Expected and Actual Experience	\$ -	\$ 139,896
Liability Experience	122,211	-
Town Contributions Subsequent to the Measurement Date	71,986	-
Total	<u>\$ 194,197</u>	<u>\$ 139,896</u>

The \$71,986 of deferred outflows of resources resulting from the Town's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	
2020	\$ 4,324
2021	(401)
2022	(17,885)
2023	(3,723)

NOTE 8 RETIREMENT PLAN (Continued)

Actuarial Assumptions and Methods

Actuarial valuations 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. Actuarial assumptions and methods used during the annual valuation process are subject to periodic revision, typically with an experience study, as actual results over an extended period of time 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 System was most recently issued as of July 1, 2015.

The June 30, 2018, total pension liability, net pension liability, and sensitivity information were determined by the System consulting actuary, Gabriel, Roeder, Smith and Company (GRS) and are based on the July 1, 2017, actuarial valuations, as adopted by the PEBA Board and SFAA which utilized membership data as of July 1, 2015. The total pension liability was rolled-forward from the valuation date to the System fiscal year ended June 30, 2019, using generally accepted actuarial principles. Information included in the following schedules, is based on the certification provided by GRS.

The following table provides a summary of the actuarial assumptions and methods used in the June 30, 2018, valuations for SCRS

	SCRS	PORS
Actuarial cost method	Entry Age	Entry Age
Actuarial assumptions:		
Investment rate of return	7.25%	7.25%
Projected salary increases	3.0% to 12.5% (Varies by service)	3.5% to 9.5% (Varies by service)
Includes inflation at	2.25%	2.25%
Benefit adjustments	Lesser of 1% or \$500	Lesser of 1% or \$500

The post-retiree mortality assumption is dependent upon the member's job category and gender. The base mortality assumptions, the 2016 Public Retirees of South Carolina Mortality table (2016 PRSC), was developed using the Systems' mortality experience. These base rates are adjusted for future improvement in mortality using published Scale AA projected from the year 2016.

Long-Term Expected Rate of Return

The long-term expected rate of return on pension plan investments is based upon 30-year capital market assumptions. The long-term expected rate of returns represents 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 2018 fiscal year. The long-term expected rate of return is produced by weighting the expected future real rates of return by the target allocation percentage and adding expected inflation and is summarized in the table on the following page. For actuarial purposes, the 7.25 percent assumed annual investment rate of return used in the calculation of the TPL includes a 5.00 percent real rate of return and a 2.25 percent inflation component.

NOTE 8 RETIREMENT PLAN (Continued)

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

Asset Class	Target Asset Allocation	Expected Arithmetic	Long Term Expected Portfolio Real Rate of Return
Global Equity	47.0%		
Global Public Equity	33.0%	6.99%	2.31%
Private Equity	9.0%	8.73%	0.79%
Equity Options Strategies	5.0%	5.52%	0.28%
Real Assets	10.0%		
Real Estate (Private)	6.0%	3.54%	0.21%
Real Estate (REITs)	2.0%	5.46%	0.11%
Infrastructure	2.0%	5.09%	0.10%
Opportunistic	13.0%		
GTAA/Risk Parity	8.0%	3.75%	0.30%
Hedge Funds (non-PA)	2.0%	3.45%	0.07%
Other Opportunistic Strategies	3.0%	3.75%	0.11%
Diversified Credit	18.0%		
Mixed Credit	6.0%	3.05%	0.18%
Emerging Markets Debt	5.0%	3.94%	0.20%
Private Debt	7.0%	3.89%	0.27%
Conservative Fixed Income	12.0%		
Core Fixed Income	10.0%	0.94%	0.09%
Cash and Short Duration (Net)	0.0%	0.34%	0.01%
Total Expected Real Return	100%		5.03%
Inflation for Actuarial Purposes			2.25%
Total Expected Nominal Return			7.28%

Discount Rate

The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers in SCRS will be made based on the actuarially determined rates based on provisions in the South Carolina State Code of Laws. Based on those assumptions, each System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The following table presents the sensitivity of the net pension liability to changes in the discount rate.

NOTE 8 RETIREMENT PLAN (Continued)

Sensitivity Analysis

The following table presents the collective net pension liability of the participating employers calculated using the discount rate of 7.25 percent, as well as what the employers' net pension liability would be if it were calculated using a discount rate that is 1.00 percent lower (6.25 percent) or 1.00 percent higher (8.25 percent) than the current rate.

	Discount Rate	Town's Proportionate Share of Net Pension Liability
1% Decrease	6.25%	\$ 1,152,769
Current Discount Rate	7.25%	\$ 882,386
1% Increase	8.25%	\$ 676,067

Pension Plan Fiduciary Net Position

Detailed information regarding the fiduciary net position of the plans administered by PEBA is available in the separately issued CAFR containing financial statements and required supplementary information for SCRS. The CAFR of the Pension Trust Funds is publicly available on PEBA's Retirement Benefits' website at www.retirement.sc.gov, or a copy may be obtained by submitting a request to PEBA, 202 Arbor Lake Drive, Columbia, SC 29223.

NOTE 9 SHARED GRANT with TOWN of CHESTERFIELD

In an effort to attract quality industry into the Chesterfield/Chesterfield area, the two Towns applied for a joint grant where they could combine their efforts and resources to develop an industrial park project primarily by developing infrastructure for water and sewer. The portion attributed to the Town of Chesterfield is reported under "Capital Projects Funds".

NOTE 10 POST-EMPLOYMENT BENEFITS

The Town has implemented Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This standard has substantially revised the accounting requirements previously mandated under GASB Statement 45. The most notable change is that the Annual Required Contribution (ARC) has been eliminated and the Net OPEB Liability will be an item on the employer's financial statement rather than a footnote entry.

GASB 75 governs the specifics of accounting for public OPEB plan obligations for participating employers. GASB 75 requires a liability for OPEB obligations, known as the Net OPEB Liability (Total OPEB Liability for unfunded plans), to be recognized on the balance sheets of participating employers. Changes in the Net (or Total) OPEB Liability will be immediately recognized as OPEB expense on the income statement or reported as deferred inflows or outflows of resources, depending on the nature of the change.

Plan Description: In accordance with the South Carolina Code of Laws and the annual Appropriation Act, the Town has autonomy in establishing retiree and post-employment benefits. The Town provides a certain dollar amount to be used for health insurance benefits to certain active and retired Town employees. Full-time employees of the Town who had completed 15 years of service who retired by December 101, 2011 were eligible to receive these benefits. The Town has elected to continue coverage on one employee who had previously retired. After the employee reaches Medicare eligible age, the benefit will close, and the Town will not pay any portion of the employee only health insurance. As of July 1, 2019, the valuation date, there were no retirees who had met the eligibility requirement for the plan.

NOTE 11 SUBSEQUENT EVENTS

The Town evaluated all events or transactions that occurred after June 30, 2019, through the date of November 27, 2019 when 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, 2019, financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN of CHESTERFIELD, SOUTH CAROLINA
GENERAL FUND

STATEMENT of REVENUES, EXPENDITURES and CHANGES in
FUND BALANCE - BUDGET (GAAP BASIS) and ACTUAL
For the Year Ended June 30, 2019

	Original Budget	Revised Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Taxes	\$ 700,000	\$ 700,000	\$ 717,882	\$ 17,882
Licenses and Permits	367,900	367,900	404,425	36,525
Intergovernmental Revenues	52,000	52,000	78,714	26,714
Charge for Services	386,125	386,125	395,686	9,561
Fines and Forfeits	96,000	96,000	126,590	30,590
Miscellaneous	10,610	10,610	88,848	78,238
Interest Income	300	300	1,416	1,116
Total Revenues	1,612,935	1,612,935	1,813,561	200,626
EXPENDITURES				
General Government	253,200	253,200	237,764	15,436
Public Safety	552,103	552,103	538,953	13,150
Highways and Streets	373,525	373,525	303,046	70,479
Sanitation	215,845	215,845	204,714	11,131
Health and Welfare	118,400	118,400	67,889	50,511
Capital Outlay	4,500	4,500	53,822	(49,322)
Debt Service				
Principal	95,362	95,362	85,473	9,889
Interest	-	-	11,424	(11,424)
Total Expenditures	1,612,935	1,612,935	1,503,085	109,850
OTHER FINANCING SOURCES (USES)				
Financing Proceeds	-	-	24,410	24,410
Total Other Financing Sources (Uses)	-	-	24,410	24,410
EXCESS of REVENUES over EXPENDITURES				
	\$ -	\$ -	334,886	\$ 334,886
FUND BALANCE, Beginning of Year			1,422,196	
FUND BALANCE, End of Year			\$ 1,757,082	

The Accompanying Notes are an Integral Part of These Financial Statements

TOWN OF CHESTERFIELD, SOUTH CAROLINA
Chesterfield, South Carolina

SCHEDULE of TOWN'S CONTRIBUTIONS
South Carolina Retirement System
Years Ended June 30,

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily Required Contributions	\$ 71,608	\$ 60,987	\$ 56,231	\$ 51,937	\$ 52,473
Contributions in Relation to Statutorily Required Contributions	<u>71,608</u>	<u>60,987</u>	<u>56,231</u>	<u>51,937</u>	<u>52,473</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Reporting Unit's Covered-Employee Payroll	<u>\$ 459,592</u>	<u>\$ 417,686</u>	<u>\$ 446,120</u>	<u>\$ 436,670</u>	<u>\$445,501</u>
Contributions as a Percentage of Covered Employee Payroll	15.6%	14.6%	12.6%	11.9%	11.8%

Until a full 10-year trend is compiled, the Town will present information for those years which information is available.

TOWN OF CHESTERFIELD, SOUTH CAROLINA
Chesterfield, South Carolina

SCHEDULE of TOWN'S PROPORTIONATE
SHARE of the NET PENSION LIABILITY
South Carolina Retirement System
Years Ended June 30,

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Reporting Unit's Proportion of South Carolina Retirement System Net Pension Liability (%)	0.0024%	0.0026%	0.0029%	0.0029%	0.0033%
Reporting Unit's Proportion of Police Officers Retirement System Net Pension Liability (%)	0.0127%	0.0140%	0.0125%	0.0137%	0.0140%
Reporting Unit's Proportionate Share of Net Pension Liability	<u>\$ 882,386</u>	<u>\$ 958,493</u>	<u>\$ 928,662</u>	<u>\$ 856,579</u>	<u>\$837,223</u>
Reporting Unit's Covered Employee Payroll	<u>\$ 459,592</u>	<u>\$ 417,686</u>	<u>\$ 446,120</u>	<u>\$ 436,670</u>	<u>\$445,501</u>
Reporting Unit's Proportionate Share of Net Pension Liability as a Percentage of its Covered Employee Payroll (%)	192.0%	229.5%	208.2%	196.2%	187.9%

Until a full 10-year trend is compiled, the Town will present information for those years which information is available.

TOWN of CHESTERFIELD, SOUTH CAROLINA
Chesterfield, South Carolina

NOTES to REQUIRED SUPPLEMENTARY INFORMATION – PENSION LIABILITY
Year Ended June 30, 2019

Note 1 Valuation Date – Actuarially determined contribution rates are calculated as of July 1, one year prior to the end of the fiscal year in which contributions are reported.

Note 2 Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Pay
Remaining Amortization Period	25 Years, Open
Asset Valuation Method	5-Year Smoothing Market
Inflation	2.25%
Salary Increases	3.5% - 12.5% (SCRS), 4%-10% (PORS)
Investment Return	7.25%
Mortality	2016 PRSC, Projected at Scale AA from Year 2016

Note 3 Changes in Benefits – No changes were made to the benefit terms during the fiscal year ended June 30, 2018 (the measurement year).

Note 4 Changes in Assumptions – No changes were made to the actual assumptions utilized during the fiscal year ended June 30, 2018 (the measurement year).

SUPPLEMENTAL INFORMATION (OPTIONAL)

GENERAL FUND

TOWN of CHESTERFIELD
Chesterfield, South Carolina
GENERAL FUND
STATEMENT of REVENUES and EXPENDITURES - BUDGET COMPARED to ACTUAL
For the Year Ended June 30, 2019

	Revised Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
<u>Property Tax</u>			
Current Property Tax	\$ 250,000	\$ 242,069	\$ (7,931)
Vehicle Taxes	35,500	35,536	36
Homestead Exemption	35,800	35,504	(296)
Local Option Sales Tax	185,000	227,947	42,947
Local Accommodation Tax	1,000	1,363	363
Motor Carrier Tax	90,000	122,908	32,908
Manufacturing Tax Exemption	3,700	4,568	868
Local Hospitality Tax	99,000	47,987	(51,013)
Total Property Tax	<u>700,000</u>	<u>717,882</u>	<u>17,882</u>
<u>License and Franchise Fees</u>			
Business License Insurance	195,000	205,056	10,056
Business and Professional Licenses	35,500	33,699	(1,801)
Business License - Telecommunications	7,000	6,820	(180)
Business License - Broker Tax	2,200	2,170	(30)
Business License - Contract	7,000	17,052	10,052
Traffic Safety	5,000	5,000	-
Progress Energy Agreement	105,000	122,239	17,239
Lynches River Agreement	4,200	5,172	972
Sandhill Telephone	7,000	7,217	217
Total License and Franchise Fees	<u>367,900</u>	<u>404,425</u>	<u>36,525</u>
<u>State Shared Revenue</u>			
Merchant Inventory Tax	8,000	8,584	584
State Shared	32,000	33,657	1,657
Accommodations Tax	12,000	36,473	24,473
Total State Shared Revenue	<u>52,000</u>	<u>78,714</u>	<u>26,714</u>
<u>Fire Protection</u>			
Fire Protection	125,065	125,000	(65)
Total Fire Protection	<u>125,065</u>	<u>125,000</u>	<u>(65)</u>
<u>Garbage Fees</u>			
Garbage Fees	224,000	231,695	7,695
Total Garbage Fees	<u>224,000</u>	<u>231,695</u>	<u>7,695</u>
<u>Rental Fees</u>			
Rent - Guardian Ad Litem	4,200	4,200	-
Rent - Perry Clinic	9,000	18,000	9,000
Rent - Visitor's Center	10,180	9,270	(910)
Rent - Hut	7,000	965	(6,035)
Rent - Duke Energy	6,680	6,556	(124)
Total Rental Fees	<u>37,060</u>	<u>38,991</u>	<u>1,931</u>

The Accompanying Notes are an Integral Part of These Financial Statements

TOWN of CHESTERFIELD
 Chesterfield, South Carolina
 GENERAL FUND
 STATEMENT of REVENUES and EXPENDITURES - BUDGET COMPARED to ACTUAL
 For the Year Ended June 30, 2019

REVENUES (Continued)	Revised Budget	Actual	Variance Favorable (Unfavorable)
<u>Fines</u>			
Fines and Costs	90,000	123,479	33,479
Victim's Assistance	6,000	1,550	(4,450)
Restitution	-	1,561	1,561
Total Fines and Costs	96,000	126,590	30,590
<u>Miscellaneous</u>			
Commerce Park Maintenance	360	360	-
Yard Sales	50	25	(25)
Rental of Equipment For Hurricane	-	63,997	63,997
Miscellaneous	2,000	12,458	10,458
Property Sale Surplus	5,000	1,827	(3,173)
Phone-Capital Credit-Administration	2,300	1,795	(505)
Phone-Capital Credit-Police	900	561	(339)
Donations	-	7,825	7,825
Total Miscellaneous	10,610	88,848	78,238
<u>Interest</u>			
Interest Earned	300	1,416	1,116
Total Interest	300	1,416	1,116
TOTAL REVENUES	1,612,935	1,813,561	200,626
 EXPENDITURES			
<u>General Government</u>			
Salaries	121,410	120,185	1,225
Social Security	9,290	8,945	345
Group Hospitalization	26,300	23,295	3,005
Retirement	15,020	14,514	506
Workman's Compensation	680	514	166
Auto Expenses (Mayor)	2,000	843	1,157
Utilities	6,400	6,133	267
Telephone	7,000	6,883	117
Insurance and Bonds	10,200	7,946	2,254
Office Supplies	3,000	3,718	(718)
Office Equipment (Repair and Maintenance)	1,200	1,190	10
Building Cleaning	300	151	149
Building Maintenance	3,000	1,015	1,985
Equipment Replacement	2,000	-	2,000
Training, Travel, Conferences	9,800	6,737	3,063
Membership Fees	1,200	986	214
Professional Services	34,000	34,373	(373)
Advertisements	400	336	64
Total General Government	253,200	237,764	15,436

The Accompanying Notes are an Integral Part of These Financial Statements

TOWN of CHESTERFIELD
Chesterfield, South Carolina
GENERAL FUND
STATEMENT of REVENUES and EXPENDITURES - BUDGET COMPARED to ACTUAL
For the Year Ended June 30, 2019

	Revised Budget	Actual	Variance Favorable (Unfavorable)
EXPENDITURES (Continued)			
<u>Police Department</u>			
Salaries	208,505	205,121	3,384
Social Security	15,951	15,960	(9)
Group Hospitalization	43,000	35,961	7,039
Retirement	35,747	35,448	299
Workman's Compensation	6,700	5,210	1,490
Auto Expense	25,000	24,853	147
Utilities	2,500	2,201	299
Telephone	10,000	10,131	(131)
Telephone Park Camera	100	944	(844)
Insurance and Bonds	17,000	21,730	(4,730)
Office Supplies	2,500	3,483	(983)
Office Equipment (Repairs and Maintenance)	1,000	341	659
Police and I.D. Supplies	3,000	3,555	(555)
Building Cleaning	500	163	337
Building Maintenance	5,000	2,771	2,229
Equipment Replacement	1,500	604	896
Equipment -Body Camera & Storage	7,000	-	7,000
Radio Service Contract	1,500	1,320	180
Uniforms	4,000	4,247	(247)
Uniforms-Vests	1,000	1,622	(622)
Prisoners Board	7,000	5,467	1,533
Fine Assessments	50,000	59,822	(9,822)
Victim Assistance	650	1,550	(900)
Donations	-	12,629	(12,629)
Training, Meals, Travel	4,500	1,352	3,148
Membership Fees	700	475	225
1033 Program Surplus	500	-	500
Professional Fees	5,000	2,304	2,696
Advertising	500	380	120
Drug Buys	200	-	200
Reserve Police Vehicle	525	-	525
Miscellaneous	-	411	(411)
Total Police Department	461,078	460,055	1,023
<u>Fire Department</u>			
Salaries	30,000	32,650	(2,650)
Social Security	2,500	2,533	(33)
Medical Insurance	2,000	496	1,504
Retirement	4,000	4,170	(170)
Workman's Compensation	2,000	1,082	918
Truck Expense	5,000	4,180	820
Utilities and Heat	3,500	3,797	(297)
Telephone	2,000	2,184	(184)
Insurance and Bonds	13,000	6,809	6,191
Specialized Department Supply	10,000	10,833	(833)
Building Maintenance	500	1,741	(1,241)
Equipment Replacement	2,000	3,295	(1,295)
Radio Service Contract	1,000	672	328
Uniforms and Turn Out Gear	10,000	2,019	7,981
Training, Travel, Meals	2,000	1,065	935
Membership Fees	1,000	1,342	(342)
Professional Services	-	30	(30)
Reserve Fire	525	-	525
Total Fire Department	91,025	78,898	12,127

The Accompanying Notes are an Integral Part of These Financial Statements

TOWN of CHESTERFIELD
Chesterfield, South Carolina
GENERAL FUND
STATEMENT of REVENUES and EXPENDITURES - BUDGET COMPARED to ACTUAL
For the Year Ended June 30, 2019

	Revised Budget	Actual	Variance Favorable (Unfavorable)
EXPENDITURES (Continued)			
<u>Public Properties</u>			
Salaries	107,805	103,585	4,220
Social Security	8,250	8,097	153
Group Hospitalization	35,500	22,053	13,447
Retirement	14,000	14,022	(22)
Workman's Compensation	1,200	646	554
Truck Expense	11,700	7,672	4,028
Utilities	112,350	103,237	9,113
Utilities-Christmas	3,525	2,676	849
Telephone	6,800	5,364	1,436
Insurance and Bonds	37,000	21,566	15,434
Supplies	4,000	1,041	2,959
Building Cleaning	2,000	341	1,659
Building Maintenance and Other	16,800	3,707	13,093
Banner Installation	1,100	2,048	(948)
Christmas Lights	3,445	3,336	109
Equipment Replacement	5,500	2,363	3,137
Uniforms	2,200	1,156	1,044
Travel, Training, Conferences	250	136	114
Advertisements	100	-	100
Total Streets	373,525	303,046	70,479
<u>Sanitation</u>			
Salaries	10,000	10,329	(329)
Social Security	800	690	110
Group Hospitalization	4,850	2,123	2,727
Retirement	1,500	1,342	158
Workman's Compensation	1,200	665	535
Truck Expense	5,000	3,769	1,231
Insurance and Bonds	1,500	1,259	241
Supplies	250	-	250
Equipment Replacement	2,000	-	2,000
Uniforms	1,100	925	175
Solid Waste Contract	187,535	183,580	3,955
Advertisements	110	32	78
Total Sanitation	215,845	204,714	11,131
<u>Municipal Court</u>			
Salaries	23,040	19,371	3,669
Social Security	1,765	1,331	434
Retirement	3,345	2,489	856
Workman's Compensation	400	233	167
Jurors	600	-	600
Telephone	420	-	420
Insurance and Bonds	1,000	243	757
Office Supplies	1,600	4,754	(3,154)
Public Defenders Fees	1,000	-	1,000
Travel, Training, Conferences	1,600	532	1,068
Miscellaneous	100	-	100
Membership Fees	200	-	200
Professional Services	600	51	549
Restitution	-	1,191	(1,191)
Total Municipal Court	35,670	30,195	5,475

The Accompanying Notes are an Integral Part of These Financial Statements

TOWN of CHESTERFIELD
Chesterfield, South Carolina

GENERAL FUND
STATEMENT of REVENUES and EXPENDITURES - BUDGET COMPARED to ACTUAL
For the Year Ended June 30, 2019

	Revised Budget	Actual	Variance Favorable (Unfavorable)
EXPENDITURES (Continued)			
<u>Parks and Recreation</u>			
Hospitality Tax	44,330	8,050	36,280
YMCA	13,100	12,423	677
Total Parks and Recreation	<u>57,430</u>	<u>20,473</u>	<u>36,957</u>
<u>Various</u>			
Election	-	524	(524)
Library	20,300	12,760	7,540
Contingent	5,000	3,937	1,063
Total Various	<u>25,300</u>	<u>17,221</u>	<u>8,079</u>
<u>Capital Outlay</u>			
Capital Outlay-General Government	-	7,447	(7,447)
Capital Outlay-Police	4,500	5,100	(600)
Capital Outlay-Fire	-	10,560	(10,560)
Capital Outlay-Public Properties	-	2,500	(2,500)
Capital Outlay- Nondesignat	-	28,215	(28,215)
Total Capital Outlay	<u>4,500</u>	<u>53,822</u>	<u>(49,322)</u>
<u>Debt Service</u>			
Principal	95,362	85,473	9,889
Interest	-	11,424	(11,424)
Total Debt Service	<u>95,362</u>	<u>96,897</u>	<u>(1,535)</u>
 TOTAL EXPENDITURES	 <u>1,612,935</u>	 <u>1,503,085</u>	 <u>109,850</u>
 OTHER FINANCING SOURCES (USES)			
Financing Proceeds	-	24,410	24,410
Total Other Financing Sources (Uses)	<u>-</u>	<u>24,410</u>	<u>24,410</u>
 EXCESS of REVENUES OVER EXPENDITURES	 <u>\$ -</u>	 <u>\$ 334,886</u>	 <u>\$ 334,886</u>

The Accompanying Notes are an Integral Part of These Financial Statements

TOWN of CHESTERFIELD
Chesterfield, South Carolina

STATEMENT of FINES and ASSESSMENTS
For the Year Ended June 30, 2019

Fines Collected	\$ 60,244
Assessments and Surcharges Collected	59,623
Assessments and Surcharges for Victim's Assistance	<u>6,723</u>
Total Fines, Assessments and Surcharges	<u><u>\$ 126,590</u></u>
Fines and Fees Retained by Town	\$ 60,244
Assessments and Surcharges Retained by Town For Victim's Services	<u>6,723</u>
Total Fines, Assessments and Surcharges Retained by Town	<u><u>\$ 66,967</u></u>
Total Assessments and Surcharges Remitted to State Treasurer	<u><u>\$ 59,623</u></u>
Assessments and Surcharges Retained by Town For Victim's Services	\$ 6,723
Victim Services Expenditures	<u>250</u>
Funds Available for Carry-Forward	6,473
Funds Unused Prior Year	<u>45,349</u>
Funds to Carry-forward to Next Year	<u><u>\$ 51,822</u></u>

Note: This schedule is required by SC 14-1-208E and is an annual reconciliation of amounts collected and remitted to the State Treasurer on the State Treasurer's monthly Remittance Form.

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:

Fire 1% - To account for allocation of Fire 1% funds

Old Courthouse - To account for restricted funds to be used to renovate the old courthouse.

Community Development - To account for funds restricted for old revenue sharing program.

Accommodation Tax Funds - To account for grant for recreation

PARD Grant - To account for grant for renovations in recreation

Police, Fire and Public Works (PW) Grants - To account for various state grants

FEMA Grant - To account for FEMA funds from Hurricane Matthew

TOWN of CHESTERFIELD
Chesterfield, South Carolina

SPECIAL REVENUE FUNDS
COMBINING STATEMENT of REVENUES and EXPENDITURES
For the Year Ended June 30, 2019

	Fire 1% Fund	Old Courthouse	Community Development	Accom. Tax Funds. Rec.	Pard Grant Renov. Rec.	Police, Fire and PW Grant	FEMA Hurricane Matthew	Total
REVENUES								
Grant Income	\$7,666	\$ -	\$ -	\$ -	\$ 14,735	\$ 5,819	\$ 80,282	\$108,502
Local Donations	-	-	-	3,995	-	-	-	3,995
Interest	-	-	46	-	-	-	-	46
Total Revenues	<u>7,666</u>	<u>-</u>	<u>46</u>	<u>3,995</u>	<u>14,735</u>	<u>5,819</u>	<u>80,282</u>	<u>112,543</u>
EXPENDITURES								
Special Activities	8,388	-	-	3,995	14,735	5,819	80,282	113,219
Total Expenditures	<u>8,388</u>	<u>-</u>	<u>-</u>	<u>3,995</u>	<u>14,735</u>	<u>5,819</u>	<u>80,282</u>	<u>113,219</u>
EXCESS (DEFICIENCY) of REVENUES over (under) EXPENDITURES	(722)	-	46	-	-	-	-	(676)
BEGINNING FUND BALANCE	1,128	(63,907)	12,035	-	-	-	-	(50,744)
ENDING FUND BALANCE	<u>\$ 406</u>	<u>\$ (63,907)</u>	<u>\$ 12,081</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (51,420)</u>

The Accompanying Notes are an Integral Part of These Financial Statements

CAPITAL PROJECTS FUNDS

The Capital Project Funds account for all resources used for the acquisition and/or construction of major capital facilities by the Town. The following is a description of the Town's Capital Project Funds:

Cheraw/Chesterfield Industrial Park - This fund is used to account for a joint venture with Chesterfield to develop an industrial park.

Economic Development Fund - This fund is used to account for capital improvements funded by various sources.

TOWN of CHESTERFIELD
Chesterfield, South Carolina

CAPITAL PROJECTS FUNDS
COMBINING STATEMENT of REVENUES and EXPENDITURES
For the Year Ended June 30, 2019

	Cheraw/ Chesterfield Industrial Park	Economic Development Fund	<u>Total</u>
REVENUE			
Other Income	\$ 40,576	\$ 9,026	\$ 49,602
Interest	-	320	320
Total Revenue	<u>40,576</u>	<u>9,346</u>	<u>49,922</u>
EXPENDITURES			
General Government	52,711	-	52,711
Debt Service			
Principal	-	7,720	7,720
Interest	-	7,651	7,651
Total Expenditures	<u>52,711</u>	<u>15,371</u>	<u>68,082</u>
OTHER FINANCING SOURCES (USES)			
Financing Proceeds	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS (DEFICIENCY) of REVENUES OVER (UNDER) EXPENDITURES	(12,135)	(6,025)	(18,160)
BEGINNING FUND BALANCE	<u>14,451</u>	<u>290,495</u>	<u>304,946</u>
ENDING FUND BALANCE	<u>\$ 2,316</u>	<u>\$ 284,470</u>	<u>\$ 286,786</u>

The Accompanying Notes are an Integral Part of These Financial Statements

PROPRIETARY FUNDS

TOWN of CHESTERFIELD
Chesterfield, South Carolina

PROPRIETARY FUND
STATEMENT of REVENUES and EXPENSES - BUDGET COMPARED to ACTUAL
For the Year Ended June 30, 2019

	Water and Sewer Fund				Variance Favorable (Unfavorable)
	Budget	Water Actual	Sewer Actual	Total Actual	
OPERATING REVENUES					
Water Charges	\$ 375,000	\$ 375,191	\$ -	\$ 375,191	\$ 191
DHEC Fees	3,600	3,314	432	3,746	146
Sewer Service	423,200	-	439,042	439,042	15,842
Late Charges	8,000	4,451	4,457	8,908	908
Standby Charge Sprinklers	7,000	5,525	-	5,525	(1,475)
Tap Fees - Water	2,000	1,150	-	1,150	(850)
Tap Fees - Sewer	2,000	-	-	-	(2,000)
Reconnect Fees	8,000	4,608	4,523	9,131	1,131
Grant Income	-	-	419,142	419,142	419,142
Other Income	700	1,216	1,421	2,637	1,937
Total Operating Revenues	829,500	395,455	869,017	1,264,472	434,972
OPERATING EXPENSES					
<u>Supplies and Line Repairs</u>					
Administration Costs	32,000	31,740	-	31,740	260
Maintenance to System	165,739	128,768	-	128,768	36,971
Supplies - Water	88,000	68,704	-	68,704	19,296
Total Supplies and Line Repairs	285,739	229,212	-	229,212	56,527
<u>Certificate Cost and Membership Fees</u>					
Certificate Cost and Membership Fees	4,079	4,105	-	4,105	(26)
Total Certificate Cost and Membership Fees	4,079	4,105	-	4,105	(26)
<u>Utilities</u>					
Electricity - Water and Sewer Distribution	1,000	739	-	739	261
Electricity - Wastewater Treatment	8,000	-	10,634	10,634	(2,634)
Electricity - Sewer	33,000	-	17,303	17,303	15,697
Total Utilities	42,000	739	27,937	28,676	13,324
<u>Office Supplies</u>					
Office Supplies	5,100	2,959	-	2,959	2,141
Total Office Supplies	5,100	2,959	-	2,959	2,141
<u>Insurance and Bonds</u>					
Insurance and Bonds	3,505	2,025	826	2,851	654
Total Insurance and Bonds	3,505	2,025	826	2,851	654
<u>Professional Services</u>					
Professional Services	91,100	-	224,679	224,679	(133,579)
Total Professional Services	91,100	-	224,679	224,679	(133,579)
<u>Other Expenses</u>					
Bad Check Fees	120	177	-	177	(57)
Travel and Related	100	39	2,028	2,067	(1,967)
Advertising	350	-	-	-	350
Membership Fees	350	2,132	-	2,132	(1,782)
Telephone	9,000	-	8,363	8,363	637
Contingent	64,916	-	-	-	64,916
Hurricane Florence	-	-	338,549	338,549	(338,549)
Total Other Expenses	74,836	2,348	348,940	351,288	(276,452)

The Accompanying Notes are an Integral Part of These Financial Statements

TOWN of CHESTERFIELD
Chesterfield, South Carolina

PROPRIETARY FUND
STATEMENT of REVENUES and EXPENSES - BUDGET COMPARED to ACTUAL
For the Year Ended June 30, 2019

	Water and Sewer Fund				Variance Favorable (Unfavorable)
	Budget	Water Actual	Sewer Actual	Total Actual	
OPERATING EXPENSES (Continued)					
Depreciation					
Depreciation	-	73,991	167,355	241,346	(241,346)
Total Depreciation	-	73,991	167,355	241,346	(241,346)
TOTAL OPERATING EXPENSES	506,359	315,379	769,737	1,085,116	(578,757)
OPERATING INCOME (LOSS)	323,141	80,076	99,280	179,356	(143,785)
NON-OPERATING INCOME (EXPENSE)					
Investment Income	150	319	-	319	169
Interest Expense	(271,823)	(23,376)	(86,062)	(109,438)	162,385
Total Non-operating Income (Expense)	(271,673)	(23,057)	(86,062)	(109,119)	162,554
CHANGE in NET POSITION	\$ 51,468	\$ 57,019	\$ 13,218	\$ 70,237	\$ 18,769

The Accompanying Notes are an Integral Part of These Financial Statements

CANTEY, TILLER, PIERCE & GREEN, LLP

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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
Members of the Town Council
Town of Chesterfield
Chesterfield, 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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Town of Chesterfield, South Carolina, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Town of Chesterfield, South Carolina's basic financial statements and have issued our report thereon dated November 27, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Town of Chesterfield, South Carolina's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Town of Chesterfield, South Carolina's internal control. Accordingly, we do not express an opinion on the effectiveness of Town of Chesterfield, 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 may exist that have not been identified. We did identify certain deficiencies in internal control, described below that we consider being significant deficiencies.

Findings and Responses

Financial Statement Preparation

Condition – Based on the experience level of the accounting staff at the Town of Chesterfield, South Carolina, we drafted the financial statement and note disclosures.

Criteria – The financial statements are the responsibility of the Town.

Cause – The accounting staff of the accounting firm drafts the financial statements and note disclosures.

Effect – The accounting staff firm drafting the financial statements requires additional procedures to be completed by management to ensure that management takes responsibility for the financial statements.

Recommendation – Management is provided with a preliminary draft and asked that they review the financial statements to determine the completeness and accuracy of the financial information. Management has reviewed the financial statements and approved them. Subsequent to approval, a final report was issued.

Response – Management will review the financial statements to determine the completeness and accuracy of the financial information and then approve the report.

Separation of Duties

Condition – During our audit we reviewed procedures over transaction cycles related to receipting, cash disbursements, utility billing, and payroll and found the Town to have limited segregation of duties related to the disbursements cycle.

Criteria – Adequate separation of duties calls for clear segregation of functions such as receipts, disbursements, recording, custody of assets, transaction authorization, and performance monitoring.

Cause – The accounting staff of the Town maintains and controls the check stock, prepares checks, records disbursements, prepares deposits and posts to general ledger.

Effect – The existence of this limited segregation of duties increases the risk of misstatement or fraud.

Recommendation – While we recognize the number of staff is not large enough to eliminate these deficiencies entirely, we believe the risk can be reduced by another person reviewing cancelled checks, unopened bank statements and bank reconciliations.

Response – Considering the lack of separation of responsibility, Council and management maintains an awareness of the internal control structure when making accounting and administrative decisions to ensure that reasonably adequate policies and procedures exist and are maintained.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Town of Chesterfield, South Carolina's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. 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*.

Town of Chesterfield, South Carolina's Response to Findings

Town of Chesterfield, South Carolina's response to the findings identified in our audit is described above. Town of Chesterfield, South Carolina's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Other Matters

We noted certain other matters that were reported to management of the Town of Chesterfield, South Carolina in separate letter dated November 27, 2019.

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.

Cantey, Tiller, Pierce & Green, LLP

Cantey, Tiller, Pierce and Green, LLP
Camden, South Carolina

November 27, 2019