

**CITY OF PICKENS,  
SOUTH CAROLINA**

**FINANCIAL STATEMENTS**

**YEAR ENDED APRIL 30, 2014**



**CITY OF PICKENS, SOUTH CAROLINA**

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**YEAR ENDED APRIL 30, 2014**

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**CITY OF PICKENS, SOUTH CAROLINA**  
**LISTING OF PRINCIPAL OFFICIALS**  
**YEAR ENDED APRIL 30, 2014**

Established

1868

MAYOR

David Owens

CITY COUNCIL MEMBERS

Donald McKinney

Carlton Holley

Patrick Lark

Fletcher Perry

Isaiah Scipio

Patti Welborn

CITY ADMINISTRATOR

Katherine Hendricks

CITY ATTORNEY

Ken Acker





## INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and Members of City Council  
City of Pickens  
Pickens, South Carolina

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the City of Pickens, South Carolina (the "City"), as of and for the year ended April 30, 2014, and the related notes to the financial statements, which collectively comprise the City's 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.

### ***Opinions***

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, and each major fund of the City of Pickens, South Carolina, as of April 30, 2014, 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 and the budgetary comparison schedule – General Fund, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary Information*

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

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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 supplementary information is 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 July 21, 2014 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Greene, Finney & Horton, LLP  
Mauldin, South Carolina  
July 21, 2014

# CITY OF PICKENS, SOUTH CAROLINA

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### YEAR ENDED APRIL 30, 2014

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The management of the City of Pickens ("City") offers readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended April 30, 2014. The intent of this discussion and analysis is to look at the City's financial performance as a whole. Readers are encouraged to not only consider the information presented here, but also the information provided in the financial statements, the notes to the financial statements, the required supplementary information, and the supplementary information to enhance their understanding of the City's overall financial performance.

### FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by approximately \$20,059,000 (*net position*). Of this amount, approximately \$4,843,000 and \$15,216,000 were related to the City's governmental and business-type activities, respectively. In addition, the City's unrestricted net position (which may be used to meet the government's ongoing obligations to citizens and creditors) was approximately \$1,226,000 for its governmental activities and approximately \$565,000 for its business-type activities.
- The City's total revenues of approximately \$6,465,000 exceeded total expenses of approximately \$5,979,000 resulting in an increase of approximately \$486,000.
- At the close of fiscal year 2014, the City's governmental funds reported ending fund balances of approximately \$1,829,000, a decrease of approximately \$584,000 from the prior year fund balances. This decrease in fund balance is primarily due to the City spending some of its hospitality tax funds and a portion of its unused bond proceeds on capital projects in 2014. Approximately 61% of the total fund balance, or approximately \$1,124,000, is available for spending at the City's discretion (*unassigned fund balance*). Unassigned fund balance for the General Fund was approximately 38% of total General Fund expenditures for the year ended April 30, 2014.
- The City has assigned \$200,000 in the General Fund for expenditures related to the construction of the Doodle Trail Project.
- The City's total net capital assets increased by approximately \$731,000 (3%) during the current fiscal year (from the prior year balance), primarily due to governmental activities capital asset additions of approximately \$957,000 being partially offset by depreciation expense of approximately \$345,000 and business-type activities capital asset additions of approximately \$750,000 being partially offset by depreciation expense of approximately \$631,000.
- The City's total debt and lease purchase obligations decreased by approximately \$525,000 (6%) during the current fiscal year due to normally scheduled principal payments.
- The City implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* ("GASB #65" or "Statement") in fiscal year 2014. GASB #65 establishes accounting and financial reporting standards that require reclassification of certain items that, in prior years, were properly reported as assets and liabilities. This Statement supplements and extends the reach of GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which was adopted by the City in fiscal year 2013. The City's only former financial statement item that was affected by the implementation of GASB #65 was its deferred revenue liability (for unavailable – property taxes and deferred revenue – business licenses) in its statements of financial position. Under this Statement, deferred revenue that is not available or deferred revenue that is received by a government but is applicable to a future year should no longer be shown as a liability but will be reclassified and shown as a component of deferred inflows of resources.

### OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of two parts – *Financial Section* (which includes management's discussion and analysis, the financial statements, the required supplementary information, and the supplementary information), and the *Compliance Section*.

#### Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's financial statements. The City's financial statements comprise three components; 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The financial statements present two different views of the City through the use of government-wide and fund financial statements. In addition to the financial statements, this report contains required supplementary information and supplementary information that will enhance the reader's understanding of the financial condition of the City.

CITY OF PICKENS, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED APRIL 30, 2014

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OVERVIEW OF FINANCIAL STATEMENTS (CONTINUED)

**Financial Statements (Continued)**

**Government-Wide Financial Statements.** The financial statements include two statements that present different views of the City. These are designed to provide readers with a broad overview of the City's finances in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the City's assets and deferred outflows of resources ("deferred outflows") and liabilities and deferred inflows of resources ("deferred inflows"), with the differences between these reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements are divided into two categories: 1) governmental activities; and 2) business-type activities. The governmental activities include administrative and general, police, fire, municipal court, victims' assistance, recreation and parks, streets and sanitation, and grounds maintenance. The business-type activities are the City's water, sewer, and stormwater operations. The government-wide financial statements can be found as listed in the table of contents.

**Fund Financial Statements.** The fund financial statements provide a more detailed look at the City's most significant activities. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like all other governmental entities in South Carolina, uses fund accounting to ensure and reflect compliance with finance-related legal requirements, such as the General Statutes or the City's budget ordinance. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

**Governmental Funds** – The City uses *governmental funds* to account for those functions reported as governmental activities in the government-wide financial statements. Most of the City's basic services are accounted for in governmental funds. The focus of these funds is on how assets can readily be converted into cash flow (in and out), and what monies are left at year-end that will be available for spending in the next year. The governmental funds report using an accounting method called *modified accrual accounting* which provides a short-term spending focus. As a result, the governmental funds financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the City's services. The relationship between *governmental activities* (reported in the government-wide financial statements) and *governmental funds* is described in a reconciliation that is a part of the fund financial statements.

The City maintains three individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenue, expenditures and changes in fund balances for the General Fund, Hospitality Tax Fund, and Grants Fund since they are major funds. The governmental funds financial statements can be found as listed in the table of contents.

**Proprietary Funds** – The City maintains one type of proprietary fund. *Enterprise Funds* are used to account for operations that (a) are financed and operated in a manner similar to private business enterprises — where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes. The City uses an enterprise fund to account for its water, sewer, and stormwater operations. The proprietary fund financial statements can be found as listed in the table of contents.

**CITY OF PICKENS, SOUTH CAROLINA**

**MANAGEMENT’S DISCUSSION AND ANALYSIS**

**YEAR ENDED APRIL 30, 2014**

**OVERVIEW OF FINANCIAL STATEMENTS (CONTINUED)**

**Financial Statements (Continued)**

**Notes to the Financial Statements** – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found as listed in the table of contents.

**Other Information** – In addition to the financial statements and accompanying notes, this report includes certain required supplementary information. A budgetary comparison schedule has been provided for the General Fund to demonstrate compliance with its budget. Required supplementary information can be found as listed in the table of contents.

The supplementary information is presented immediately following the required supplementary information. These schedules can be found as listed in the table of contents.

Figure A-1 Major Features of the City’s Government-Wide and Fund Financial Statements			
	Fund Financial Statements		
	Government-Wide Financial Statements	Governmental Funds	Proprietary Funds
Scope	Entire City government.	The activities of the City that are not proprietary.	Activities the City operates similar to private businesses, in the City’s case, all activities related to the water, sewer, and stormwater operations.
Required Financial Statements	<ul style="list-style-type: none"> <li>▪ Statement of Net Position.</li> <li>▪ Statement of Activities.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Balance Sheet.</li> <li>▪ Statement of Revenues, Expenditures, and Changes in Fund Balances.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Statement of Net Position.</li> <li>▪ Statement of Revenues, Expenses and Change in Net Position.</li> <li>▪ Statement of Cash Flows.</li> </ul>
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus.	Modified accrual accounting and current financial resources focus.	Accrual accounting and economic resources focus.
Type of Balance Sheet Information	All assets and liabilities, both financial and capital, and short-term and long-term.	Only assets expected to be used and liabilities that come due during the year or soon, thereafter; no capital assets or long-term obligations included.	All assets and liabilities, both financial and capital and short-term and long-term.
Type of Inflow/Outflow Information	All revenues and expenses during year, regardless of when cash is received or paid.	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter.	All revenues and expenses during year, regardless of when cash is received or paid.

**CITY OF PICKENS, SOUTH CAROLINA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**YEAR ENDED APRIL 30, 2014**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The following table provides a summary of the City's net position for 2014 compared to 2013:

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
<b>Assets:</b>						
Current and Other Assets	\$ 2,236,307	2,715,441	1,513,379	1,838,034	3,749,686	\$ 4,553,475
Capital Assets, Net	5,203,356	4,591,268	19,591,949	19,473,264	24,795,305	24,064,532
<b>Total Assets</b>	<b>\$ 7,439,663</b>	<b>7,306,709</b>	<b>21,105,328</b>	<b>21,311,298</b>	<b>28,544,991</b>	<b>\$ 28,618,007</b>
<b>Liabilities and Deferred Inflows:</b>						
Long-Term Obligations	\$ 2,170,035	2,404,763	5,612,512	5,913,270	7,782,547	\$ 8,318,033
Other	426,758	325,058	276,809	401,577	703,567	726,635
<b>Total Liabilities and Deferred Inflows</b>	<b>2,596,793</b>	<b>2,729,821</b>	<b>5,889,321</b>	<b>6,314,847</b>	<b>8,486,114</b>	<b>9,044,668</b>
<b>Net Position:</b>						
Net Investment in Capital Assets	3,382,698	2,987,382	14,027,257	13,609,960	17,409,955	16,597,342
Restricted	233,869	274,834	623,687	693,909	857,556	968,743
Unrestricted	1,226,303	1,314,672	565,063	692,582	1,791,366	2,007,254
<b>Total Net Position</b>	<b>\$ 4,842,870</b>	<b>4,576,888</b>	<b>15,216,007</b>	<b>14,996,451</b>	<b>20,058,877</b>	<b>\$ 19,573,339</b>

The City's total assets of approximately \$28,545,000 decreased approximately \$73,000 from the prior year. The decrease was primarily a decrease in cash and cash equivalents, partially offset by an increase in capital assets, as the City spent some of its hospitality tax funds and a portion of its unused bond proceeds on capital projects in 2014 (i.e. Village Renaissance Revitalization Plan, Town Creek Park, etc.). The Village Renaissance Project is a \$500,000 CDBG grant which funded new sewer lines in Rigdon Circle and new sidewalks in the projects area. The Hospitality Tax Bond was issued in the prior year to construct the downtown amphitheater, purchase the land for the Doodle Trail, and match grants to construct Town Creek Bike Park. Town Creek Bike Park is just over \$1,000,000 which includes \$500,000 in grant funds and a \$500,000 cash match from the City with funds coming from the Hospitality Tax Bond and hospitality tax operating budget. The City's total liabilities and deferred inflows of approximately \$8,486,000 decreased by approximately \$559,000 from the prior year primarily due to normally scheduled principal payments.

The City's net position increased by approximately \$486,000 during the current fiscal year due to current year revenues exceeding current year expenses. Please see the discussion following the next table regarding this increase.

The City's assets exceeded liabilities by approximately \$20,059,000 as of April 30, 2014. Approximately 87% of total net position (\$17,410,000) reflects the City's net investment in capital assets (i.e., land, buildings, water and sewer utility system, equipment, vehicles, infrastructure, etc.) less any related outstanding debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt generally must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Approximately 4% of net position (\$858,000) represents resources that are subject to external restrictions on how they may be used. This net position is restricted primarily for tourism related expenditures (hospitality taxes) and debt service.

The remaining portion of the City's net position (9% or \$1,791,000) is unrestricted and may be used to meet the City's ongoing obligations to citizens and creditors.

At the end of the current and prior fiscal year, the City is able to report positive balances (in total) in all three categories of net position.

**CITY OF PICKENS, SOUTH CAROLINA**

**MANAGEMENT’S DISCUSSION AND ANALYSIS**

**YEAR ENDED APRIL 30, 2014**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)**

The following table shows the changes in the City’s net position for fiscal year 2014 compared to 2013.

	Governmental Activities		Business-Type Activities		Totals	
	2014	2013 *	2014	2013	2014	2013 *
Revenues:						
Program Revenues:						
Charges for Services	\$ 999,781	935,179	2,957,482	3,218,962	3,957,263	\$ 4,154,141
Operating Grants and Contributions	125,142	139,172	-	-	125,142	139,172
Capital Grants and Contributions	469,558	517,748	-	183,336	469,558	701,084
General Revenues:					-	
Taxes	926,307	974,726	-	-	926,307	974,726
Other	986,194	1,058,356	200	-	986,394	1,058,356
<b>Total Revenues</b>	<b>3,506,982</b>	<b>3,625,181</b>	<b>2,957,682</b>	<b>3,402,298</b>	<b>6,464,664</b>	<b>7,027,479</b>
Expenses:						
Administrative and General	393,922	370,903	-	-	393,922	370,903
Police	834,002	871,981	-	-	834,002	871,981
Fire	596,638	513,013	-	-	596,638	513,013
Municipal Court	53,107	60,461	-	-	53,107	60,461
Victims' Assistance	17,940	13,363	-	-	17,940	13,363
Recreation and Parks	454,341	386,753	-	-	454,341	386,753
Streets and Sanitation	523,970	674,144	-	-	523,970	674,144
Grounds Maintenance	173,690	160,787	-	-	173,690	160,787
Interest on Long-Term Obligations	66,485	132,666	-	-	66,485	132,666
Water	-	-	2,154,133	2,141,255	2,154,133	2,141,255
Sewer	-	-	649,695	567,843	649,695	567,843
Stormwater	-	-	61,203	82,500	61,203	82,500
<b>Total Expenses</b>	<b>3,114,095</b>	<b>3,184,071</b>	<b>2,865,031</b>	<b>2,791,598</b>	<b>5,979,126</b>	<b>5,975,669</b>
Change in Net Position Before Transfers	392,887	441,110	92,651	610,700	485,538	1,051,810
Transfers	(126,905)	140,500	126,905	(140,500)	-	-
<b>Change in Net Position</b>	<b>265,982</b>	<b>581,610</b>	<b>219,556</b>	<b>470,200</b>	<b>485,538</b>	<b>1,051,810</b>
Net Position - Beginning of Year	4,576,888	3,995,278	14,996,451	14,526,251	19,573,339	18,521,529
<b>Net Position - End of Year</b>	<b>\$ 4,842,870</b>	<b>4,576,888</b>	<b>15,216,007</b>	<b>14,996,451</b>	<b>20,058,877</b>	<b>\$ 19,573,339</b>

\* Certain amounts have been reclassified to agree to the current year presentation.

**Governmental Activities:** Governmental activities had an increase in net position of approximately \$266,000. Governmental activities revenues decreased by approximately \$118,000 (3%) from the prior year. Key changes in revenue compared to the prior year were primarily due to the following:

- Total program revenues were pretty consistent for both years.
- General tax revenues were lower in the current year by approximately \$48,000 primarily due to lower local option sales taxes (“LOST”) revenues, as the City received a one-time additional catchup LOST payment in the prior year for approximately \$32,000.
- General other revenues were lower in the current year by approximately \$72,000. This decrease was primarily due to the City receiving the last significant refund payment of \$71,000 from the South Carolina Local Government Assurance Group (City’s former health and life insurance provider) in the prior year.

# CITY OF PICKENS, SOUTH CAROLINA

## MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED APRIL 30, 2014

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### GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Expenses related to total governmental activities decreased by approximately \$70,000, or 2%, from the prior year. This decrease was primarily due to lower interest expense and salary/benefits expense (primarily due to a reduction in fire department personnel and downsizing the sanitation department related to the move to commercial sanitation), partially offset by higher depreciation expense.

**Business-Type Activities:** Net position related to business-type activities (i.e., water, sewer, and stormwater operations) increased by approximately \$220,000. This increase was primarily due to revenues and transfers in of approximately \$2,958,000 and \$127,000, respectively, exceeding expenses of approximately \$2,865,000. Revenues were lower by approximately \$445,000 primarily due to lower operating revenues of approximately \$278,000, which were related to water sales due to much higher rainfall than normal for the region during the year and lower nonoperating revenues of approximately \$167,000, which were related to the City not receiving reimbursements from developers. Expenses were slightly higher than in the prior year by approximately \$73,000 primarily due to higher depreciation expense.

### FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the City's governmental funds reported ending fund balance of approximately \$1,829,000, a decrease of approximately \$584,000, or 24% over the prior year fund balance. This change is primarily attributable to the City spending some of its hospitality tax funds and a portion of its unused bond proceeds on capital projects in 2014.

Approximately 61% of the total fund balance of the governmental funds (\$1,124,000) constitutes unassigned fund balance, which is available for spending at the City's discretion. \$200,000 of the fund balance has been assigned for future Doodle Trail related construction. The remainder of the fund balance is restricted to indicate that it is not available for new spending: (1) for tourism-related expenditures (\$190,000), (2) for victims' assistance (\$22,000) and (3) for other purposes (\$22,000). Total unassigned fund balance of the governmental funds (General Fund) represents approximately 27% of total governmental funds expenditures.

Highlights for the General Fund were as follows:

- Total General Fund revenues decreased by approximately \$112,000 from the prior year primarily due to lower LOST revenues, as the City received a one-time additional catchup LOST payment in the prior year for approximately \$32,000. Also, the City received the last significant refund payment of \$71,000 from the South Carolina Local Government Assurance Group (City's former health and life insurance provider) in the prior year.
- Total General Fund expenditures were approximately \$80,000 higher than fiscal year 2013. The increase was primarily due to the cost of commercial sanitation of approximately \$55,000, higher building maintenance of approximately \$44,000, purchase of turn out gear of approximately \$31,000, higher debt service of approximately \$18,000, partially offset by lower salaries and benefits due to lower headcount (primarily due to a reduction in fire department personnel and downsizing the sanitation department related to the move to commercial sanitation).

The major events for the Hospitality Tax Fund were the payments for construction on a new amphitheater, purchase of a railroad line, and construction on Town Creek Bike Park. The major events for the Grants Fund were various grants from local, state, and federal sources to fund various projects (i.e. Rigdon Circle sewer improvements and sidewalks, volleyball court, etc.).

**Proprietary Fund.** The City's proprietary fund provides the same type of information found in the government-wide statements, but in more detail. Net position of the Utility Fund at the end of fiscal year 2014 was approximately \$15,216,000. Please see "Business-Type Activities" discussion in the previous section for details.

**CITY OF PICKENS, SOUTH CAROLINA**

**MANAGEMENT’S DISCUSSION AND ANALYSIS**

**YEAR ENDED APRIL 30, 2014**

**FINANCIAL ANALYSIS OF THE CITY’S FUNDS (CONTINUED)**

**General Fund Budgetary Highlights:** If budget amendments are made, they generally fall into one of three categories: amendments made to adjust the estimates used to prepare the original budget ordinance once exact information is available; amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and increases in appropriations that become necessary to maintain services. The City made several budget amendments during fiscal year 2014 which were primarily due to the purchase of the Doodle Trail Line, PARD grant matches for tennis court resurfacing, and a contract extension with Shady Grove Fire District for various fire equipment.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

*Capital Assets*

The City’s capital assets as of April 30, 2014 amounted to approximately \$24,795,000. The City’s capital assets includes land, construction in progress, buildings, improvements, machinery and equipment, vehicles, infrastructure, and the water and sewer utility system. The City’s capital assets (net of depreciation) as of April 30, 2014 and 2013 were as follows:

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
Land	\$ 922,740	625,468	199,331	194,331	1,122,071	\$ 819,799
Construction in Progress	419,332	353,714	362,373	166,019	781,705	519,733
Buildings and Improvements	2,687,775	2,329,881	1,029,849	1,026,099	3,717,624	3,355,980
Machinery and Equipment	204,715	177,865	113,228	63,482	317,943	241,347
Vehicles	255,114	276,351	31,068	43,506	286,182	319,857
Infrastructure	713,680	827,989	-	-	713,680	827,989
Water Utility System	-	-	9,200,940	9,080,459	9,200,940	9,080,459
Sewer Utility System	-	-	8,655,160	8,899,368	8,655,160	8,899,368
<b>Total</b>	<b>\$ 5,203,356</b>	<b>4,591,268</b>	<b>19,591,949</b>	<b>19,473,264</b>	<b>24,795,305</b>	<b>\$ 24,064,532</b>

The total increase in the City’s capital assets for fiscal year 2014 was approximately \$731,000 or 3%. Major capital asset events during fiscal year 2014 included the following:

- Capital asset additions of approximately \$1,707,000 consisted primarily of:
  - Construction of Town Creek Bike Park - \$267,000.
  - Completion of Boggs Road water line project - \$58,000.
  - Upgrades to Sewer Utility System - \$362,000.
  - Upgrades to Water Utility System - \$213,000.
  - Completion of a new amphitheatre - \$142,000.
  - Construction of sidewalks on Rigdon Circle - \$114,000.
  - Purchase of Doodle Railroad Line - \$284,000.
  - Purchase of vehicles, equipment, and other capital assets - \$267,000.
- Depreciation expense of approximately \$345,000 for governmental activities and \$631,000 for business-type activities.

Additional information on the City’s capital assets can be found in Notes I and III of the notes to the financial statements.

**Debt**

As of April 30, 2014, the City had total outstanding debt and lease purchase obligations of approximately \$7,657,000. Of this total, approximately \$325,000 was general obligation debt backed by the full faith and credit of the City. The City’s total debt and lease purchase obligations as of April 30, 2014 and 2013 were as follows:

**CITY OF PICKENS, SOUTH CAROLINA**

**MANAGEMENT’S DISCUSSION AND ANALYSIS**

**YEAR ENDED APRIL 30, 2014**

**CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)**

*Debt (Continued)*

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
General Obligation Bond	\$ 325,000	410,000	-	-	325,000	\$ 410,000
Note Payable	25,000	50,000	25,000	50,000	50,000	100,000
Special Obligation Bond	1,741,884	1,848,927	-	-	1,741,884	1,848,927
Revenue Bonds	-	-	5,539,692	5,803,836	5,539,692	5,803,836
Lease Purchase Obligations	-	9,046	-	9,468	-	18,514
<b>Total</b>	<b>\$ 2,091,884</b>	<b>2,317,973</b>	<b>5,564,692</b>	<b>5,863,304</b>	<b>7,656,576</b>	<b>\$ 8,181,277</b>

The total decrease in the City’s debt and lease purchase obligations for fiscal year 2014 was approximately \$525,000 or 6%. Major events during fiscal year 2014 included the following:

**Governmental Activities:**

- Scheduled principal payments on debt and lease purchase obligations of approximately \$226,000.

**Business-Type Activities:**

- Scheduled principal payments on revenue bonds and lease purchase obligations of approximately \$299,000.

The State of South Carolina limits the amount of general obligation debt that a unit of government can issue to 8% of the total assessed value of taxable property located within that government’s boundaries. The City’s statutory debt limit at April 30, 2014 was approximately \$868,000. The City had \$325,000 of bonded debt subject to the 8% limit and thus as of April 30, 2014 had an unused legal debt margin of approximately \$543,000.

Additional information regarding the City’s long-term obligations can be found in Note III in the notes to the financial statements.

**ECONOMIC FACTORS AND NEXT YEAR’S BUDGET**

The City’s elected officials and staff considered many factors when setting the fiscal year 2015 budget. The state of the economy, anticipated construction activity, future capital needs, and the best interests of the City’s residents were all taken into account.

- **Millage:** The City’s 2015 budget has an operating and debt service millage rate of 51.1 mills and 11.2 mills, respectively, for a total millage of 62.3 mills. This is a total increase of 2 mils from the previous year of which 1.34 was the legal limit and .66 was debt millage.
- **General Fund Revenues:** The fiscal year 2015 budget was decreased due to the expiration of the Pickens Rural Fire Contract in December of 2014, whereby Shady Grove Fire District and Pickens Rural Fire District will both phase out to be operated under Pickens County. The City will lose \$500,000 in fire contract revenue once the departments are fully separated in January 2015. The City has reduced staff and operating costs and also implemented a City Fire Fee to help offset this lost revenue.
- **Fund Balance Allocation** – The City did not appropriate any of its fund balance for one time expenditures in fiscal year 2014. \$200,000 has been assigned in General Fund for expenditures related to Doodle Trail Construction.
- **Salaries and Wages:** City Council did not give any cost of living increase for the FY 2015 budget. Additionally, all staff are required to pay \$25 per pay period towards health insurance premiums to help offset rising costs.

**CITY OF PICKENS, SOUTH CAROLINA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**YEAR ENDED APRIL 30, 2014**

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**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET (CONTINUED)**

- **Transfers into the General Fund:** The City continues to offset the loss in potential property tax and franchise fee revenues (that would be collected if a private utility provided water and sewer services) by transfers in from the Utility Fund at 5% (similar to a franchise fee). By the City's Ordinance, this transfer is allowed as long as it does not exceed 5% which is the current rate charged as a City Franchise Fee to other utilities such as Duke, Fort Hill Natural Gas and AT&T.

**REQUESTS FOR CITY INFORMATION**

This financial report is designed to provide a general overview of the City of Pickens' finances for all those with an interest in the government's financing. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City Administrator, Post Office Box 217, Pickens, South Carolina 29671. General information about the City can be obtained from our website at [www.cityofpickens.com](http://www.cityofpickens.com).

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# Basic Financial Statements

CITY OF PICKENS, SOUTH CAROLINA

STATEMENT OF NET POSITION

APRIL 30, 2014

	PRIMARY GOVERNMENT		
	Governmental Activities	Business-Type Activities	Totals
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 1,900,345	500	\$ 1,900,845
Restricted Cash and Cash Equivalents	591,050	623,687	1,214,737
Receivables, Net			
Property Taxes	27,317	-	27,317
Grants	137,985	-	137,985
Accounts	121,988	224,082	346,070
Intergovernmental	29,628	-	29,628
Other	3,609	3,457	7,066
Internal Balances	(575,615)	575,615	-
Prepays	-	18,163	18,163
Inventory	-	67,875	67,875
Capital Assets:			
Non-Depreciable	1,342,072	561,704	1,903,776
Depreciable, Net	3,861,284	19,030,245	22,891,529
<b>TOTAL ASSETS</b>	<b>7,439,663</b>	<b>21,105,328</b>	<b>28,544,991</b>
<b>LIABILITIES</b>			
Accounts Payable	317,110	76,503	393,613
Accrued Salaries and Fringe Benefits	31,493	13,793	45,286
Accrued Interest Payable	42,004	-	42,004
Customer Deposits	-	186,513	186,513
Non-Current Liabilities:			
Due Within One Year	246,055	308,982	555,037
Due in More Than One Year	1,923,980	5,303,530	7,227,510
<b>TOTAL LIABILITIES</b>	<b>2,560,642</b>	<b>5,889,321</b>	<b>8,449,963</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred Revenue - Business Licenses	36,151	-	36,151
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>36,151</b>	<b>-</b>	<b>36,151</b>
<b>NET POSITION</b>			
Net Investment in Capital Assets	3,382,698	14,027,257	17,409,955
Restricted For:			
Tourism Related Expenditures (Hospitality Taxes)	190,004	-	190,004
Victims Assistance	22,175	-	22,175
Other	21,690	-	21,690
Debt Service	-	623,687	623,687
Unrestricted	1,226,303	565,063	1,791,366
<b>TOTAL NET POSITION</b>	<b>\$ 4,842,870</b>	<b>15,216,007</b>	<b>\$ 20,058,877</b>

The notes to the financial statements are an integral part of this statement.  
See accompanying independent auditor's report.

CITY OF PICKENS, SOUTH CAROLINA

STATEMENT OF ACTIVITIES

YEAR ENDED APRIL 30, 2014

FUNCTIONS/PROGRAMS	PROGRAM REVENUES				NET (EXPENSE) REVENUE AND CHANGE IN NET POSITION		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
<b>PRIMARY GOVERNMENT:</b>							
Governmental Activities:							
Administrative and General	\$ 393,922	4,500	-	-	(389,422)	-	\$ (389,422)
Police	834,002	146,794	105,970	-	(581,238)	-	(581,238)
Fire	596,638	556,537	19,172	2,000	(18,929)	-	(18,929)
Municipal Court	53,107	-	-	-	(53,107)	-	(53,107)
Victims' Assistance	17,940	-	-	-	(17,940)	-	(17,940)
Recreation and Parks	454,341	94,470	-	58,605	(301,266)	-	(301,266)
Streets and Sanitation	523,970	197,480	-	408,953	82,463	-	82,463
Grounds Maintenance	173,690	-	-	-	(173,690)	-	(173,690)
Interest and Other Charges	66,485	-	-	-	(66,485)	-	(66,485)
<b>Total Governmental Activities</b>	<b>3,114,095</b>	<b>999,781</b>	<b>125,142</b>	<b>469,558</b>	<b>(1,519,614)</b>	<b>-</b>	<b>(1,519,614)</b>
Business-Type Activities:							
Water	2,154,133	2,258,342	-	-	-	104,209	104,209
Sewer	649,695	584,477	-	-	-	(65,218)	(65,218)
Stormwater	61,203	114,663	-	-	-	53,460	53,460
<b>Total Business-Type Activities</b>	<b>2,865,031</b>	<b>2,957,482</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>92,451</b>	<b>92,451</b>
<b>TOTAL - PRIMARY GOVERNMENT</b>	<b>\$ 5,979,126</b>	<b>3,957,263</b>	<b>125,142</b>	<b>469,558</b>	<b>(1,519,614)</b>	<b>92,451</b>	<b>(1,427,163)</b>
General Revenues:							
Taxes:							
Property Taxes					247,262	-	247,262
Hospitality Taxes					324,159	-	324,159
Local Option Sales Tax					339,803	-	339,803
Other Taxes					15,083	-	15,083
Business Licenses and Permits					560,813	-	560,813
Franchise Fees					357,983	-	357,983
Intergovernmental Revenue					52,956	-	52,956
Miscellaneous Revenue					13,953	-	13,953
Investment Earnings					489	200	689
Transfers					(126,905)	126,905	-
<b>Total General Revenues and Transfers</b>					<b>1,785,596</b>	<b>127,105</b>	<b>1,912,701</b>
<b>CHANGE IN NET POSITION</b>					<b>265,982</b>	<b>219,556</b>	<b>485,538</b>
NET POSITION, Beginning of Year					4,576,888	14,996,451	19,573,339
<b>NET POSITION, End of Year</b>					<b>4,842,870</b>	<b>15,216,007</b>	<b>\$ 20,058,877</b>

The notes to the financial statements are an integral part of this statement.  
See accompanying independent auditor's report.

CITY OF PICKENS, SOUTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS

APRIL 30, 2014

	GENERAL FUND	HOSPITALITY TAX FUND	GRANTS FUND	TOTAL GOVERNMENTAL FUNDS
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 1,900,345	-	-	\$ 1,900,345
Restricted Cash and Cash Equivalents	14,337	576,711	2	591,050
Receivables, Net				
Property Taxes	27,317	-	-	27,317
Grants	-	-	137,985	137,985
Intergovernmental	29,628	-	-	29,628
Accounts	93,466	28,522	-	121,988
Other	3,609	-	-	3,609
<b>TOTAL ASSETS</b>	<b>\$ 2,068,702</b>	<b>605,233</b>	<b>137,987</b>	<b>\$ 2,811,922</b>
<b>LIABILITIES</b>				
Accounts Payable	\$ 317,110	-	-	\$ 317,110
Accrued Salaries and Fringe Benefits	31,493	-	-	31,493
Due to Other Funds	300,978	144,003	130,634	575,615
<b>TOTAL LIABILITIES</b>	<b>649,581</b>	<b>144,003</b>	<b>130,634</b>	<b>924,218</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable Revenue - Property Taxes	22,843	-	-	22,843
Deferred Revenue - Business Licenses	36,151	-	-	36,151
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>58,994</b>	<b>-</b>	<b>-</b>	<b>58,994</b>
<b>TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>	<b>708,575</b>	<b>144,003</b>	<b>130,634</b>	<b>983,212</b>
<b>FUND BALANCES</b>				
Restricted for:				
Capital Projects (Unspent Bond Proceeds)	-	271,226	-	271,226
Tourism Related Expenditures (Hospitality Taxes)	-	190,004	-	190,004
Victims Assistance	22,175	-	-	22,175
Other	14,337	-	7,353	21,690
Assigned for:				
Doodle Trail Related Construction	200,000	-	-	200,000
Unassigned	1,123,615	-	-	1,123,615
<b>TOTAL FUND BALANCES</b>	<b>1,360,127</b>	<b>461,230</b>	<b>7,353</b>	<b>1,828,710</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>\$ 2,068,702</b>	<b>605,233</b>	<b>137,987</b>	<b>\$ 2,811,922</b>

The notes to the financial statements are an integral part of this statement.  
See accompanying independent auditor's report.

**CITY OF PICKENS, SOUTH CAROLINA**

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

**APRIL 30, 2014**

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<b>TOTAL FUND BALANCES - GOVERNMENTAL FUNDS</b>	<b>\$ 1,828,710</b>
Amounts reported for the governmental activities in the Statement of Net Position are different because of the following:	
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds. The cost of the assets was \$9,391,796 and the accumulated depreciation was \$4,188,440.	5,203,356
Property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore have been deferred in the governmental funds.	22,843
Accrued interest on long-term obligations in governmental accounting is not due and payable in the current period and therefore is not reported as a liability in the governmental funds.	(42,004)
Long-term liabilities, debt and lease purchase obligations, are not due or payable in the current period and therefore are not reported as liabilities in the governmental funds. Long-term liabilities consisted of the following:	
Long-Term Obligations (Debt and Lease Purchase Obligations)	(2,091,884)
Compensated Absences (General Leave)	(78,151)
	<u>(2,170,035)</u>
<b>TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES</b>	<b><u>\$ 4,842,870</u></b>

The notes to the financial statements are an integral part of this statement.  
See accompanying independent auditor's report.

CITY OF PICKENS, SOUTH CAROLINA

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

YEAR ENDED APRIL 30, 2014

	GENERAL FUND	HOSPITALITY TAX FUND	GRANTS FUND	TOTAL GOVERNMENTAL FUNDS
<b>REVENUES</b>				
Taxes	\$ 247,908	324,159	-	\$ 572,067
Fees, Charges, and Rentals	866,941	-	-	866,941
Fines and Forfeitures	146,794	-	-	146,794
Licenses, Permits, and Franchise Fees	918,796	-	-	918,796
Intergovernmental Revenues	407,195	-	-	407,195
External Service Reimbursements	90,422	-	-	90,422
Grants	34,720	-	469,558	504,278
Interest Earnings	-	489	-	489
<b>TOTAL REVENUES</b>	<b>2,712,776</b>	<b>324,648</b>	<b>469,558</b>	<b>3,506,982</b>
<b>EXPENDITURES</b>				
Current:				
Administrative and General	360,554	13,000	-	373,554
Police	822,761	-	-	822,761
Fire	562,229	-	-	562,229
Municipal Court	53,107	-	-	53,107
Victims' Assistance	17,940	-	-	17,940
Recreation and Parks	259,807	69,878	-	329,685
Streets and Sanitation	385,586	23,917	-	409,503
Grounds Maintenance	163,261	-	-	163,261
Capital Outlay	193,466	537,630	472,106	1,203,202
Debt Service:				
Principal	119,046	107,043	-	226,089
Interest	10,937	58,426	-	69,363
<b>TOTAL EXPENDITURES</b>	<b>2,948,694</b>	<b>809,894</b>	<b>472,106</b>	<b>4,230,694</b>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<b>(235,918)</b>	<b>(485,246)</b>	<b>(2,548)</b>	<b>(723,712)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	140,000	-	-	140,000
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>140,000</b>	<b>-</b>	<b>-</b>	<b>140,000</b>
<b>NET CHANGES IN FUND BALANCES</b>	<b>(95,918)</b>	<b>(485,246)</b>	<b>(2,548)</b>	<b>(583,712)</b>
FUND BALANCES, Beginning of Year	1,456,045	946,476	9,901	2,412,422
<b>FUND BALANCES, End of Year</b>	<b>\$ 1,360,127</b>	<b>461,230</b>	<b>7,353</b>	<b>\$ 1,828,710</b>

The notes to the financial statements are an integral part of this statement.  
See accompanying independent auditor's report.

**CITY OF PICKENS, SOUTH CAROLINA**

**RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES**

**YEAR ENDED APRIL 30, 2014**

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**TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS** **\$ (583,712)**

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

Repayment of bonds and the note payable principal is recognized in the governmental fund, but the repayment reduces long-term liabilities in the Statement of Net Position. This amount is the total reduction in outstanding principal in the current year. 226,089

Interest on long-term obligations in the Statement of Activities differs from the amount reported in the governmental fund because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. 2,878

Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds. 8,639

In the Statement of Activities, capital assets contributed by an enterprise fund are reported as transfers in. Since such contributions result in neither the receipt nor the use of current financial resources, they are not reflected in the governmental funds. 43,000

The governmental funds report capital asset additions as expenditures (\$913,853). However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense (\$344,765). This is the amount by which capital asset additions exceeded depreciation expense in the current period. 569,088

**TOTAL CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES** **\$ 265,982**

The notes to the financial statements are an integral part of this statement.  
See accompanying independent auditor's report.

**CITY OF PICKENS, SOUTH CAROLINA**

**STATEMENT OF NET POSITION - PROPRIETARY FUND**

**APRIL 30, 2014**

	<b>UTILITY FUND</b>
<b>ASSETS</b>	
Current Assets	
Cash and Cash Equivalents	\$ 500
Restricted Cash and Cash Equivalents	623,687
Receivables, Net of Allowance for Doubtful Accounts	
Utility Services	224,082
Other	3,457
Due From Other Funds	575,615
Prepays	18,163
Inventory	67,875
Total Current Assets	<u>1,513,379</u>
Noncurrent Assets	
Non-Depreciable	561,704
Depreciable Capital Assets, Net	19,030,245
Total Noncurrent Assets	<u>19,591,949</u>
<b>TOTAL ASSETS</b>	<b><u>21,105,328</u></b>
<b>LIABILITIES</b>	
Current Liabilities	
Accounts Payable	76,503
Accrued Salaries and Fringe Benefits	13,793
Customer Deposits	186,513
Current Portion - Compensated Absences	9,564
Current Portion - Debt	299,418
Total Current Liabilities	<u>585,791</u>
Noncurrent Liabilities	
Compensated Absences, Less Current Portion	38,256
Debt, Less Current Portion	5,265,274
Total Non-Current Liabilities	<u>5,303,530</u>
<b>TOTAL LIABILITIES</b>	<b><u>5,889,321</u></b>
<b>NET POSITION</b>	
Net Investment in Capital Assets	14,027,257
Restricted for Debt Service	623,687
Unrestricted	565,063
<b>TOTAL NET POSITION</b>	<b><u>\$ 15,216,007</u></b>

The notes to the financial statements are an integral part of this statement.  
See accompanying independent auditor's report.

CITY OF PICKENS, SOUTH CAROLINA

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

YEAR ENDED APRIL 30, 2014

	<u>UTILITY FUND</u>
<b>OPERATING REVENUES</b>	
Charges for Service	
Water Fees	\$ 2,216,804
Sewer Fees	570,579
Wastewater Disposal Fees	13,898
Stormwater Fees	114,663
Tap Fees	11,230
<b>TOTAL OPERATING REVENUES</b>	<u><b>2,927,174</b></u>
<b>OPERATING EXPENSES</b>	
Personnel Services	823,842
Contractual Services	315,435
Materials and Supplies	279,487
Other	639,356
Depreciation	631,486
<b>TOTAL OPERATING EXPENSES</b>	<u><b>2,689,606</b></u>
<b>OPERATING INCOME (LOSS)</b>	<u><b>237,568</b></u>
<b>NONOPERATING REVENUES (EXPENSES)</b>	
Interest Income	200
Interest Expense	(218,425)
Other Revenues	30,308
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<u><b>(187,917)</b></u>
<b>INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS</b>	<b>49,651</b>
Contributed Capital	309,905
Transfers Out	(140,000)
<b>CHANGE IN NET POSITION</b>	<b>219,556</b>
NET POSITION, Beginning of Year	<u>14,996,451</u>
<b>NET POSITION, End of Year</b>	<u><b>\$ 15,216,007</b></u>

The notes to the financial statements are an integral part of this statement.  
See accompanying independent auditor's report.

**CITY OF PICKENS, SOUTH CAROLINA**

**STATEMENT OF CASH FLOWS - PROPRIETARY FUND**

**YEAR ENDED APRIL 30, 2014**

	<u>UTILITY FUND</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash Received from Customers	\$ 3,013,399
Cash Payments for Goods and Services	(1,365,510)
Cash Payments to Employees	(823,679)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b><u>824,210</u></b>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>	
Advances and Transfers (to) from Other Funds	63,171
<b>NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES</b>	<b><u>63,171</u></b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Capital Contributions	309,905
Acquisition of Capital Assets	(750,171)
Principal Paid on Revenue Bonds and Note Payable	(289,144)
Principal Paid on Lease Purchases	(9,468)
Interest Payments on Debt and Lease Purchases	(218,425)
<b>NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b><u>(957,303)</u></b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Income on Investments	200
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	<b><u>200</u></b>
<b>NET DECREASE IN RESTRICTED AND UNRESTRICTED CASH AND CASH EQUIVALENTS</b>	<b>(69,722)</b>
RESTRICTED AND UNRESTRICTED CASH AND CASH EQUIVALENTS, Beginning of Year	<u>693,909</u>
<b>RESTRICTED AND UNRESTRICTED CASH AND CASH EQUIVALENTS, End of Year</b>	<b><u>\$ 624,187</u></b>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating Income	\$ 237,568
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation Expense	631,486
Other Non-Operating Income	30,308
Change in:	
Accounts Receivable	48,259
Accounts Payable	(134,735)
Accrued Salaries and Fringe Benefits	2,309
Compensated Absences	(2,146)
Deposits	7,658
<b>Net Cash Provided by Operating Activities</b>	<b><u>\$ 824,210</u></b>

The notes to the financial statements are an integral part of this statement.  
See accompanying independent auditor's report.

# CITY OF PICKENS, SOUTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED APRIL 30, 2014

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The City of Pickens (“City”) was incorporated in 1868. Section 47-26 of the 1962 Code of Laws, as amended (Home Rule Act), requires that municipalities adopt a specific form of government. The City operates under a Council Form of government with a Mayor and six council members elected at large by a nonpartisan general election for a term of four years. The Mayor and Council are vested with the legislative and policymaking powers of the City. The Council appoints a City Administrator who serves as the chief executive officer of the City and is responsible to the Council for proper administration of all affairs of the City.

### I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### A. The Reporting Entity

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

As required by GAAP, the financial statements must present the City’s financial information with any of its component units. The primary criterion for determining inclusion or exclusion of a legally separate entity (component unit) is financial accountability, which is presumed to exist if the City both appoints a voting majority of the entity’s governing body, and either 1) the City is able to impose its will on the entity or, 2) there is a potential for the entity to provide specific financial benefits to, or impose specific financial burdens on the City. If either or both of the foregoing conditions are not met, the entity could still be considered a component unit if it is fiscally dependent on the City and there is a potential that the entity could either provide specific financial benefits to, or to impose specific financial burdens on the City.

In order to be considered fiscally independent, an entity must have the authority to do all of the following: (a) determine its budget without the City having the authority to approve or modify that budget; (b) levy taxes or set rates or charges without approval by the City; and (c) issue bonded debt without approval by the City. An entity has a financial benefit or burden relationship with the City if, for example, any one of the following conditions exists: (a) the City is legally entitled to or can otherwise access the entity’s resources, (b) the City is legally obligated or has otherwise assumed the obligation to finance the deficits or, or provide financial support to, the entity, or (c) the City is obligated in some manner for the debt of the entity. Finally, an entity could be a component unit even if it met all the conditions described above if excluding it would cause the City’s financial statements to be misleading.

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

#### *Major Operations*

The City’s major governmental operations include: administrative and general, police, fire, municipal court, victims’ assistance, recreation and parks, streets and sanitation, and ground and maintenance. In addition, the City provides water, sewer, and stormwater operations through its utility fund.

#### B. Measurement Focus, Basis of Accounting, and Basis of Presentation

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the activities of the City (the “Primary Government”). For the most part, the effect of interfund activity (except for interfund services provided and used between functions) has been removed from these financial statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely, to a significant extent, on fees and charges for support.

CITY OF PICKENS, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED APRIL 30, 2014

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I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Measurement Focus, Basis of Accounting, and Basis of Presentation (Continued)

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

The **government-wide financial statements** are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the Proprietary Fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Non-exchange transactions, in which the City gives or receives value without directly receiving or giving equal value in exchange, includes property taxes, grants, and donations. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

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

The City implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* (“GASB #65” or “Statement”) in fiscal year 2014. GASB #65 establishes accounting and financial reporting standards that require reclassification of certain items that, in prior years, were properly reported as assets and liabilities. This Statement supplements and extends the reach of GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which was adopted by the City in fiscal year 2013. The City’s only former financial statement item that was affected by the implementation of GASB #65 was its deferred revenue liability (for unavailable – property taxes and deferred revenue – business licenses) in its statements of financial position. Under this Statement, deferred revenue that is not available or deferred revenue that is received by a government but is applicable to a future year should no longer be shown as a liability but will be reclassified and shown as a component of deferred inflows of resources.

**Governmental fund financial statements** are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Property taxes, hospitality taxes, accommodation taxes, fire protection fees and charges for services, fines and forfeitures, business licenses, franchise fees, intergovernmental revenues, external service reimbursements and interest associated with the current fiscal period are all considered to be measurable and susceptible to accrual and so have been recognized as revenues of the current fiscal period. For this purpose, the government generally considers revenues to be available if they are collected within 60 days of the end of the current fiscal period with the exception of certain reimbursement expenditure grants for which a twelve month availability period is generally used.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, lease purchase expenditures, capital lease expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payments are due and payable. Capital asset acquisitions are reported as capital outlay expenditures in the governmental funds. Proceeds of long-term debt, lease purchase obligations, and acquisitions under capital leases are reported as other financing sources.

CITY OF PICKENS, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED APRIL 30, 2014

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I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Measurement Focus, Basis of Accounting, and Basis of Presentation (Continued)

Fund financial statements report detailed information about the City. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

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

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

**Governmental Fund Types** are those through which most governmental functions of the City are financed. The City's expendable financial resources and related assets and liabilities (except for those accounted for in the Proprietary Fund) are accounted for through governmental funds. The governmental funds are accounted for using the current financial resources measurement focus and the modified accrual basis of accounting. The City's only governmental funds and its major funds are as follows:

The **General Fund, a major fund** and a budgeted fund, is the general operating fund of the City and accounts for all governmental revenues and expenditures of the City. All general tax revenues and other receipts that (a) are not allocated by law or contractual agreement to other funds or (b) that have not been restricted, committed, or assigned to other funds are accounted for in the General Fund. General operating expenditures and the capital improvement costs that are not paid through other funds are paid from the General Fund.

The **Hospitality Tax Fund, a major special revenue fund** and unbudgeted fund, is used to account for and report the financial resources received and disbursed related to the City's 2% fee imposed on prepared food and beverage sales within the City. These funds are restricted and thus can only be spent for tourism related expenditures.

The **Grants Fund, a major special revenue fund** and unbudgeted fund, is generally used to account for funds received from the federal, state, and local governments (including its agencies) that are restricted for a specified purpose. The City from time to time may also transfer in other monies in order to meet grant match requirements or to assist with the payment of other non-reimbursable costs.

**Proprietary Fund Types** are accounted for based on the economic resources measurement focus and use of the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. Proprietary funds are made up of two classes: enterprise funds and internal service funds. The City does not have any internal service funds and has one enterprise fund.

A proprietary fund distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of enterprise funds are primarily charges for services and fees. Operating expenses for the enterprise fund includes the expense for providing goods and services, administrative expenses, maintenance, and depreciation of capital assets. All revenues and expenses not meeting these general definitions are reported as non-operating revenues and expenses. The City's only proprietary fund is as follows:

CITY OF PICKENS, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED APRIL 30, 2014

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I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Measurement Focus, Basis of Accounting, and Basis of Presentation (Continued)

*Enterprise Fund* is used to account for operations (a) that are financed and operated in a manner similar to private business enterprises — where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The City has the following Enterprise Fund:

The **Utility Fund, a major fund**, is used to account for the City's water, sewer, and stormwater operations. This is a budgeted fund.

C. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Equity

1. *Cash, Cash Equivalents, and Investments*

The City considers all highly liquid investments (including restricted assets) with original maturities of three months or less when purchased and money market mutual funds to be cash equivalents. Securities with an initial maturity of more than three months (from when initially purchased) and other non-money market mutual funds are reported as investments.

The City's operating cash and investment policy is designed to operate within existing statutes (which are identical for all non-fiduciary funds, fund types and component units within the State of South Carolina). The statutes of the State of South Carolina authorize the City to invest in the following:

- (a) Obligations of the United States and its agencies, the principal and interest of which is fully guaranteed by the United States.
- (b) 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 a refinement or gradation of rating category by numerical modifier or otherwise, issued by at least two nationally recognized credit rating organizations.
- (c) (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 gradation of rating category by numerical modifier or otherwise, issued by at least two nationally recognized credit rating organizations.
- (d) Savings and Loan Associations to the extent that the same are insured by an agency of the federal government.
- (e) Certificates of deposit where the certificates are collaterally secured by securities of the type described in (a) and (b) above held by a third party as escrow agent or custodian, of a market value not less than the amount of the certificates 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.

CITY OF PICKENS, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED APRIL 30, 2014

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I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Equity (Continued)

1. Cash, Cash Equivalents, and Investments (Continued)

- (f) Repurchase agreements when collateralized by securities as set forth in this section.
- (g) 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 (a), (b), (c), and (f) 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.

The City's cash and investment objectives are preservation of capital, liquidity, and yield. The City reports its cash and investments at fair value which is normally determined by quoted market prices. The City currently or in the past year has primarily used the following investments in its operating activities:

- Certificates of Deposit ("CD") are bond-type investments issued by a bank when a person or company deposits a certain amount of money for a determined amount of time. The maturity can be up to five years, and interest is paid to the holder of the CD at an agreed upon rate. Money removed before maturity is subject to a penalty.
- U.S. securities are generally treasury notes, treasury bonds, treasury bills, and related securities which are debt obligations of the U.S. government (lending money to the federal government for a specified period of time). These debt obligations are backed by the "full faith and credit" of the government, and thus by its ability to raise tax revenues and print currency, U.S. Treasury securities are considered the safest of all investments.

2. Receivables and Payables

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

All trade and property taxes receivable are shown net of an allowance for uncollectible amounts (if material). Trade receivables are comprised of amounts due from entities and individuals for a variety of types of fees, charges and services, including franchise fees, hospitality fees, sanitation, water, sewer, and other fees and charges.

3. Inventories and Prepaid Items

Inventories of materials, supplies, and gasoline are stated at average cost, which approximates market. The costs of inventories and prepaid items are accounted for using the consumption method (expensed when consumed).

**CITY OF PICKENS, SOUTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED APRIL 30, 2014**

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**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**C. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Equity (Continued)**

**4. Capital Assets**

General capital assets are those assets not specifically related to activities reported in the Utility Fund. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the Government-Wide Statement of Net Position, but are not reported in the fund financial statements. Capital assets utilized by the Utility Fund are reported both in the business-type activities column of the Government-Wide Statement of Net Position and in the respective fund financial statements.

The City defines capital assets as assets with an initial, individual cost of more than \$5,000 (amount not rounded) or groupings of similar items with individual costs is less than \$5,000, but when purchased together the total is greater than \$25,000 and an estimated useful life in excess of one year. Renovations/improvements to buildings over \$25,000 and improvements to infrastructure over \$100,000 are also defined as capital assets.

Such assets are recorded at historical cost or estimated historical cost if not purchased or constructed. Donated capital assets are recorded at estimated fair market value (as estimated by the City) at the date of donation.

Interest costs related to Utility Fund construction is capitalized as part of the capitalized value of the asset constructed (if material). Interest costs of tax-exempt borrowings are capitalized net of related investment earnings on the proceeds.

Capital assets are depreciated on the straight-line method generally using the following estimated useful lives:

Buildings and Improvements	10 - 50 years
Water and Sewer Utility Systems	10 - 50 years
Machinery and Equipment	3 - 10 years
Vehicles	3 - 10 years
Infrastructure	10 - 30 years

**5. Compensated Absences**

It is the City's policy to permit employees to accumulate earned but unused general leave benefits. Unused general leave is accumulated in varying amounts based on years of service to a maximum amount of 81 days (or 648 hours). Unused general leave will be paid for at termination at a rate of 50% only if the employee is terminated for non-disciplinary reasons or if the employee gives and properly works a two-week notice of resignation. The City Administrator may authorize payment without a two-week notice.

The City reports compensated absences in accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences." The entire compensated absence liability and expense is reported on the government-wide financial statements. The portion applicable to the proprietary fund is also recorded in the Utility Fund. The governmental funds will also recognize a liability for compensated absences if they have matured, for example, as a result of employee resignation or retirement prior to fiscal year end (if material).

**6. Accrued Liabilities and Long-Term Obligations**

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements. The portion applicable to the Proprietary Fund is also recorded in the Proprietary Fund financial statements. Bond premiums, discounts and issuance costs are deferred and amortized over the life of the bonds using the straight-line method (as it approximates the effective interest method) if material. Debt is reported net of applicable bond premiums and discounts.

CITY OF PICKENS, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED APRIL 30, 2014

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I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Equity (Continued)

6. *Accrued Liabilities and Long-Term Obligations (Continued)*

In the governmental fund financial statements, bond premiums, discounts and bond issuance costs are recognized immediately. The face amount of debt, lease purchases, or capital leases issued is reported as other financing sources. Premiums received on issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

In general, payables and accrued liabilities that will be paid from the governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current financial resources. However, claims and judgments, debt, lease purchases, capital leases, compensated absences, and other related long-term liabilities that will eventually be paid from the governmental funds are not reported as a liability in the fund financial statements until due and payable.

7. *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(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The City does not currently have any deferred outflows of resources.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The government has two types of deferred inflows of resources. One of these items arises only under a modified accrual basis of accounting. Accordingly, the item, *unavailable revenue – property taxes*, is reported only in the governmental funds balance sheet. This item is deferred and recognized as an inflow of resources (revenues) in the period the amounts become available. The other item arises under both the modified and full accrual basis of accounting. Accordingly, the item, *deferred revenue – business licenses*, is reported not only in the governmental funds balance sheet but also in the government-wide Statement of Net Position. This item is deferred and recognized as an inflow of resources (revenue) in the period for which it was intended to finance.

8. *Fund Balance*

In accordance with GAAP, the City classifies its governmental fund balances as follows:

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

**Restricted** – includes amounts that are constrained by specific purposes which are externally imposed by (a) other governments through laws and regulations, (b) grantors or contributions through agreements, (c) creditors through debt covenants or other contracts, or (d) imposed by law through constitutional provisions or enabling legislation.

**Committed** – includes amounts that are constrained for specific purposes that are internally imposed by the government through formal action made by the highest level of decision making authority (City Council) before the end of the reporting period. Those committed amounts cannot be used for any other purpose unless the government removes or changes the specified use by taking the same type of action it employed to previously commit those amounts.

CITY OF PICKENS, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED APRIL 30, 2014

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I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Equity (Continued)

8. *Fund Balance (Continued)*

**Assigned** – includes amounts that are intended to be used for specific purposes that are neither considered restricted or committed and that such assignments are made before the report issuance date. City Council formally granted the City Administrator the right to make assignments of fund balance for the City.

**Unassigned** – includes amounts that do not qualify to be accounted for and reported in any of the other fund balance categories. This classification represents the amount of fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund. The General Fund should be the only fund that reports a positive unassigned fund balance amount.

The City generally uses restricted amounts to be spent first when both restricted and unrestricted (committed, assigned, and unassigned) fund balance is available unless there are legal documents, contracts, or agreements that prohibit doing such. Additionally, the City generally would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

The City's Council has formally adopted a minimum fund balance policy that requires the City's General Fund to maintain unassigned fund balance of at least three to four months (24% - 32%) of total General Fund operating expenditures based on historical data to bridge the cash flow needs of the City.

9. *Net Position*

Net position represents the difference between assets and deferred outflows (if any) and liabilities and deferred inflows (if any) in the Statement of Net Position. Net position is classified as net investment in capital assets; restricted; and unrestricted. Net investment in capital assets consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Outstanding debt which has not been spent is included in the same net position component as the unspent proceeds. Net position is reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, contributors, or laws or regulations of other governments.

The City's Council has formally adopted for its Utility Fund a minimum unrestricted net position balance goal equal to two months (16%) of its total Utility Fund operating expenses based on historical data to bridge the cash flow needs of its utility operations.

10. *Encumbrances*

Encumbrance accounting, under which purchase orders, contracts, and other commitments for expenditures are recorded to reflect the use of the applicable spending appropriations, is used by the governmental funds during the year to control expenditures. Encumbrances do not constitute expenditures or liabilities. For budget purposes encumbrances and unused expenditure appropriations lapse at year end.

11. *Accounting Estimates*

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions. Those estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. In addition, they affect the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates and assumptions.

CITY OF PICKENS, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED APRIL 30, 2014

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I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Equity (Continued)

*12. Comparative Data*

Comparative data (i.e. presentation of prior year totals by fund type) has not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read.

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

The City follows the following procedures in establishing its annual budgets:

1. On or before January 15 of each year, all departments/agencies of the government submit requests for appropriation to the City Administrator so that a budget may be prepared. The budget is prepared by fund, function and department, and includes information on the past year, the current year budget and requested appropriations for the next fiscal year.
2. In February of each year, the proposed budget is presented to the City Council for review. The City adopts the budget ordinance before April 30 of each year. Amounts transferred between departments or within line items of a department do not need approval by City Council. The legal level of budgetary control (i.e. the level at which expenditures may not legally exceed appropriations) is the total fund level. Budgeted expenditure appropriations lapse at year-end.
3. Legally adopted budgets are employed as a management control device during the year for the General Fund. The City also adopts a budget for its Utility Fund. All annual appropriations lapse at fiscal year-end. Expenditures may not legally exceed appropriations on the fund level.
4. The budgets for the budgeted funds are legally adopted on a basis consistent with GAAP. The budgets at the end of the year for these funds represent the budgets adopted and amended (revised) by the City Council.
5. Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting (under which purchase orders, contracts, and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation) is utilized in the governmental funds. Encumbrances outstanding at year lapse and are generally included in the succeeding year's budget.

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES

A. Deposits and Investments

*Deposits*

**Custodial Credit Risk for Deposits:** Custodial credit risk for deposits is the risk that, in the event of a bank failure, the City's deposits might not be recovered. The City does not have a formal deposit policy for custodial credit risk but follows the investment policy statutes of the State of South Carolina. As of April 30, 2014, none of the City's bank balances of approximately \$2,657,000 (with a carrying value of approximately \$2,633,000) were exposed to custodial credit risk.

CITY OF PICKENS, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED APRIL 30, 2014

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

A. Deposits and Investments (Continued)

*Investments*

As of April 30, 2014, the City had the following investments and maturities:

Investment Type	Credit Rating	Fair Value	Investment Maturities in Years			
			< 1 yr	1-3 yrs	3-5yrs	> 5 yrs
US Securities	*	\$ 482,772	\$ 482,772	-	-	-

\* U.S. government securities are not considered to have credit risk. Credit ratings for these investments have not been disclosed.

**Interest Rate Risk:** The City does not have a formal policy limiting investment maturities that would help manage its exposure to fair value losses from increasing interest rates.

**Custodial Credit Risk for Investments:** Custodial credit risk for investments is the risk that, in the event of a bank failure, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City does not have an investment policy for custodial credit risk but follows the investment policy statutes of the State of South Carolina.

**Credit Risk for Investments:** Credit risk for investments is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City does not have an investment policy for credit risk but follows the investment policy statutes of the State of South Carolina.

**Concentration of Credit Risk for Investments:** The City places no limit on the amount the City may invest in any one issuer. Investments issued by or explicitly guaranteed by the U.S. Government and investments in mutual funds, external investment pools and other pooled investments are exempt from concentration of credit risk disclosures.

Certain cash, cash equivalents, and investments of the City are legally restricted for specified purposes. The major types of restrictions at April 30, 2014 were those imposed by the revenue or other financing source (i.e. hospitality taxes, unspent bond proceeds, etc.) and debt service reserve funds.

*Reconciliation to the Financial Statements*

A reconciliation of cash, cash equivalents, and investments as shown in the statement of net position for all activities is as follows:

Description	Amount
Carrying Amount of Deposits	\$ 2,632,810
Fair Value of Investments	482,772
Total Deposits and Investments	<u>\$ 3,115,582</u>
Statement of Net Position:	
Cash and Cash Equivalents	\$ 1,900,845
Restricted Cash and Cash Equivalents	1,214,737
Total Cash, Cash Equivalents, and Investments	<u>\$ 3,115,582</u>

CITY OF PICKENS, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED APRIL 30, 2014

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III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

B. Receivables and Deferred Inflows of Resources

*Property Taxes and Deferred Inflows of Resources*

Property taxes receivable represent current real and personal property as well as delinquent real and personal property taxes, less an allowance for amounts estimated to be uncollectible (if material). All property taxes receivable at year end, except those collected within 60 days, are recorded as deferred tax revenue and thus not recognized as revenue until collected in the governmental funds.

Property taxes are assessed and collected by Pickens County ("County"). The County generally levies its real property taxes in October based upon assessed valuations on January 1<sup>st</sup> of each year. Assessed values are established by the County Assessor, the County Auditor, and the South Carolina Department of Revenue and Taxation at various rates of 4 to 10.5 percent of the estimated market value. Real property and all personal property taxes other than vehicle property taxes attach as an enforceable lien on property as of January 16<sup>th</sup>. Taxes are levied and billed in October on all property other than vehicles and are payable without penalty until January 15<sup>th</sup> of the following year. Penalties are assessed on unpaid taxes on the following dates:

January 16 <sup>th</sup>	3%
February 2 <sup>nd</sup>	an additional 7%
March 17 <sup>th</sup>	an additional 5%

After proper notification, the law requires "exclusive possession" of property necessary to satisfy the delinquent taxes. Properties with unpaid taxes are sold at a public auction during the month of October.

Vehicle property taxes attach a lien and are levied throughout the year depending on when the vehicles' license tags expire. The lien and collection date for motor vehicle taxes is the last day of the month in which the motor vehicle license expires.

The City's fiscal year 2014 real and business personal property taxes (which was for tax year 2013) were levied in October 2013 based on a millage rate of 60.3 mills (58.3 mills in the prior year) and were due beginning on that date. The City's assessed value of real and personal property was approximately \$10.8 million for tax year 2013. Amounts received by the County but not yet remitted to the City at year end (immaterial amounts) are included in "Property Taxes Receivable" in the balance sheet and statement of net position.

The City has recorded uncollected property taxes at April 30, 2014 of approximately \$27,000. The City recognized outstanding delinquent property taxes as revenue in the current year because the amount was collected within 60 days after year end. The remaining delinquent property tax receivable of approximately \$23,000 has been recorded as unavailable revenue (component of deferred inflows of resources) on the governmental fund financial statements.

The City recognized approximately \$559,000 in business license revenue for fiscal year 2014. The City also received approximately \$36,000 at the end of fiscal year ended April 30, 2014 for business licenses that are due in May 2014 and applicable for fiscal year 2015; this amount is reflected as deferred revenue – business licenses (component of deferred inflows of resources) on the City's financial statements at April 30, 2014.

*Other Receivables*

The City has receivables (a) for grant projects where expenditures have been incurred by the City but have not been reimbursed by the grantor by the end of the year, (b) accounts receivable related to sanitation, hospitality, franchise fees, utility services, etc., (c) intergovernmental revenues due from the state for local option sales tax and local government aid, and (d) other miscellaneous receivables.

CITY OF PICKENS, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED APRIL 30, 2014

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

C. Interfund Receivables, Payables, and Transfers

*Interfund Receivables and Payables*

Interfund balances at April 30, 2014, consisted of the following individual fund receivables and payables (all of which are expected to be repaid within one year):

Fund	Receivables	Payables
<b><u>Major Governmental Funds:</u></b>		
General Fund	\$ -	\$ 300,978
Hospitality Fund	-	144,003
Grants Fund	-	130,634
<b><u>Major Enterprise Fund:</u></b>		
Utility Fund	575,615	-
Totals	<u>\$ 575,615</u>	<u>\$ 575,615</u>

The interfund receivable and payable are primarily the result of the General Fund handling the cash activities of the Utility Fund, Hospitality Tax Fund, and the Grants Fund. The General Fund (a) finances the salaries and other operating expenses for the Utility Fund, (b) processes vendor payments and payroll transactions for the Utility Fund, Hospitality Tax Fund, and the Grants Fund, and (c) collects customer payments for the Utility Fund. As these cash activities occur, the General Fund records this activity in the interfund account with the actual income or expenditure/expense being recorded in the appropriate fund (i.e. Utility Fund, Hospitality Tax Fund, and Grants Fund). Amounts to be paid between the funds are accounted for in the interfund receivable/payable accounts.

*Interfund Transfers*

Interfund transfers for the year ended April 30, 2014, consisted of the following:

Fund	Transfers In	Transfers Out
<b><u>Major Governmental Fund:</u></b>		
General Fund	\$ 140,000	\$ -
<b><u>Major Enterprise Fund:</u></b>		
Utility Fund	-	140,000
Totals	<u>\$ 140,000</u>	<u>\$ 140,000</u>

Funds are transferred to the General Fund from the Utility Fund in lieu of property taxes and franchise fees. Council approves the amounts transferred annually during the budget process.

CITY OF PICKENS, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED APRIL 30, 2014

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

D. Capital Assets

Capital asset activity for the City's governmental activities for the year ended April 30, 2014, was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
<b>Governmental Activities:</b>					
Capital Assets, Non-Depreciable:					
Land	\$ 625,468	-	-	297,272	\$ 922,740
Construction In Progress	353,714	806,521	-	(740,903)	419,332
Total Capital Assets, Non-Depreciable	<u>979,182</u>	<u>806,521</u>	<u>-</u>	<u>(443,631)</u>	<u>1,342,072</u>
Capital Assets, Depreciable:					
Buildings and Improvements	3,607,160	30,244	-	443,631	4,081,035
Machinery and Equipment	579,930	69,087	-	-	649,017
Vehicles	1,797,582	51,001	-	-	1,848,583
Infrastructure	1,471,089	-	-	-	1,471,089
Total Capital Assets, Depreciable	<u>7,455,761</u>	<u>150,332</u>	<u>-</u>	<u>443,631</u>	<u>8,049,724</u>
Less: Accumulated Depreciation for:					
Buildings and Improvements	1,277,279	115,981	-	-	1,393,260
Machinery and Equipment	402,065	42,237	-	-	444,302
Vehicles	1,521,231	72,238	-	-	1,593,469
Infrastructure	643,100	114,309	-	-	757,409
Total Accumulated Depreciation	<u>3,843,675</u>	<u>344,765</u>	<u>-</u>	<u>-</u>	<u>4,188,440</u>
Total Capital Assets, Depreciable, Net	<u>3,612,086</u>	<u>(194,433)</u>	<u>-</u>	<u>443,631</u>	<u>3,861,284</u>
Governmental Activities Capital Assets, Net	<u>\$ 4,591,268</u>	<u>612,088</u>	<u>-</u>	<u>-</u>	<u>\$ 5,203,356</u>

Capital asset additions and depreciation expense for governmental activities were charged to functions/programs as follows:

Functions/Programs	Capital Asset Additions	Depreciation Expense
Administrative and General	\$ 281,132	\$ 23,476
Police	41,501	17,741
Fire	40,639	54,667
Recreation and Parks	583,493	109,364
Streets and Sanitation	-	129,088
Grounds Maintenance	10,088	10,429
Total - Governmental Activities	<u>\$ 956,853</u>	<u>\$ 344,765</u>

The City's utility fund (business-type activity) donated approximately \$43,000 of capital assets to the City's governmental activities which is reflected above in the administrative and general function capital asset additions amount for the year ended April 30, 2014.

CITY OF PICKENS, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED APRIL 30, 2014

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

D. Capital Assets (Continued)

Construction in progress in the City's Governmental Activities represents costs related to engineering and construction of Town Creek Bike Park and sidewalks on Rigdon Circle. These projects have been financed from the Special Obligation Bond Series 2012 and a Community Development Block Grant in the current year and will be supplemented by the General Fund and the Grants Fund in the future.

Capital asset activity for the City's business-type activities for the year ended April 30, 2014, was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
<b>Business-Type Activities</b>					
Capital Assets, Non-Depreciable:					
Land	\$ 194,331	5,000	-	-	\$ 199,331
Construction In Progress	166,019	420,797	-	(224,443)	362,373
Total Capital Assets, Non-Depreciable	<u>360,350</u>	<u>425,797</u>	<u>-</u>	<u>(224,443)</u>	<u>561,704</u>
Capital Assets, Depreciable:					
Buildings and Improvements	1,229,751	32,500	-	-	1,262,251
Water Utility System	13,860,168	212,723	-	224,443	14,297,334
Sewer Utility System	12,026,013	-	-	-	12,026,013
Machinery and Equipment	692,849	79,151	16,037	-	755,963
Vehicles	315,468	-	26,483	-	288,985
Total Capital Assets, Depreciable	<u>28,124,249</u>	<u>324,374</u>	<u>42,520</u>	<u>224,443</u>	<u>28,630,546</u>
Less: Accumulated Depreciation for:					
Buildings and Improvements	203,652	28,750	-	-	232,402
Water Utility System	4,779,709	316,685	-	-	5,096,394
Sewer Utility System	3,126,645	244,208	-	-	3,370,853
Machinery and Equipment	629,367	29,405	16,037	-	642,735
Vehicles	271,962	12,438	26,483	-	257,917
Total Accumulated Depreciation	<u>9,011,335</u>	<u>631,486</u>	<u>42,520</u>	<u>-</u>	<u>9,600,301</u>
Total Capital Assets, Depreciable, Net	<u>19,112,914</u>	<u>(307,112)</u>	<u>-</u>	<u>224,443</u>	<u>19,030,245</u>
Business-Type Activities Capital Assets, Net	<u>\$ 19,473,264</u>	<u>118,685</u>	<u>-</u>	<u>-</u>	<u>\$ 19,591,949</u>

Capital asset additions and depreciation expense for business-type activities were charged to functions/programs as follows:

Functions/Programs	Capital Asset Additions	Depreciation Expense
Water	\$ 350,763	\$ 374,888
Sewer	399,408	256,598
Total - Business-Type Activities	<u>\$ 750,171</u>	<u>\$ 631,486</u>

CITY OF PICKENS, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED APRIL 30, 2014

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III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

D. Capital Assets (Continued)

The City's utility fund (business-type activities) received contributed capital (sewer system improvements) of approximately \$310,000 for the year ended April 30, 2014. These sewer system improvements were paid for in the City's grant fund (CDBG funds) and were part of the City's Village Renaissance Revitalization Plan.

Construction in progress in the City's Utility Fund represents costs related to engineering and construction of the sewer system improvements on Rigdon Circle. This project has begun with financing from a Community Development Block Grant in the current year. During 2014, the City's Utility Fund (business-type activities) did not capitalize any interest expense as the amounts were deemed immaterial.

*Construction Commitments*

The City has construction commitments related to three construction projects as of April 30, 2014. The construction projects relate to the construction of the Town Creek Bike Park, the sidewalks on Rigdon Circle, and the sewer system improvements on Rigdon Circle. Total remaining commitments on these contracts is approximately \$717,000 as of April 30, 2014.

E. Long-Term Obligations

The City issues bonds to provide funds for the acquisition and construction of major capital facilities. General Obligation Bonds ("GOB") are direct obligations and pledge the full faith and credit of the City and are subject to the 8% debt limit requirement if not issued under a bond referendum. Revenue Bonds ("RB") and Special Obligation Bonds ("SOB") are obligations of the City that are secured by revenue from a specific source. Note Payables ("NP") and Lease Purchase ("LP") obligations of the City are generally collateralized by the property underlying the obligation and are payable from the general revenues of the City. The full faith, credit, and taxing powers of the City are not pledged for the payment of RB, SOB, NP, and LP obligations nor the interest thereon. Details on the City's outstanding debt issues and lease purchase obligations as of April 30, 2014 are as follows:

	Balance at <u>April 30, 2014</u>
<p><i>General Obligation Bonds</i></p> <p>\$500,000 general obligation bonds issued in April 2011 ("GOB - 04/11"), due in annual installments of \$25,000 to \$125,000 beginning on April 1, 2012 through April 1, 2017, plus interest at 2.56% due annually. The proceeds from this issue were used to current refund several prior lease purchase obligations and acquire various equipment including a sanitation collection truck, a commercial lawn mower, and certain fire-fighting equipment. The current refundings resulted in immaterial deferred losses and thus no deferred losses were recorded. Issuance costs were not significant and thus were not recorded related to this issue.</p>	\$ 325,000
<p><i>Special Obligation Bond</i></p> <p>\$2,000,000 special obligation bond issued in May 2012 ("SOB - 05/12"), due in annual installments of approximately \$107,000 to \$160,000 beginning on August 1, 2012 through August 1, 2026, plus interest at 3.16% due annually. The proceeds from this issue were used to currently refund the recreation center facility lease purchase obligation (LP - 08/03), defray the cost associated with other capital projects, and to pay the cost of issuance. The current refunding resulted in an immaterial deferred loss and thus no deferred loss was capitalized. Issuance costs were not significant and thus have not been recorded related to this issue.</p>	\$1,741,884

CITY OF PICKENS, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED APRIL 30, 2014

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

E. Long-Term Obligations (Continued)

*Note Payable* Balance at  
April 30, 2014

\$150,000 note payable with the School District of Pickens County entered into in September 2011 (“NP – 09/11”), due in annual principal installments of \$50,000 beginning September 30, 2012 through September 30, 2014, with interest at 0%. A \$50,000 down payment was paid at the time of purchase. The note payable was used to purchase property on Jewel St., Planer St., and Railroad St. This note payable was split evenly between governmental and business-type activities. \$ 50,000

*Revenue Bonds*

\$4,300,000 waterworks and sewer system revenue bonds issued in November 2011 (“RB – 11/11”), due in monthly principal installments of \$11,814 to \$25,637 beginning November 30, 2011 through November 18, 2031, plus interest at 3.890%, due monthly. The proceeds from this issue were used to pay off the waterworks and sewer system revenue bond anticipation note Series 2010 and to finance and construct the water and sewer systems of the City. Issuance costs were not significant and thus have not been recorded related to this issue. 3,921,275

\$2,000,000 waterworks and sewer system refunding revenue bonds issued in September 2010 (“RB – 09/10”), due in monthly principal installments of \$8,308 to \$14,480 beginning October 30, 2010 through September 30, 2025, plus interest at 3.730%, due monthly. The proceeds from this issue were used to current refund the 1979, 1982, 1984, and 1998 revenue bonds and the 1998 State Revolving Fund loan and resulted in immaterial deferred losses (and thus no amounts were recorded). Issuance costs were not significant and thus have not been recorded related to this issue. The original bonds were used to finance and construct the water and sewer systems of the City. \$1,618,417

Presented below is a summary of changes in long-term obligations for the City’s governmental activities for the year ended April 30, 2014:

Long-Term Obligations	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities:</b>					
Debt:					
GOB – 04/11	\$ 410,000	-	85,000	325,000	\$ 95,000
SOB – 05/12	1,848,927	-	107,043	1,741,884	110,425
NP – 09/11	50,000	-	25,000	25,000	25,000
Total Debt	<u>2,308,927</u>	<u>-</u>	<u>217,043</u>	<u>2,091,884</u>	<u>230,425</u>
Lease Purchases:					
LP – 10/09	9,046	-	9,046	-	-
Total Lease Purchases	<u>9,046</u>	<u>-</u>	<u>9,046</u>	<u>-</u>	<u>-</u>
Compensated Absences	86,790	62,778	71,417	78,151	15,630
Total Governmental Activities	<u>\$ 2,404,763</u>	<u>62,778</u>	<u>297,506</u>	<u>2,170,035</u>	<u>\$ 246,055</u>

Resources from the General Fund and Hospitality Tax Fund have been used to liquidate all of the governmental activities long-term obligations.

CITY OF PICKENS, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED APRIL 30, 2014

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

E. Long-Term Obligations (Continued)

Presented below is a summary of changes in long-term obligations for the City's business-type activities for the year ended April 30, 2014:

Long-Term Obligations	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Business-Type Activities:</b>					
Debt:					
RB – 09/10	\$ 1,730,077	-	111,660	1,618,417	\$ 115,896
RB – 11/11	4,073,759	-	152,484	3,921,275	158,522
NP – 09/11	50,000	-	25,000	25,000	25,000
Total Debt	5,853,836	-	289,144	5,564,692	299,418
Lease Purchases:					
LP – 10/09	9,468	-	9,468	-	-
Total Lease Purchases	9,468	-	9,468	-	-
Compensated Absences	49,966	38,413	40,559	47,820	9,564
Total Business-Type Activities	\$ 5,913,270	38,413	339,171	5,612,512	\$ 308,982

Resources from the Utility Fund have been used to liquidate all of the business-type activities long-term obligations.

The order of priority for pledges and security on the capital assets of the City's water/sewer activities is the revenue bonds. The revenue bond requires the City to maintain user rates sufficient to generate net revenues, as defined by the agreements, ranging from 100% to 120% of the annual principal and interest payments on the revenue bonds and junior bonds (as defined). The revenue bonds contain significant requirements for annual debt service, various restrictive covenants which requires the City to maintain various restricted cash and investment accounts and to meet various other general requirements. The City is in compliance with all of the significant financial covenants at April 30, 2014.

Presented below is a summary of debt service requirements to maturity by year for the City's governmental activities as of April 30, 2014:

Year Ending April 30,	Debt		Total
	Principal	Interest	
<b>Governmental Activities:</b>			
2015	\$ 230,425	63,364	\$ 293,789
2016	218,915	57,442	276,357
2017	242,515	51,154	293,669
2018	121,228	44,241	165,469
2019	125,059	40,410	165,469
2020 - 2024	687,131	140,214	827,345
2025 - 2027	466,611	29,796	496,407
Totals	\$ 2,091,884	426,621	\$ 2,518,505

**CITY OF PICKENS, SOUTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED APRIL 30, 2014**

**III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)**

**E. Long-Term Obligations (Continued)**

Presented below is a summary of debt service requirements to maturity by year for the City’s business-type activities as of April 30, 2014:

Year Ended April 30,	Debt		Total
	Principal	Interest	
<b><u>Business-Type Activities</u></b>			
2015	\$ 299,418	208,130	\$ 507,548
2016	285,094	197,454	482,548
2017	296,184	186,364	482,548
2018	307,707	174,841	482,548
2019	319,679	162,871	482,550
2020-2024	1,794,908	617,833	2,412,741
2025-2029	1,505,221	282,965	1,788,186
2030-2032	756,481	39,844	796,325
Totals	<u>\$ 5,564,692</u>	<u>1,870,302</u>	<u>\$ 7,434,994</u>

Interest paid on the debt issued by the City is generally exempt from federal income tax. The City sometimes temporarily reinvests the proceeds of such tax-exempt debt in higher-yielding taxable securities, especially during construction projects. The federal tax code refers to this practice as arbitrage. Excess earnings (the difference between the interest on the debt and the investment earnings received) resulting from arbitrage must be rebated to the federal government. The City does not have any arbitrage liability at April 30, 2014.

Article Eight, Section Seven of the South Carolina Constitution of 1895, as amended, provides that no City or Town shall incur any bonded debt which shall exceed eight percent (8%) of the assessed value of the property therein and no such debt shall be created without the electors of such City or Town voting in favor of such further bonded debt. Prior to Home Rule Act of July 1, 1976, the bonded debt exemption was thirty five percent (35%). In 1976, the General Assembly reduced the general obligation debt limit without voter approval to eight percent (8%) of assessed valuation; whereas, with a referendum any amount can be floated. As of April 30, 2014, the City had approximately \$325,000 of bonded debt subject to the 8% limit of approximately \$868,000 resulting in an unused legal debt margin of approximately \$543,000.

**IV. OTHER INFORMATION**

**A. Risk Management**

***Participation in Public Entity Risk Pools for Property and Casualty Insurance***

The City is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, and natural disasters. The City has joined together with other municipalities in the state to form the South Carolina Municipal Insurance and Risk Financing Fund (“SCMIRF”) and the South Carolina Municipal Insurance Trust (“SCMIT”), which are public entity risk pools currently operating as a common risk management and insurance program for general risk insurance and workers compensation, respectively.

**CITY OF PICKENS, SOUTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED APRIL 30, 2014**

**IV. OTHER INFORMATION (CONTINUED)**

**A. Risk Management (Continued)**

*Participation in Public Entity Risk Pools for Property and Casualty Insurance (Continued)*

The City pays an annual premium to SCMIRF for its general risk insurance. For the year ended April 30, 2014, the City made premium payments totaling approximately \$112,000. SCMIRF is self-sustaining through member premiums and reinsures through commercial companies. SCMIRF’s net position from its most recently issued audited financial statements at December 31, 2013, totaled approximately \$28,412,000. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage in the past three fiscal years.

The City pays an annual premium to SCMIT for its workers compensation insurance. For the year ended April 30, 2014, the City made premium payments totaling approximately \$30,000. The Trust uses reinsurance agreements to reduce its exposure to large workers’ compensation losses. SCMIT’s net position from its most recently issued audited financial statements at December 31, 2013, totaled approximately \$48,279,000. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage in the past three fiscal years.

**B. Pension Disclosures**

*South Carolina Retirement and Police Officers’ Retirement System*

South Carolina Retirement and Police Officers’ Retirement System: The City non-public safety employees participate in the South Carolina Retirement System (“SCRS”), a cost-sharing multiple-employer defined benefit pension plan. The City’s sworn police officers and firefighting personnel (public safety) participate in the South Carolina Police Officers’ Retirement System (“SCPORS”), a cost-sharing multiple-employer defined benefit pension plan. Both the SCRS and the SCPORS offer retirement and disability benefits, cost of living adjustments on an ad-hoc basis, life insurance benefits, and survivor benefits.

The SCRS and SCPORS (collectively the “Plans”) provisions are established under Title 9 of the South Carolina Code of Laws and were originally administered by the South Carolina Budget and Control Board. Effective July 1, 2012, the South Carolina General Assembly transferred administration of the Plans to the newly created South Carolina Public Employee Benefit Authority (“PEBA”). The PEBA has the authority to establish and amend benefits and funding policy. A comprehensive annual financial report containing financial statements and required supplementary information for the retirement benefits is issued and publicly available by writing to the South Carolina Public Employee Benefit Authority, P.O. Box 11960, Columbia, SC 29211-1960.

Both employees and the City are required to contribute to the Plans at rates established and as amended by the PEBA. The City’s contributions are actuarially determined, but are communicated to and paid by the City as a percentage of the employees’ annual earnings.

	SCRS Rates			SCPORS Rates		
	2012	2013	2014	2012	2013	2014
Employer Rate						
Retirement	9.385%	10.450%	10.450%	11.363%	11.900%	12.440%
Group Life Insurance Benefi	0.150%	0.150%	0.150%	0.200%	0.200%	0.200%
Accidental Death Benefit	N/A	N/A	N/A	0.200%	0.200%	0.200%
	<u>9.535%</u>	<u>10.600%</u>	<u>10.600%</u>	<u>11.763%</u>	<u>12.300%</u>	<u>12.840%</u>
Employee Rate	<u>6.500%</u>	<u>7.000%</u>	<u>7.500%</u>	<u>6.500%</u>	<u>7.000%</u>	<u>7.840%</u>

CITY OF PICKENS, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED APRIL 30, 2014

IV. OTHER INFORMATION (CONTINUED)

B. Pension Disclosures (Continued)

*South Carolina Retirement and Police Officers' Retirement System (Continued)*

The required contributions and percentages of amounts contributed for the past three years were as follows:

Year Ending April 30,	SCRS Contributions			SCPORS Contributions		
	Required	% Contributed	% of Covered Payroll	Required	% Contributed	% of Covered Payroll
2014	\$ 108,877	100%	10.600%	\$ 88,105	100%	12.840%
2013	109,828	100%	10.600%	91,629	100%	12.300%
2012	\$ 104,279	100%	9.535%	\$ 82,259	100%	11.763%

C. Other Postemployment Benefits

In 2004, GASB issued Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions" ("Statement"). This Statement establishes standards for the measurement, recognition and display of Other Postemployment Benefits ("OPEB") expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information in the financial reports of state and local governmental employers. The City implemented Statement No. 45 in fiscal year 2010. This implementation had no impact as the City currently does not provide any OPEB benefits (i.e. retiree health benefits, etc.) to its retirees.

D. Contingent Liabilities and Commitments

*Litigation*

The City is periodically the subject of litigation by a variety of plaintiffs. The City's management believes that such amounts claimed by these plaintiffs, net of the applicable insurance coverage, are immaterial.

*Grants*

The City receives financial assistance from various federal, state, and local governmental agencies in the form of grants. Disbursements of funds received under these programs generally require compliance with the terms and conditions specified in the grant agreements. The disbursements are also subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements included herein or on the overall financial position of the City at April 30, 2014.

E. Pending Implementation of GASB Statement on Pensions

GASB Statement No. 68, "Accounting and Financial Reporting for Pensions" ("Statement"), was issued in June 2012. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local government employers about financial support for pensions that are provided by other entities. In addition, state and local governments who participate in a cost-sharing multiple employer plan will now be required to recognize a liability for its proportionate share of the net pension liability of that plan. It is GASB's intention that this new Statement will provide citizens and other users of the financial statements with a clearer picture of the size and nature of the City's financial obligations to current and former employees for past services rendered.

**CITY OF PICKENS, SOUTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED APRIL 30, 2014**

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**IV. OTHER INFORMATION (CONTINUED)**

**E. Pending Implementation of GASB Statement on Pensions (Continued)**

In particular, the City will be required to report a net pension liability for its participation in the SCRS and SCPORS on financial statements prepared on the economic resources measurement focus and accrual basis of accounting (i.e., the Statement of Net Position) and present more extensive note disclosures. In general, it will not have a significant impact on the City's governmental funds.

The effect of implementation of this Statement has not been determined at this time, but it is anticipated that it will materially decrease the City's unrestricted net position. This Statement is required to be implemented by the City no later than the fiscal year ending April 30, 2016.

**F. Subsequent Event**

In July 2014, the City issued Series 2014 General Obligation Bonds in the amount of \$385,000. The Bonds have regularly scheduled principal payments of \$5,000 to \$125,000 with interest at 1.89% through April 2020. The proceeds will be used to purchase property, a leaf truck, two police cars, fire extrication equipment, and land improvements for the public works department.

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# Required Supplementary Information

Required supplementary information includes financial information and disclosures that are required by the Governmental Accounting Standards Board, but are not considered a part of the basic financial statements. Such information includes:

- Budgetary Comparison Schedule
  - General Fund

CITY OF PICKENS, SOUTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGETS AND ACTUAL

YEAR ENDED APRIL 30, 2014

	BUDGETED AMOUNTS		ACTUAL	VARIANCE
	ORIGINAL	REVISED		WITH REVISED BUDGET
<b>REVENUES</b>				
Taxes	\$ 282,132	282,132	247,908	\$ (34,224)
Fees, Charges, and Rentals	819,700	849,700	866,941	17,241
Fines and Forfeitures	119,000	119,000	146,794	27,794
Licenses, Permits, and Franchise Fees	826,500	826,500	918,796	92,296
Intergovernmental Revenues	412,000	412,000	407,195	(4,805)
External Service Reimbursements	86,000	86,000	90,422	4,422
Grants	39,000	39,000	34,720	(4,280)
<b>TOTAL REVENUES</b>	<b>2,584,332</b>	<b>2,614,332</b>	<b>2,712,776</b>	<b>98,444</b>
<b>EXPENDITURES</b>				
Current:				
Administrative and General	360,415	364,668	360,554	4,114
Police	818,624	822,124	822,761	(637)
Fire	501,277	559,077	562,229	(3,152)
Municipal Court	54,628	55,618	53,107	2,511
Victims' Assistance	-	-	17,940	(17,940)
Recreation and Parks	240,997	250,697	259,807	(9,110)
Streets and Sanitation	382,758	382,758	385,586	(2,828)
Grounds Maintenance	162,586	162,586	163,261	(675)
Capital Outlay	71,400	197,849	193,466	4,383
Debt Service				
Principal	120,784	120,784	119,046	1,738
Interest and Other Charges	10,863	10,863	10,937	(74)
<b>TOTAL EXPENDITURES</b>	<b>2,724,332</b>	<b>2,927,024</b>	<b>2,948,694</b>	<b>(21,670)</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(140,000)</b>	<b>(312,692)</b>	<b>(235,918)</b>	<b>76,774</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	140,000	140,000	140,000	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>140,000</b>	<b>140,000</b>	<b>140,000</b>	<b>-</b>
<b>NET CHANGES IN FUND BALANCES</b>	<b>-</b>	<b>(172,692)</b>	<b>(95,918)</b>	<b>76,774</b>
FUND BALANCES, Beginning of Year	1,456,045	1,456,045	1,456,045	-
<b>FUND BALANCES, End of Year</b>	<b>\$ 1,456,045</b>	<b>1,283,353</b>	<b>1,360,127</b>	<b>\$ 76,774</b>

Note: The budget is presented on the modified accrual basis of accounting, which is consistent with accounting principles generally accepted in the United States of America.

Note: The City's revised budget reflected a use of fund balance of \$172,692.

## Supplementary Information

CITY OF PICKENS, SOUTH CAROLINA

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
REVISED BUDGET AND ACTUAL

YEAR ENDED APRIL 30, 2014

	<u>REVISED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
<b>REVENUES</b>			
Taxes:			
Property Taxes	\$ 280,632	247,262	\$ (33,370)
Accommodations Taxes	1,500	646	(854)
Total Taxes	<u>282,132</u>	<u>247,908</u>	<u>(34,224)</u>
Fees, Charges, and Rentals:			
Fire Protection Fees	565,500	556,537	(8,963)
Recreation Fees	88,500	94,470	5,970
Sanitation Charges	181,500	197,480	15,980
Rentals	6,000	4,500	(1,500)
Miscellaneous	8,200	13,954	5,754
Total Fees, Charges, and Rentals	<u>849,700</u>	<u>866,941</u>	<u>17,241</u>
Fines and Forfeitures:			
Court Fines	119,000	146,794	27,794
Total Fines and Forfeitures	<u>119,000</u>	<u>146,794</u>	<u>27,794</u>
Licenses, Permits, and Franchise Fees:			
Business Licenses	520,000	558,643	38,643
Permits	1,500	2,170	670
Franchise Fees	305,000	357,983	52,983
Total Licenses, Permits, and Franchise Fees	<u>826,500</u>	<u>918,796</u>	<u>92,296</u>
Intergovernmental Revenues			
Local Option Sales Tax	340,000	339,803	(197)
Aid to Subdivisions	58,000	52,956	(5,044)
Merchants Inventory Tax	14,000	14,436	436
Total Intergovernmental Revenues	<u>412,000</u>	<u>407,195</u>	<u>(4,805)</u>
External Service Reimbursements:			
School Resource Officers	71,000	71,250	250
Shady Grove Firemen	15,000	19,172	4,172
Total External Service Reimbursements	<u>86,000</u>	<u>90,422</u>	<u>4,422</u>
Grants:			
Grant	39,000	34,720	(4,280)
Total Grants	<u>39,000</u>	<u>34,720</u>	<u>(4,280)</u>
<b>TOTAL REVENUES</b>	<b><u>\$ 2,614,332</u></b>	<b><u>2,712,776</u></b>	<b><u>\$ 98,444</u></b>

(Continued)

**CITY OF PICKENS, SOUTH CAROLINA**

**GENERAL FUND**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
REVISED BUDGET AND ACTUAL**

**YEAR ENDED APRIL 30, 2014**

	<u>REVISED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
<b>EXPENDITURES</b>			
Administrative and General:			
Personnel Services	\$ 173,196	167,667	\$ 5,529
Operating Expenditures	191,472	192,887	(1,415)
Capital Outlay	130,349	129,996	353
Total Administrative and General	<u>495,017</u>	<u>490,550</u>	<u>4,467</u>
Police:			
Personnel Services	667,587	607,346	60,241
Operating Expenditures	154,537	215,415	(60,878)
Capital Outlay	35,000	35,001	(1)
Total Police	<u>857,124</u>	<u>857,762</u>	<u>(638)</u>
Fire:			
Personnel Services	334,299	337,431	(3,132)
Operating Expenditures	224,778	224,798	(20)
Capital Outlay	22,400	18,381	4,019
Total Fire	<u>581,477</u>	<u>580,610</u>	<u>867</u>
Municipal Court:			
Personnel Services	49,428	47,171	2,257
Operating Expenditures	6,190	5,936	254
Total Municipal Court	<u>55,618</u>	<u>53,107</u>	<u>2,511</u>
Victim's Assistance:			
Personnel Services	-	15,570	(15,570)
Operating Expenditures	-	2,370	(2,370)
Total Victim's Assistance	<u>-</u>	<u>17,940</u>	<u>(17,940)</u>
Recreation and Parks:			
Personnel Services	97,097	95,911	1,186
Operating Expenditures	153,600	163,896	(10,296)
Total Recreation and Parks	<u>250,697</u>	<u>259,807</u>	<u>(9,110)</u>
Streets and Sanitation:			
Personnel Services	187,358	183,851	3,507
Operating Expenditures	195,400	201,735	(6,335)
Total Streets and Sanitation	<u>\$ 382,758</u>	<u>385,586</u>	<u>\$ (2,828)</u>

(Continued)

CITY OF PICKENS, SOUTH CAROLINA

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
REVISED BUDGET AND ACTUAL

YEAR ENDED APRIL 30, 2014

	<u>REVISED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
<b>EXPENDITURES (CONTINUED)</b>			
Grounds Maintenance:			
Personnel Services	\$ 101,336	98,902	\$ 2,434
Operating Expenditures	61,250	64,359	(3,109)
Capital Outlay	10,100	10,088	12
Total Grounds Maintenance	<u>172,686</u>	<u>173,349</u>	<u>(663)</u>
Debt Service:			
Principal	120,784	119,046	1,738
Interest and Other Charges	10,863	10,937	(74)
Total Debt Service	<u>131,647</u>	<u>129,983</u>	<u>1,664</u>
 TOTAL EXPENDITURES	 <u>2,927,024</u>	 <u>2,948,694</u>	 <u>(21,670)</u>
 <b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	 <b><u>(312,692)</u></b>	 <b><u>(235,918)</u></b>	 <b><u>76,774</u></b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	140,000	140,000	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>140,000</u>	<u>140,000</u>	<u>-</u>
 <b>NET CHANGES IN FUND BALANCES</b>	 <b><u>(172,692)</u></b>	 <b><u>(95,918)</u></b>	 <b><u>76,774</u></b>
 FUND BALANCES, Beginning of Year	 <u>1,456,045</u>	 <u>1,456,045</u>	 <u>-</u>
 <b>FUND BALANCES, End of Year</b>	 <b><u>\$ 1,283,353</u></b>	 <b><u>1,360,127</u></b>	 <b><u>\$ 76,774</u></b>

CITY OF PICKENS, SOUTH CAROLINA

PROPRIETARY FUND

SCHEDULE OF OPERATING EXPENSES BY DEPARTMENT - REVISED BUDGET AND ACTUAL

YEAR ENDED APRIL 30, 2014

	<u>REVISED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
<b>OPERATING EXPENSES</b>			
Water:			
Personnel Services	\$ 770,856	705,576	\$ 65,280
Operating Expenses	732,766	755,671	(22,905)
Capital Outlay - Noncapitalizable	607,809	524,699	83,110
Total Water	<u>2,111,431</u>	<u>1,985,946</u>	<u>125,485</u>
Sewer:			
Personnel Services	106,813	109,982	(3,169)
Operating Expenses	192,830	457,712	(264,882)
Capital Outlay - Noncapitalizable	31,200	31,763	(563)
Total Sewer	<u>330,843</u>	<u>599,457</u>	<u>(268,614)</u>
Stormwater:			
Personnel Services	10,000	8,285	1,715
Operating Expenses	100,000	90,170	9,830
Capital Outlay - Noncapitalizable	-	5,748	(5,748)
Total Stormwater	<u>110,000</u>	<u>104,203</u>	<u>5,797</u>
TOTAL EXPENSES	<u>\$ 2,552,274</u>	<u>2,689,606</u>	<u>\$ (137,332)</u>

**CITY OF PICKENS, SOUTH CAROLINA**

**SCHEDULE OF FINES, ASSESSMENTS, AND SURCHARGES**

**YEAR ENDED APRIL 30, 2014**

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**Court Fines**

Court Fines Collected	\$	60,995
Court Fines Retained by the City		60,995
Total Court Fines Remitted to the State Treasurer	\$	<u><u>-</u></u>

**Court Assessments**

Court Assessments Collected	\$	205,543
Court Assessments Retained by the City		14,716
Total Court Assessments Remitted to the State Treasurer	\$	<u><u>190,827</u></u>

**Court Surcharges**

Court Surcharges Collected and Retained by the City	\$	<u><u>5,736</u></u>
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**Victim's Advocate**

Court Assessments Allocated to Victim's Advocate	\$	14,716
Court Surcharges Allocated to Victim's Advocate		<u>5,736</u>
Funds Allocated to Victim's Advocate		20,452
Victim's Advocate Expenditures		<u>(17,940)</u>
Funds Available to Carry Forward		2,512
Funds Carry Forward from Prior Year		<u>19,663</u>
<b>Fund Balance for Victim's Advocate</b>	<b>\$</b>	<b><u><u>22,175</u></u></b>

**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***

**INDEPENDENT AUDITOR’S REPORT**

The Honorable Mayor and Members of City Council  
City of Pickens  
Pickens, 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, and each major fund of the City of Pickens (the “City”), as of and for the year ended April 30, 2014, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements, and have issued our report thereon dated July 21, 2014.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City’s internal control. Accordingly, we do not express an opinion on the effectiveness of the City’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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City’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*.

**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.



Greene, Finney & Horton, LLP  
Mauldin, South Carolina  
July 21, 2014