

**CITY OF PICKENS,  
SOUTH CAROLINA**

**FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2021**



CITY OF PICKENS, SOUTH CAROLINA

TABLE OF CONTENTS

YEAR ENDED JUNE 30, 2021

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	<u>Page Number</u>
Table of Contents	i
Listing of Principal Officials	iii

**FINANCIAL SECTION**

<b>INDEPENDENT AUDITOR'S REPORT</b>	1
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**Basic Financial Statements:**

*Government-Wide Financial Statements:*

Statement of Net Position	4
Statement of Activities	5

*Fund Financial Statements:*

Balance Sheet - Governmental Funds	6
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	7
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	8
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	9
Statement of Net Position - Proprietary Fund	10
Statement of Revenues, Expenses, and Change in Net Position - Proprietary Fund	11
Statement of Cash Flows - Proprietary Fund	12
<i>Notes to the Financial Statements</i>	13

**Required Supplementary Information:**

Budgetary Comparison Schedules

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budgets and Actual - General Fund	44
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budgets and Actual - Hospitality Tax Fund	45

Pension Plan Schedules

Schedule of the City's Proportionate Share of the Net Pension Liability - South Carolina Retirement System	46
Schedule of Contributions - South Carolina Retirement System	47
Schedule of the City's Proportionate Share of the Net Pension Liability - Police Officers Retirement System	48
Schedule of Contributions - Police Officers Retirement System	49

(Continued)

CITY OF PICKENS, SOUTH CAROLINA

TABLE OF CONTENTS

YEAR ENDED JUNE 30, 2021

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	<u>Page Number</u>
<b><u>FINANCIAL SECTION (CONTINUED)</u></b>	
<b>Supplementary Information:</b>	
<u>General Fund</u>	
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Revised Budget and Actual	52
<u>Proprietary Fund</u>	
Schedule of Operating Expenses by Department - Revised Budget and Actual	55
<u>Other Schedule</u>	
Uniform Schedule of Fines, Assessments, and Surcharges (Per Act 96)	56
<b><u>COMPLIANCE SECTION</u></b>	
Independent Auditor's Report - Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	57

**CITY OF PICKENS, SOUTH CAROLINA**  
**LISTING OF PRINCIPAL OFFICIALS**  
**AS OF JUNE 30, 2021**

Established

1868

MAYOR

Fletcher Perry

CITY COUNCIL MEMBERS

Donald McKinney

Donna Owen

Patrick Lark

Isaiah Scipio

Jimmy Davis

Lois Porter

CITY ADMINISTRATOR

Phillip Trotter

CITY ATTORNEY

Daniel R. Hughes





# Greene Finney Cauley, LLP

CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

## 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, each major fund, and the aggregate remaining fund information of the City of Pickens, South Carolina (the "City"), as of and for the year ended June 30, 2021, 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, each major fund, and the aggregate remaining fund information of the City of Pickens, South Carolina, as of June 30, 2021, 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.

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### ***Change in Accounting Principle***

As discussed in Note I.B in the notes to the financial statements, for the year ended June 30, 2021 the City adopted the provisions of Governmental Accounting Standards Board Statement No. 84 “*Fiduciary Activities*”. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the budgetary comparison schedules and the pension plan schedules, 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.

Management has omitted the management, discussion, and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

#### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the 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 May 5, 2022 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 Cauley, LLP*

Greene Finney Cauley, LLP  
Mauldin, South Carolina  
May 5, 2022



# Basic Financial Statements

CITY OF PICKENS, SOUTH CAROLINA

STATEMENT OF NET POSITION

JUNE 30, 2021

	PRIMARY GOVERNMENT		
	Governmental Activities	Business-Type Activities	Totals
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 3,176,274	500	\$ 3,176,774
Restricted Cash and Cash Equivalents	902,056	353,132	1,255,188
Receivables, Net			
Property Taxes	20,554	-	20,554
Intergovernmental Accounts	80,859	-	80,859
Other	180,299	339,973	520,272
Internal Balances	97,221	-	97,221
Inventory	(1,941,418)	1,941,418	-
Capital Assets:			
Non-Depreciable	-	67,875	67,875
Depreciable, Net	1,238,440	222,831	1,461,271
	6,630,713	20,273,387	26,904,100
<b>TOTAL ASSETS</b>	<b>10,384,998</b>	<b>23,199,116</b>	<b>33,584,114</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred Pension Charges	693,810	235,235	929,045
<b>LIABILITIES</b>			
Accounts Payable	79,707	59,476	139,183
Accrued Salaries and Fringe Benefits	104,665	23,057	127,722
Accrued Interest Payable	43,838	39,367	83,205
Customer Deposits	-	232,635	232,635
Unearned Revenue	17,732	-	17,732
Non-Current Liabilities:			
Long-Term Obligations - Due Within One Year	492,164	694,580	1,186,744
Long-Term Obligations - Due in More Than One Year	1,656,009	5,543,357	7,199,366
Net Pension Liability - Due in More Than One Year	3,173,960	1,598,063	4,772,023
<b>TOTAL LIABILITIES</b>	<b>5,568,075</b>	<b>8,190,535</b>	<b>13,758,610</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred Pension Credits	191,992	151,283	343,275
<b>NET POSITION</b>			
Net Investment in Capital Assets	6,014,355	14,288,528	20,302,883
Restricted For:			
Debt Service	6,323	167,161	173,484
Tourism Related Costs (Hospitality Taxes)	545,693	-	545,693
Grants	39,192	-	39,192
Road Maintenance	139,786	-	139,786
Firefighters' 1% Costs	8,349	-	8,349
Other	17,842	-	17,842
Unrestricted	(1,452,799)	636,844	(815,955)
<b>TOTAL NET POSITION</b>	<b>\$ 5,318,741</b>	<b>15,092,533</b>	<b>\$ 20,411,274</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 JUNE 30, 2021

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	\$ 890,877	41,102	117,151	150,189	(582,435)	-	\$ (582,435)
Police	1,257,401	58,192	224,000	-	(975,209)	-	(975,209)
Fire	480,190	198,463	5,818	-	(275,909)	-	(275,909)
Municipal Court	80,636	-	-	-	(80,636)	-	(80,636)
Victims' Assistance	15,741	-	-	-	(15,741)	-	(15,741)
Recreation and Parks	619,653	76,554	-	-	(543,099)	-	(543,099)
Streets and Sanitation	628,684	229,208	-	40,525	(358,951)	-	(358,951)
Grounds Maintenance	266,443	-	-	-	(266,443)	-	(266,443)
Interest and Other Charges	66,294	-	-	-	(66,294)	-	(66,294)
<b>Total Governmental Activities</b>	<b>4,305,919</b>	<b>603,519</b>	<b>346,969</b>	<b>190,714</b>	<b>(3,164,717)</b>	<b>-</b>	<b>(3,164,717)</b>
Business-Type Activities:							
Water	2,317,187	2,829,719	-	128,400	-	640,932	640,932
Sewer	687,449	747,388	-	-	-	59,939	59,939
Stormwater	-	101,447	-	-	-	101,447	101,447
<b>Total Business-Type Activities</b>	<b>3,004,636</b>	<b>3,678,554</b>	<b>-</b>	<b>128,400</b>	<b>-</b>	<b>802,318</b>	<b>802,318</b>
<b>TOTAL - PRIMARY GOVERNMENT</b>	<b>\$ 7,310,555</b>	<b>4,282,073</b>	<b>346,969</b>	<b>319,114</b>	<b>(3,164,717)</b>	<b>802,318</b>	<b>(2,362,399)</b>
General Revenues:							
Taxes:							
Property Taxes					457,288	-	457,288
Hospitality Taxes					540,449	-	540,449
Local Option Sales Tax					666,196	-	666,196
Other Taxes					11,954	-	11,954
Business Licenses					702,971	-	702,971
Franchise Fees					317,073	-	317,073
Intergovernmental Revenue					98,154	-	98,154
Miscellaneous Revenue					117,695	-	117,695
Investment Earnings					111	880	991
Transfers					235,000	(235,000)	-
<b>Total General Revenues and Transfers</b>					<b>3,146,891</b>	<b>(234,120)</b>	<b>2,912,771</b>
<b>CHANGE IN NET POSITION</b>					<b>(17,826)</b>	<b>568,198</b>	<b>550,372</b>
NET POSITION, Beginning of Year, As Previously Reported					5,330,939	14,524,335	19,855,274
Change in Accounting Principle - GASB #84					5,628	-	5,628
NET POSITION, Beginning of Year, As Restated					<u>5,336,567</u>	<u>14,524,335</u>	<u>19,860,902</u>
<b>NET POSITION, End of Year</b>					<b><u>5,318,741</u></b>	<b><u>15,092,533</u></b>	<b><u>\$ 20,411,274</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

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2021

	GENERAL FUND	HOSPITALITY TAX FUND	GRANTS FUND	NON MAJOR FIREFIGHTERS' 1% FUND	TOTAL GOVERNMENTAL FUNDS
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 3,176,274	-	-	-	\$ 3,176,274
Restricted Cash and Cash Equivalents	313,100	580,607	-	8,349	902,056
Receivables, Net					
Property Taxes	20,554	-	-	-	20,554
Intergovernmental	80,859	-	-	-	80,859
Accounts	138,223	42,076	-	-	180,299
Other	97,221	-	-	-	97,221
Due from Other Funds	26,829	-	39,192	-	66,021
<b>TOTAL ASSETS</b>	<b>\$ 3,853,060</b>	<b>622,683</b>	<b>39,192</b>	<b>8,349</b>	<b>\$ 4,523,284</b>
<b>LIABILITIES</b>					
Accounts Payable	\$ 79,707	-	-	-	\$ 79,707
Accrued Salaries and Fringe Benefits	104,665	-	-	-	104,665
Unearned Revenue - FEMA	17,732	-	-	-	17,732
Due to Other Funds	1,980,610	26,829	-	-	2,007,439
<b>TOTAL LIABILITIES</b>	<b>2,182,714</b>	<b>26,829</b>	<b>-</b>	<b>-</b>	<b>2,209,543</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable Revenue - Property Taxes	7,705	-	-	-	7,705
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>7,705</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7,705</b>
<b>TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>	<b>2,190,419</b>	<b>26,829</b>	<b>-</b>	<b>-</b>	<b>2,217,248</b>
<b>FUND BALANCES</b>					
Restricted for:					
Capital Projects (Unspent Bond Proceeds)	155,472	-	-	-	155,472
Tourism Related Costs (Hospitality Taxes)	-	545,693	-	-	545,693
Grants	-	-	39,192	-	39,192
Debt Service Reserve	-	50,161	-	-	50,161
Road Maintenance	139,786	-	-	-	139,786
Firefighters' 1% Costs	-	-	-	8,349	8,349
Other	17,842	-	-	-	17,842
Unassigned	1,349,541	-	-	-	1,349,541
<b>TOTAL FUND BALANCES</b>	<b>1,662,641</b>	<b>595,854</b>	<b>39,192</b>	<b>8,349</b>	<b>2,306,036</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>\$ 3,853,060</b>	<b>622,683</b>	<b>39,192</b>	<b>8,349</b>	<b>\$ 4,523,284</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

JUNE 30, 2021

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<b>TOTAL FUND BALANCES - GOVERNMENTAL FUNDS</b>	<b>\$ 2,306,036</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 \$14,803,194 and the accumulated depreciation was \$6,934,041.	7,869,153
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.	7,705
The City's proportionate shares of the net pension liability, deferred outflows of resources, and deferred inflows of resources related to its participation in the State retirement plans are not recorded in the governmental funds but are recorded in the Statement of Net Position.	(2,672,142)
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.	(43,838)
Long-term liabilities are generally 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)	(2,076,466)
Compensated Absences (General Leave)	(71,707)
	<u>(2,148,173)</u>
<b>TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES</b>	<b>\$ <u>5,318,741</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 JUNE 30, 2021

	GENERAL FUND	HOSPITALITY TAX FUND	GRANTS FUND	NON MAJOR FIREFIGHTERS' 1% FUND	TOTAL GOVERNMENTAL FUNDS
<b>REVENUES</b>					
Taxes	\$ 458,754	540,450	-	-	\$ 999,204
Fees, Charges, and Rentals	593,966	900	21,912	-	616,778
Fines and Forfeitures	58,192	-	-	-	58,192
Licenses, Permits, and Franchise Fees	1,026,288	-	-	-	1,026,288
Intergovernmental Revenues	815,702	-	-	-	815,702
External Service Reimbursements	224,000	-	-	-	224,000
Grants	97,431	40,000	169,908	-	307,339
One Percent Income	-	-	-	5,818	5,818
Interest Earnings	-	111	-	-	111
<b>TOTAL REVENUES</b>	<b>3,274,333</b>	<b>581,461</b>	<b>191,820</b>	<b>5,818</b>	<b>4,053,432</b>
<b>EXPENDITURES</b>					
Current:					
Administrative and General	440,126	18,878	676	-	459,680
Police	1,097,019	-	-	-	1,097,019
Fire	378,773	-	-	3,097	381,870
Municipal Court	62,525	-	-	-	62,525
Victims' Assistance	15,741	-	-	-	15,741
Recreation and Parks	245,878	25,142	-	-	271,020
Streets and Sanitation	459,174	-	-	-	459,174
Grounds Maintenance	203,589	-	-	-	203,589
Capital Outlay	512,203	-	212,587	-	724,790
Debt Service:					
Principal	228,583	240,853	-	-	469,436
Interest	6,281	51,824	-	-	58,105
Bond Issuance Costs	12,720	-	-	-	12,720
<b>TOTAL EXPENDITURES</b>	<b>3,662,612</b>	<b>336,697</b>	<b>213,263</b>	<b>3,097</b>	<b>4,215,669</b>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<b>(388,279)</b>	<b>244,764</b>	<b>(21,443)</b>	<b>2,721</b>	<b>(162,237)</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Issuance of General Obligation Bonds	775,000	-	-	-	775,000
Transfers In	295,000	-	-	-	295,000
Transfers Out	-	(60,000)	-	-	(60,000)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>1,070,000</b>	<b>(60,000)</b>	<b>-</b>	<b>-</b>	<b>1,010,000</b>
<b>NET CHANGES IN FUND BALANCES</b>	<b>681,721</b>	<b>184,764</b>	<b>(21,443)</b>	<b>2,721</b>	<b>847,763</b>
FUND BALANCES, Beginning of Year, As Previously Reported	980,920	411,090	60,635	-	1,452,645
Change in Accounting Principle - GASB #84	-	-	-	5,628	5,628
FUND BALANCES, Beginning of Year, As Restated	980,920	411,090	60,635	5,628	1,458,273
<b>FUND BALANCES, End of Year</b>	<b>\$ 1,662,641</b>	<b>595,854</b>	<b>39,192</b>	<b>8,349</b>	<b>\$ 2,306,036</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 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2021

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<b>TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS</b>	<b>\$ 847,763</b>
Amounts reported for the governmental activities in the Statement of Activities are different because of the following:	
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. They are considered revenues in the Statement of Activities.	(339)
Repayment of bond principal is recognized in the governmental funds, but the repayment generally reduces long-term obligations in the Statement of Net Position. This amount is the total reduction in outstanding principal in the current year.	469,436
Bond proceeds provide current financial resources to the governmental fund, but issuing debt or entering into notes payable increases long-term liabilities in the Statement of Net Position.	(775,000)
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.	4,531
Changes in the City's proportionate shares of the net pension liability, deferred outflows of resources, and deferred inflows of resources for the current year related to its participation in the State retirement plans are not reported in the governmental funds but are reported in the Statement of Activities.	(416,483)
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.	(422)
The governmental funds report capital asset additions as expenditures. However, in the Statement of Activities, capital outlay expenditures that qualify as capital assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense of \$547,300 exceeded cash capital asset additions of \$399,988.	<u>(147,312)</u>
<b>TOTAL CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES</b>	<b><u>\$ (17,826)</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 NET POSITION - PROPRIETARY FUND

JUNE 30, 2021

	<u>UTILITY FUND</u>
<b>ASSETS</b>	
Current Assets	
Cash and Cash Equivalents	\$ 500
Restricted Cash and Cash Equivalents	353,132
Receivables, Net of Allowance for Doubtful Accounts	
Utility Services	339,973
Due From Other Funds	1,941,418
Inventory	67,875
Total Current Assets	<u>2,702,898</u>
Noncurrent Assets	
Non-Depreciable Capital Assets	222,831
Depreciable Capital Assets, Net	20,273,387
Total Noncurrent Assets	<u>20,496,218</u>
<b>TOTAL ASSETS</b>	<b><u>23,199,116</u></b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred Pension Charges	<u>235,235</u>
<b>LIABILITIES</b>	
Current Liabilities	
Accounts Payable	59,476
Accrued Salaries and Fringe Benefits	23,057
Accrued Interest Payable	39,367
Customer Deposits	232,635
Current Portion - Compensated Absences	6,049
Current Portion - Debt	688,531
Total Current Liabilities	<u>1,049,115</u>
Noncurrent Liabilities	
Compensated Absences, Less Current Portion	24,198
Debt, Less Current Portion	5,519,159
Net Pension Liability	1,598,063
Total Non-Current Liabilities	<u>7,141,420</u>
<b>TOTAL LIABILITIES</b>	<b><u>8,190,535</u></b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred Pension Credits	<u>151,283</u>
<b>NET POSITION</b>	
Net Investment in Capital Assets	14,288,528
Restricted for Debt Service	167,161
Unrestricted	636,844
<b>TOTAL NET POSITION</b>	<b><u>\$ 15,092,533</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 JUNE 30, 2021

	<u>UTILITY FUND</u>
<b>OPERATING REVENUES</b>	
Charges for Services	
Water Fees	\$ 2,521,161
Sewer Fees	747,388
Stormwater Fees	101,447
Tap Fees	67,290
<b>TOTAL OPERATING REVENUES</b>	<u><u>3,437,286</u></u>
<b>OPERATING EXPENSES</b>	
Personnel Services	884,930
Contractual Services	216,606
Materials and Supplies	292,177
Other	402,881
Depreciation	1,006,119
<b>TOTAL OPERATING EXPENSES</b>	<u><u>2,802,713</u></u>
<b>OPERATING INCOME (LOSS)</b>	<b>634,573</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>	
Grant Revenue	128,400
Interest Income	880
Other Revenues	241,268
Interest Expense	(201,923)
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<u><u>168,625</u></u>
<b>INCOME (LOSS) BEFORE TRANSFERS</b>	<b>803,198</b>
Transfers Out	<u>(235,000)</u>
<b>CHANGE IN NET POSITION</b>	<b>568,198</b>
NET POSITION, Beginning of Year	<u>14,524,335</u>
<b>NET POSITION, End of Year</b>	<u><u>\$ 15,092,533</u></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 JUNE 30, 2021

	<u>UTILITY FUND</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash Received from Customers	\$ 3,680,534
Cash Payments for Goods and Services	(1,014,040)
Cash Payments to Employees	(1,082,564)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b><u>1,583,930</u></b>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>	
Advances and Transfers to Other Funds	(311,245)
<b>NET CASH USED IN NON-CAPITAL FINANCING ACTIVITIES</b>	<b><u>(311,245)</u></b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Capital Grants	128,400
Acquisition of Capital Assets	(611,276)
Principal Payments on Revenue Bonds	(668,760)
Interest Payments on Revenue Bonds	(206,057)
<b>NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b><u>(1,357,693)</u></b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest Income	880
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	<b><u>880</u></b>
<b>NET DECREASE IN RESTRICTED AND UNRESTRICTED CASH AND CASH EQUIVALENTS</b>	<b>(84,128)</b>
RESTRICTED AND UNRESTRICTED CASH AND CASH EQUIVALENTS, Beginning of Year	<u>437,760</u>
<b>RESTRICTED AND UNRESTRICTED CASH AND CASH EQUIVALENTS, End of Year</b>	<b><u>\$ 353,632</u></b>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating Income	\$ 634,573
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation Expense	1,006,119
Other Non-Operating Income	241,268
Change in:	
Receivables	(21,905)
Deferred Pension Charges	(28,564)
Accounts Payable	(78,275)
Accrued Salaries and Fringe Benefits	3,267
Retainage Payable	(24,101)
Compensated Absences	5,362
Customer Deposits	23,885
Net Pension Liability	(197,785)
Deferred Pension Credits	20,086
<b>Net Cash Provided by Operating Activities</b>	<b><u>\$ 1,583,930</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 JUNE 30, 2021**

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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.

***Related Organization***

Pickens Regional Joint Water System (“System”) was formed in October 2019 as a partnership of rural and municipal water districts to provide a high-quality, clean, safe, reliable, economical flow of treated water to its customers in Pickens County. To that end, the System will undertake a significant investment in utility infrastructure through the application for and acquisition of a source of water on Lake Keowee and construction of a water treatment plan to obtain security in and control access to an abundant source of water in order to provide and enhance water service withing the County. The System is currently governed by an ten-member Board of Commissioners (“Board”) for which the City serves as a member and as one of its customers. Currently, there are five member agencies in Pickens County. The City has the responsibility of appointing two board member but this appointment does not represent a majority or controlling interest in the System. The System does not have significant exclusive operational or financial relationships with the City. Therefore, it is not considered to be a component unit as defined by GAAP. Separate financial statements can be obtained by contacting Pickens Regional Joint Water System, 144 McDaniel Avenue, Pickens, SC 29671.

CITY OF PICKENS, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2021

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I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. The Reporting Entity (Continued)

*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 grounds 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, business licenses and permits, franchise fees, and intergovernmental revenues, are reported separately from *business-type activities*, which rely, to a significant extent, on fees and charges for support.

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.

**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.

CITY OF PICKENS, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2021

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I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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.

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 applicable).

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 fund types and funds 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 balance sheet items (except for those accounted for in the Proprietary Fund) are accounted for through governmental funds. The City's governmental 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 a budgeted 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 an 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.

**Special revenue funds** are used to account for the specific revenue sources (other than major capital projects) that are restricted by donor, law, or administrative actions to expenditures for specified purposes. These funds may or may not have a legally adopted budget and any remaining fund balance is generally restricted for the purpose of the specific revenue sources. The City has one non-major special revenue fund – the Firefighters' 1% Fund.

**Proprietary Fund Types** 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.

CITY OF PICKENS, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2021

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

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

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:

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

***Change in Accounting Principle***

The City adopted Governmental Accounting Standard Boards ("GASB") Statement No. 84 "*Fiduciary Activities*" ("Statement" or "GASB #84") for the year ended June 30, 2021. The primary objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement made it clear that the Firefighters' 1% balances and activities should be reported by the City in a special revenue fund. The balances and activities were previously not recorded.

The adoption of GASB #84 has resulted in the restatement of the City's fund balance and net position as of July 1, 2020 for its governmental fund financial statements and its government-wide financial statements to reflect the reporting of the Firefighters' 1% Fund. Fund balance of the City's governmental funds and net position of the City's governmental activities as of July 1, 2020 was increased by approximately \$6,000, reflecting the cumulative change in accounting principle related to the adoption of GASB #84.

**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 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.

CITY OF PICKENS, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2021

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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)

- (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.
- (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.

2. Receivables and Payables

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, water, sewer, sanitation, and other fees and charges.

CITY OF PICKENS, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2021

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

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

**2. Receivables and Payables (Continued)**

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.

**3. Inventories and Prepaid Items**

Inventories of materials, supplies, and gasoline are stated at average cost, which approximates market. Certain payments to vendors reflect costs that are applicable to future periods and are recorded as prepaid items. The costs of inventories and prepaid items are accounted for using the consumption method (expended/expensed when consumed).

**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 proprietary 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 acquisition value (as estimated by the City) at the date of donation.

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.



CITY OF PICKENS, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2021

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I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

5. *Compensated Absences (Continued)*

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 and discounts 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. Issuance costs are reported as expenses.

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 Net Position and the Balance Sheet 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 currently has one type of deferred outflows of resources. The City reports *deferred pension charges* in its Statements of Net Position in connection with its participation in the South Carolina Retirement System and South Carolina Police Officers Retirement System. These *deferred pension charges* are either (a) recognized in the subsequent period as a reduction of the net pension liability (which includes pension contributions made after the measurement date) or (b) amortized in a systematic and rational method as pension expense in future periods in accordance with GAAP.

In addition to liabilities, the Statement of Net Position and the Balance Sheet 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 City currently has two types of deferred inflows of resources: (1) The City reports *unavailable revenue – property taxes* only in the governmental funds balance sheet; it is deferred and recognized as an inflow of resources (property tax revenues) in the period the amounts become available. (2) The City also reports *deferred pension credits* in its proprietary fund and government-wide Statements of Net Position in connection with its participation in the South Carolina Retirement System and South Carolina Police Officers Retirement System (“Plans”). These *deferred pension credits* are amortized in a systematic and rational method and recognized as a reduction of pension expense in future periods in accordance with GAAP.

CITY OF PICKENS, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2021

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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*

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.

**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 of resources and liabilities and deferred inflows of resources 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 (before pension adjustments) 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.

CITY OF PICKENS, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2021

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I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

10. Pensions

In government-wide financial statements, pensions are required to be recognized and disclosed using the accrual basis of accounting (see Note IV.B and the required supplementary information immediately following the notes to the financial statements for more information), regardless of the amount recognized as pension expenditures on the modified accrual basis of accounting. The City recognizes a net pension liability for its participation in the Plans, which represents the City's proportionate share of the total pension liability over the fiduciary net position of the Plans, measured as of the City's preceding fiscal year-end. Changes in the net pension liability during the period are recorded as pension expense, or as deferred outflows or inflows of resources depending on the nature of the change, in the period incurred. Those changes in net pension liability that are recorded as deferred outflows or inflows of resources that arise from changes in actuarial assumptions or other inputs and differences between expected or actual experience are amortized over the weighted average remaining service life of all participants in the respective qualified pension plan and recorded as a component of pension expense beginning with the period in which they are incurred. Projected earnings on qualified pension plan investments are recognized as a component of pension expense. Differences between projected and actual investment earnings are reported as deferred outflows or inflows of resources and amortized as a component of pension expense on a closed basis over a five-year period beginning with the period in which the difference occurred.

11. Fair Value

The fair value measurement and disclosure framework provides for a three-tier fair value hierarchy that gives highest priority to quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

- Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the City can access at the measurement date.
- Level 2 – Inputs to the valuation methodology, other than quoted prices included in Level 1, that are observable for an asset or liability either directly or indirectly and include:
  - Quoted prices for similar assets and liabilities in active markets.
  - Quoted prices for identical or similar assets or liabilities in inactive markets.
  - Inputs other than quoted market prices that are observable for the asset or liability.
  - Inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- Level 3 – Inputs to the valuation methodology that are unobservable for an asset or liability and include:
  - Fair value is often based on developed models in which there are few, if any, observable inputs.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used maximize the use of observable inputs and minimize the use of unobservable inputs.

The valuation methodologies described above may produce a fair value calculation that may not be indicative of future net realizable values or reflective of future fair values. The City believes that the valuation methods used are appropriate and consistent with GAAP. The use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date. There have been no significant changes from the prior year in the methodologies used to measure fair value.

CITY OF PICKENS, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2021

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

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

**12. 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.

**13. Accounting Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. Those estimates and assumptions affect the reported amounts of assets and deferred outflows of resources and liabilities and deferred inflows of resources and disclosure of these balances as of the balance sheet date. 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.

**14. 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 budget:

1. On or before March 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 April of each year, the proposed budget is presented to the City Council for review. The City adopts the budget ordinance before June 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, Victims Assistance Fund (which is a subfund of the General Fund), and Hospitality Tax Fund. The City also adopts a budget for its Utility Fund (water and sewer activities) and the Stormwater Fund (which is a subfund of the Utility Fund). All annual appropriations lapse at fiscal year-end. Expenditures/expenses may not legally exceed appropriations on the fund level.
4. The budgets for the budgeted governmental 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.

CITY OF PICKENS, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2021

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 June 30, 2021, none of the City’s bank balances of approximately \$4,472,000 (with a carrying value of approximately \$4,432,000) were exposed to custodial credit risk.

*Investments*

**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.

As of June 30, 2021, the City had no financial assets that are classified as investments for note disclosure purposes.

Certain cash and cash equivalents of the City are legally restricted for specified purposes. The major types of restrictions at June 30, 2021 were those imposed by the revenue or other financing source (i.e. hospitality taxes, seized police funds, unspent bond proceeds, debt service reserve funds, etc.).

***Reconciliation to the Financial Statements***

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

Description	Amount
Carrying Amount of Deposits	\$ 4,431,962
Statement of Net Position:	
Cash and Cash Equivalents	\$ 3,176,774
Restricted Cash and Cash Equivalents	1,255,188
Total Cash and Cash Equivalents	\$ 4,431,962

CITY OF PICKENS, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2021

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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 1st 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 16th. Taxes are levied and billed in October on all property other than vehicles and are payable without penalty until January 15th 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 2021 real and business personal property taxes (which was for tax year 2020) were levied in October 2020 based on a millage rate of 78.3 mills (72.5 mills in the prior year) and were due beginning on that date. The City's assessed value of real and personal property was approximately \$14.6 million for tax year 2020. 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 June 30, 2021 of approximately \$21,000. The City recognized outstanding delinquent property taxes of approximately \$8,000 as revenue in the current period because the amount was collected within 60 days after year end. The remaining delinquent property tax receivable of approximately \$13,000 has been recorded as unavailable revenue (component of deferred inflows of resources) on the governmental fund financial statements.

*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 JUNE 30, 2021

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

C. Interfund Receivables, Payables, and Transfers

*Interfund Receivables and Payables*

Interfund balances at June 30, 2021, consisted of the following individual fund receivables and payables (all of which are available to be repaid within one year):

Fund	Receivables	Payables
<b><u>Major Governmental Funds:</u></b>		
General Fund	\$ 26,829	\$ 1,980,610
Hospitality Tax Fund	-	26,829
Grants Fund	39,192	-
<b><u>Major Enterprise Fund:</u></b>		
Utility Fund	1,941,418	-
Totals	<u>\$ 2,007,439</u>	<u>\$ 2,007,439</u>

The interfund balances 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 June 30, 2021, consisted of the following:

Fund	Transfers In	Transfers Out
<b><u>Major Governmental Fund:</u></b>		
General Fund	\$ 295,000	-
Hospitality Tax Fund	-	60,000
<b><u>Major Enterprise Fund:</u></b>		
Utility Fund	-	235,000
Totals	<u>\$ 295,000</u>	<u>\$ 295,000</u>

Funds are transferred to the General Fund from the Utility Fund for payroll expenditures and in lieu of property taxes and franchise fees (that would be collected if a private utility company provided water and sewer services). The transfer from the Hospitality Tax Fund to the General Fund was to cover a portion of the Amphitheater roof repairs. Council approves the amounts transferred annually during the budget process.

CITY OF PICKENS, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2021

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 June 30, 2021, was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
<b>Governmental Activities:</b>					
Capital Assets, Non-Depreciable:					
Land	\$ 1,238,440	-	-	-	\$ 1,238,440
Total Capital Assets, Non-Depreciable	<u>1,238,440</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,238,440</u>
Capital Assets, Depreciable:					
Buildings and Improvements	7,627,432	19,390	-	-	7,646,822
Machinery and Equipment	910,230	380,598	-	-	1,290,828
Vehicles	2,042,348	-	-	-	2,042,348
Infrastructure	2,584,756	-	-	-	2,584,756
Total Capital Assets, Depreciable	<u>13,164,766</u>	<u>399,988</u>	<u>-</u>	<u>-</u>	<u>13,564,754</u>
Less: Accumulated Depreciation for:					
Buildings and Improvements	2,406,868	267,466	-	-	2,674,334
Machinery and Equipment	569,982	104,242	-	-	674,224
Vehicles	1,872,945	66,102	-	-	1,939,047
Infrastructure	1,536,946	109,490	-	-	1,646,436
Total Accumulated Depreciation	<u>6,386,741</u>	<u>547,300</u>	<u>-</u>	<u>-</u>	<u>6,934,041</u>
Total Capital Assets, Depreciable, Net	<u>6,778,025</u>	<u>(147,312)</u>	<u>-</u>	<u>-</u>	<u>6,630,713</u>
Governmental Activities Capital Assets, Net	<u>\$ 8,016,465</u>	<u>(147,312)</u>	<u>-</u>	<u>-</u>	<u>\$ 7,869,153</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	\$ 380,598	\$ 43,055
Police	-	29,964
Fire	7,128	50,415
Recreation and Parks	12,262	306,711
Streets and Sanitation	-	96,609
Grounds Maintenance	-	20,546
Total - Governmental Activities	<u>\$ 399,988</u>	<u>\$ 547,300</u>



CITY OF PICKENS, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2021

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

D. Capital Assets (Continued)

Capital asset activity for the City’s business-type activities for the year ended June 30, 2021, was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
<b>Business-Type Activities</b>					
Capital Assets, Non-Depreciable:					
Land	\$ 199,331	-	-	-	\$ 199,331
Construction In Progress	-	23,500	-	-	23,500
Total Capital Assets, Non-Depreciable	<u>199,331</u>	<u>23,500</u>	<u>-</u>	<u>-</u>	<u>222,831</u>
Capital Assets, Depreciable:					
Buildings and Improvements	1,262,251	-	-	-	1,262,251
Water Utility System	18,586,681	210,493	-	-	18,797,174
Sewer Utility System	13,840,346	157,302	-	-	13,997,648
Machinery and Equipment	815,182	62,138	-	-	877,320
Vehicles	389,540	157,843	-	-	547,383
Total Capital Assets, Depreciable	<u>34,894,000</u>	<u>587,776</u>	<u>-</u>	<u>-</u>	<u>35,481,776</u>
Less: Accumulated Depreciation for:					
Buildings and Improvements	409,011	27,506	-	-	436,517
Water Utility System	7,470,363	606,537	-	-	8,076,900
Sewer Utility System	5,277,309	324,421	-	-	5,601,730
Machinery and Equipment	722,577	26,742	-	-	749,319
Vehicles	323,010	20,913	-	-	343,923
Total Accumulated Depreciation	<u>14,202,270</u>	<u>1,006,119</u>	<u>-</u>	<u>-</u>	<u>15,208,389</u>
Total Capital Assets, Depreciable, Net	<u>20,691,730</u>	<u>(418,343)</u>	<u>-</u>	<u>-</u>	<u>20,273,387</u>
Business-Type Activities Capital Assets, Net	<u>\$ 20,891,061</u>	<u>(394,843)</u>	<u>-</u>	<u>-</u>	<u>\$ 20,496,218</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	\$ 453,974	\$ 703,856
Sewer	157,302	302,263
Total - Business-Type Activities	<u>\$ 611,276</u>	<u>\$ 1,006,119</u>

CITY OF PICKENS, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2021

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

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. Note Payables (“NP”) and Conserfund Loans are special obligations of the City that are payable from the general revenues of the City. Revenue Bonds (“RB”) and Special Obligation Bonds (“SOB”) are obligations of the City that are secured by revenue from a specific source. The full faith, credit, and taxing powers of the City are not pledged for the payment of RB or SOB obligations nor the interest thereon.

All of the City’s outstanding debt been issued/obtained through direct borrowings/placements (“DBP”). Obligations through DBP are generally secured/collateralized by the underlying assets and contain provisions that in an event of default, (a) outstanding amounts can become immediately due if the City is unable to make payment and (b) the lender could exercise its option to demand return of the financed asset.

Details on the City’s outstanding debt and lease purchase obligations as of June 30, 2021 are as follows:

	Balance at <u>June 30, 2021</u>
<b><i>Note Payable</i></b>	
\$97,000 note payable initiated in July 2017 (“NP – 07/17”), due in monthly installments of approximately \$1,600 beginning on May 1, 2018 through April 1, 2023. The City purchased land for \$137,000 of which \$97,000 was funded by owner financing from the seller. There is no interest accruing over the life of the note.	\$ 35,567
<b><i>ConserFund Loan</i></b>	
\$81,550 loan agreement initiated in June 2018 (“ConserFund Loan – 06/18”), due in annual installments of approximately \$9,000 beginning on August 1, 2019 through August 1, 2028 including interest at 1.50%. The proceeds from this loan were used to install LED fixtures at the gymnasium and softball field and to install LED lighting at the new sand volleyball court.	66,196
<b><i>Special Obligation Bonds</i></b>	
\$2,000,000 special obligation bond (hospitality fee pledge) 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	891,643
\$1,000,000 special obligation bond (hospitality fee pledge) issued in January 2015 (“SOB – 01/15”), due in annual installments of approximately \$72,000 to \$96,000 beginning on August 1, 2015 through August 1, 2026, plus interest at 2.97% due annually. The proceeds from this issue were used to fund the acquisition and construction of certain former railway tracks for use as recreational facilities or as roads or trails providing access to tourist destinations located in the City, pay the costs of issuance, and satisfy the 2015 reserve fund requirement.	\$ 536,643

CITY OF PICKENS, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2021

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

E. Long-Term Obligations (Continued)

*General Obligation Bonds*

\$775,000 general obligation bond issued in August 2020 (“GOB – 08/20”), due in annual principal installments ranging from approximately \$78,000 to \$238,000 beginning on April 1, 2021 through April 1, 2024, plus interest of 1.231% due annually. The proceeds from this issue were used to fund the acquisition and equipping of a sanitation truck, heavy equipment and rolling stock, other equipment and capital assets, and to pay the costs of issuance. \$ 546,417

*Revenue Bonds*

\$5,000,000 waterworks and sewer system revenue bonds issued in October 2014 (“RB – 10/14”), due in annual principal installments of \$259,125 to \$419,445 beginning April 15, 2016 through April 15, 2030, plus interest at 3.500%, due semiannually. The proceeds from this issue were used to finance the installation of a new water metering system, improvements to the water and wastewater treatment plants, and to pay the costs of issuance. 3,302,690

\$4,630,000 waterworks and sewer system refunding revenue bonds issued in April 2016 (“RB – 04/16”), due in annual installments of approximately \$131,000 to \$397,000 beginning April 15, 2017 through April 15, 2031, plus interest at 2.44% due semiannually. The proceeds from this issue were used to currently refund the 2010 and 2011 revenue bonds. The original bonds were used to finance the City’s water and sewer system upgrades. The current refunding resulted in an immaterial deferred loss and thus no deferred loss was recorded. \$2,905,000

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 June 30, 2021.

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 June 30, 2021, the City had approximately \$546,000 in bonded debt subject to the 8% limit of approximately \$1,171,000 resulting in an unused legal debt margin of approximately \$625,000.

The revenue bonds require 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. In addition to the revenue bond requirements, the City is also required by its special obligation hospitality bonds to maintain hospitality fund revenues not less than 120% of the sum of the maximum debt service for any succeeding fiscal year in which the bonds will be outstanding. The City was in compliance with all of the significant financial covenants at June 30, 2021.

The order of priority for pledges and security on the capital assets of the City’s water/sewer activities is the revenue bonds.

CITY OF PICKENS, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2021

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 governmental activities for the year ended June 30, 2021:

Long-Term Obligations	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities:</b>					
Debt:					
NP – 07/17 - DBP	\$ 54,967	-	19,400	35,567	\$ 19,400
SOB – 05/12 - DBP	1,024,730	-	133,087	891,643	137,293
SOB – 01/15 - DBP	617,275	-	80,632	536,643	83,026
ConserFund Loan – 06/18 - DBP	73,930	-	7,734	66,196	7,850
GOB – 8/20 - DBP	-	775,000	228,583	546,417	230,254
Total Debt	<u>1,770,902</u>	<u>775,000</u>	<u>469,436</u>	<u>2,076,466</u>	<u>477,823</u>
Compensated Absences	71,285	82,822	82,400	71,707	14,341
Total Governmental Activities	<u>\$ 1,842,187</u>	<u>857,822</u>	<u>551,836</u>	<u>2,148,173</u>	<u>\$ 492,164</u>

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

Presented below is a summary of changes in long-term obligations for the City’s business-type activities for the year ended June 30, 2021:

Long-Term Obligations	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Business-Type Activities:</b>					
Debt:					
RB – 10/14 - DBP	\$ 3,610,450	-	307,760	3,302,690	\$ 318,531
RB – 04/16 - DBP	3,266,000	-	361,000	2,905,000	370,000
Total Debt	<u>6,876,450</u>	<u>-</u>	<u>668,760</u>	<u>6,207,690</u>	<u>688,531</u>
Compensated Absences	24,885	45,602	40,240	30,247	6,049
Total Business-Type Activities	<u>\$ 6,901,335</u>	<u>45,602</u>	<u>709,000</u>	<u>6,237,937</u>	<u>\$ 694,580</u>

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

CITY OF PICKENS, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2021

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 governmental activities as of June 30, 2021:

Year Ended June 30,	Debt - DBP		Total
	Principal	Interest	
<b><u>Governmental Activities:</u></b>			
2022	\$ 477,823	51,833	\$ 529,656
2023	489,709	42,076	531,785
2024	319,938	32,008	351,946
2025	249,578	23,698	273,276
2026	257,157	16,120	273,277
2027-2029	282,261	8,700	290,961
Totals	<u>\$ 2,076,466</u>	<u>174,435</u>	<u>\$ 2,250,901</u>

Presented below is a summary of debt service requirements to maturity by year for the City’s business-type activities as of June 30, 2021:

Year Ended June 30,	Debt - DBP		Total
	Principal	Interest	
<b><u>Business-Type Activities</u></b>			
2022	\$ 688,531	186,476	\$ 875,007
2023	708,680	166,300	874,980
2024	729,219	145,513	874,732
2025	750,161	124,103	874,264
2026	496,522	102,056	598,578
2027-2031	2,834,577	234,157	3,068,734
Totals	<u>\$ 6,207,690</u>	<u>958,605</u>	<u>\$ 7,166,295</u>

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.

The City pays an annual premium to SCMIRF for its general risk insurance. For the year ended June 30, 2021, the City made premium payments totaling approximately \$144,000. 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, 2020, totaled approximately \$14,492,000. 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.

CITY OF PICKENS, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2021

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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 SCMIT for its workers compensation insurance. For the year ended June 30, 2021, the City made premium payments totaling approximately \$29,000. 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, 2020, totaled approximately \$60,286,000. 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. Retirement Plans

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

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

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

*Plan Description*

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

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

**IV. OTHER INFORMATION (CONTINUED)**

**B. Retirement Plans (Continued)**

*Plan Membership*

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

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

*Plan Benefits*

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

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

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

CITY OF PICKENS, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2021

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IV. OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

*Plan Benefits (Continued)*

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

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

*Plan Contributions*

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

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

As noted earlier, 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 eligible compensation. Required employer and employee contribution rates for the past three fiscal years were as follows:



CITY OF PICKENS, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2021

IV. OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

Plan Contributions (Continued)

	SCRS Rates			PORS Rates		
	2019	2020	2021	2019	2020	2021
Employer Contribution Rate: ^						
Retirement	14.41%	15.41%	15.41%	16.84%	17.84%	17.84%
Incidental Death Benefit	0.15%	0.15%	0.15%	0.20%	0.20%	0.20%
Accidental Death Contributions	0.00%	0.00%	0.00%	0.20%	0.20%	0.20%
	<u>14.56%</u>	<u>15.56%</u>	<u>15.56%</u>	<u>17.24%</u>	<u>18.24%</u>	<u>18.24%</u>
Employee Contribution Rate ^	<u>9.00%</u>	<u>9.00%</u>	<u>9.00%</u>	<u>9.75%</u>	<u>9.75%</u>	<u>9.75%</u>

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

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

Period Ended *	SCRS Contributions		PORS Contributions	
	Required	% Contributed	Required	% Contributed
June 30, 2021	\$ 191,792	100%	\$ 149,871	100%
June 30, 2020	201,346	100%	147,430	100%
June 30, 2019	\$ 226,713	100%	\$ 164,325	100%

\* The City changed its fiscal year end from April 30 to June 30 beginning in 2019. The period ending June 30, 2019 was a 14 month period.

In an effort to help offset a portion of the burden of the increased contribution requirement for employers, the State General Assembly (“State”) funded 1 percent of the SCRS and PORS contribution increases for the year ended June 30, 2020. The State’s budget appropriated these funds directly to the PEBA for the South Carolina Retirement System Trust Fund and the Police Officers Retirement System Trust Fund. The amount of funds appropriated by the State (nonemployer contributing entity) for the year ended June 30, 2020 (measurement date) to the City were approximately \$12,000 and \$5,000 for the SCRS and PORS, respectively.

The City recognized contributions (on-behalf benefits) from the State of approximately \$13,000 and \$6,000 for the SCRS and PORS, respectively, for the year ended June 30, 2021. These contributions by the State are recognized as intergovernmental revenues and pension expenditures in the City’s governmental fund financial statements.

Eligible payrolls covered under the Plans for the past three years/periods were as follows:

Period Ended *	SCRS Payroll	PORS Payroll	Total Payroll
June 30, 2021	\$ 1,232,596	821,660	\$ 2,054,256
June 30, 2020	1,293,996	808,276	2,102,272
June 30, 2019	\$ 1,573,310	961,720	\$ 2,535,030

\* The City changed its fiscal year end from April 30 to June 30 beginning in 2019. The period ending June 30, 2019 was a 14 month period.

CITY OF PICKENS, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2021

IV. OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

*Actuarial Assumptions and Methods*

Actuarial valuations of the plan involve estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and future salary increases. Amounts determined regarding the net pension liability are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. South Carolina state statute requires that an actuarial experience study be completed at least once in each five-year period. An experience report on the Systems was most recently issued for the period ending June 30, 2019 for first use in the July 1, 2021 actuarial valuation (previous report was issued for the period ending June 30, 2015).

The June 30, 2020 total pension liability (“TPL”), net pension liability (“NPL”), and sensitivity information shown in this report were determined by the consulting actuary, Gabriel, Roeder, Smith and Company, and are based on an actuarial valuation performed as of July 1, 2019. The TPL was rolled-forward from the valuation date to the Plans' fiscal year end, June 30, 2020, using generally accepted actuarial principles.

The following table provides a summary of the actuarial assumptions and methods used to calculate the TPL as of June 30, 2020 for the SCRS and PORS.

	SCRS	PORS
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Actuarial Assumptions:		
Investment Rate of Return*	7.25%	7.25%
Projected Salary Increases*	3.0% to 12.5% (varies by service)	3.5% to 9.5% (varies by service)
Benefit Adjustments	Lesser of 1% or \$500 annually	Lesser of 1% or \$500 annually

\* Includes inflation at 2.25%.

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

Former Job Class	Males	Females
Educators	2016 PRSC Males multiplied by 92%	2016 PRSC Females multiplied by 98%
General Employees and Members of the General Assembly	2016 PRSC Males multiplied by 100%	2016 PRSC Females multiplied by 111%
Public Safety and Firefighters	2016 PRSC Males multiplied by 125%	2016 PRSC Females multiplied by 111%

*Long-Term Expected Rate of Return*

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

CITY OF PICKENS, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2021

IV. OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

*Long-Term Expected Rate of Return (Continued)*

The expected returns, along with the expected inflation rate, form the basis for the target asset allocation adopted at the beginning of the 2020 fiscal year. The long-term expected rate of return is produced by weighting the expected future real rates of return by the target allocation percentage and adding expected inflation and is summarized in the following table. For actuarial purposes, the 7.25 percent assumed annual investment rate of return used in the calculation of the TPL includes a 5.00 percent real rate of return and a 2.25 percent inflation component.

Allocation/Exposure	Policy Target	Expected Arithmetic Real Rate of Return	Long-Term Expected Portfolio Real Rate of Return
<b>Global Equity</b>	<b>51.0%</b>		
Global Public Equity	35.0%	7.81%	2.73%
Private Equity	9.0%	8.91%	0.80%
Equity Options Strategies	7.0%	5.09%	0.36%
<b>Real Assets</b>	<b>12.0%</b>		
Real Estate (Private)	8.0%	5.55%	0.44%
Real Estate (REITs)	1.0%	7.78%	0.08%
Infrastructure (Private)	2.0%	4.88%	0.10%
Infrastructure (Public)	1.0%	7.05%	0.07%
<b>Opportunistic</b>	<b>8.0%</b>		
Global Tactical Asset Allocation	7.0%	3.56%	0.25%
Other Opportunistic Strategies	1.0%	4.41%	0.04%
<b>Credit</b>	<b>15.0%</b>		
High Yield Bonds/Bank Loans	4.0%	4.21%	0.17%
Emerging Markets Debt	4.0%	3.44%	0.14%
Private Debt	7.0%	5.79%	0.40%
<b>Rate Sensitive</b>	<b>14.0%</b>		
Core Fixed Income	13.0%	1.60%	0.21%
Cash and Short Duration (Net)	1.0%	0.56%	0.01%
Total Expected Real Rate of Return	100.0%		5.80%
Inflation for Actuarial Purposes			2.25%
Total Expected Nominal Return			8.05%

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

The NPL is calculated separately for each system and represents that particular system's TPL determined in accordance with GASB No. 67 less that System's fiduciary net position. NPL totals, as of the June 30, 2020 measurement date, for the SCRS and PORS, are presented in the following table:

System	Total Pension Liability	Plan Fiduciary Net Position	Employers' Net Pension Liability (Asset)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
SCRS	\$ 51,844,187,763	26,292,418,682	\$ 25,551,769,081	50.7%
PORS	\$ 8,046,386,629	4,730,174,642	\$ 3,316,211,987	58.8%

CITY OF PICKENS, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2021

IV. OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

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

The TPL is calculated by the Systems' actuary, and each Plans' fiduciary net position is reported in the Systems' financial statements. The NPL is disclosed in accordance with the requirements of GASB No. 67 in the Systems' notes to the financial statements and required supplementary information. Liability calculations performed by the Systems' actuary for the purpose of satisfying the requirements of GASB Nos. 67 and 68 are not applicable for other purposes, such as determining the Plans' funding requirements.

At June 30, 2021, the City reported liabilities of approximately \$2,991,000 and \$1,781,000 for its proportionate share of the NPL for the SCRS and PORS, respectively. The NPL were measured as of June 30, 2020, and the TPL for the Plans used to calculate the NPL were determined based on the most recent actuarial valuation report of July 1, 2019 that was projected forward to the measurement date. The City's proportion of the NPL were based on a projection of the City's long-term share of contributions to the Plans relative to the projected contributions of all participating South Carolina state and local governmental employers, actuarially determined. At the June 30, 2020 measurement date, the City's SCRS proportion was 0.011704 percent, which was a decrease of 0.000938 percent from its proportion measured as of June 30, 2019. At the June 30, 2020 measurement date, the City's PORS proportion was 0.053719 percent, which was a decrease of 0.002567 percent from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the City recognized pension expense of approximately \$261,000 and \$292,000 for the SCRS and PORS, respectively. At June 30, 2021, the City reported deferred outflows of resources (deferred pension charges) and deferred inflows of resources (deferred pension credits) related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
<b>SCRS</b>		
Differences Between Expected and Actual Experience	\$ 34,508	\$ 11,309
Change in Assumptions	3,664	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	219,983	-
Changes in Proportion and Differences Between the Employer's Contributions and Proportionate Share of Contributions	3,239	271,800
Employer Contributions Subsequent to the Measurement Date	178,823	-
Total SCRS	<u>440,217</u>	<u>283,109</u>
<b>PORS</b>		
Differences Between Expected and Actual Experience	37,859	7,841
Change in Assumptions	21,739	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	182,414	-
Changes in Proportion and Differences Between the Employer's Contributions and Proportionate Share of Contributions	102,951	52,325
Employer Contributions Subsequent to the Measurement Date	143,865	-
Total PORS	<u>488,828</u>	<u>60,166</u>
Total SCRS and PORS	<u>\$ 929,045</u>	<u>\$ 343,275</u>

CITY OF PICKENS, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2021

IV. OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

*Pension Liabilities, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)*

Approximately \$179,000 and \$144,000 that were reported as deferred outflows of resources related to the City’s contributions subsequent to the measurement date to the SCRS and PORS, respectively, will be recognized as a reduction of the NPL in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources (deferred pension charges) and deferred inflows of resources (deferred pension credits) related to the SCRS and PORS will increase (decrease) pension expense as follows:

Year Ended June 30,	SCRS	PORS	Total
2022	\$ (79,792)	106,962	\$ 27,170
2023	(21,986)	83,018	61,032
2024	23,928	50,601	74,529
2025	56,135	44,216	100,351
Total	<u>\$ (21,715)</u>	<u>284,797</u>	<u>\$ 263,082</u>

*Discount Rate*

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

*Sensitivity Analysis*

The following table presents the sensitivity of the City’s proportionate share of the NPL of the Plans to changes in the discount rate, calculated using the discount rate of 7.25 percent, as well as what it would be if it were calculated using a discount rate that is 1% point lower (6.25 percent) or 1% point higher (8.25 percent) than the current rate:

System	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
City’s proportionate share of the net pension liability of the SCRS	\$ 3,706,480	2,990,598	\$ 2,392,828
City’s proportionate share of the net pension liability of the PORS	2,358,306	1,781,425	1,318,226
Total	<u>\$ 6,064,786</u>	<u>4,772,023</u>	<u>\$ 3,711,054</u>

*Plans Fiduciary Net Position*

Detailed information regarding the fiduciary net position of the Plans administered by the PEBA is available in the separately issued Comprehensive Annual Financial Report containing financial statements and required supplementary information for the SCRS and PORS. The Comprehensive Annual Financial Report is publicly available through the PEBA’s website at [www.peba.sc.gov](http://www.peba.sc.gov), or a copy may be obtained by submitting a request to PEBA, 202 Arbor Lake Drive, Columbia, SC 29223.

CITY OF PICKENS, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2021

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**IV. OTHER INFORMATION (CONTINUED)**

**B. Retirement Plans (Continued)**

*Payable to Plans*

The City reported a payable of approximately \$42,000 to the PEBA as of June 30, 2021, representing required employer and employee contributions for the month of June 2021 for the SCRS and PORS. This amount is included in Accrued Salaries and Fringe Benefits on the financial statements and was paid in July 2021.

**C. 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, will not have a material effect on any of the financial statements included herein or on the overall financial position of the City at June 30, 2021.

*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 June 30, 2021.

*COVID-19 Health Pandemic*

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the "COVID-19 outbreak") and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally. Management continues to actively monitor the impact from the COVID-19 outbreak on its financial condition, liquidity, operations, and workforce. If the COVID-19 outbreak continues or strengthens due to new variants resulting in state, local, and federal governments recommending or mandating restrictions on business and travel in an effort to curb the COVID-19 outbreak (by changing consumer behavior), the City expects such restrictions may negatively impact the City's operations.

*Pickens Regional Joint Water System*

The City is a member of the System (see Note I.A for more details) and has entered into a Project Participation Agreement whereby each participant will be required to pay its pro-rata portion of the System's costs. The System is in the early startup stages but will incur significant debt in building a water treatment plant and related facilities ("Plant") together with certain transmission mains to transport treated water from the Plant to various areas in Pickens County. Currently, the City has approximately 27.8% of the allocated capacity of the Plant.

*Police Dispatch Services*

In April 2013, the City entered into a five year agreement with the City of Liberty for police dispatch services for a quarterly rate of \$9,000 (\$36,000 annually) beginning May 1, 2013. The agreement will be renewed automatically each year upon agreement as long as both parties mutually agree. Beginning May 1, 2016, the terms of the agreement increased from \$36,000 to \$42,000. Beginning May 1, 2018, the terms of the agreement increased from \$42,000 to \$45,000.

**CITY OF PICKENS, SOUTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2021**

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**IV. OTHER INFORMATION (CONTINUED)**

**C. Contingent Liabilities and Commitments (Continued)**

*IT Service Agreement*

In September 2020, the City entered into a five year agreement with VC3 for IT services and support. The remaining payments on this agreement were approximately \$59,000 for fiscal years 2022 through 2025 and approximately \$10,000 for fiscal year 2026. The City paid/incurred approximately \$49,000 in fiscal year 2021 related to this agreement.

*Operating Leases*

The City entered into several vehicle operating leases during the year ended June 30, 2020. The remaining payments on these operating leases were approximately \$34,000 for fiscal years 2022 through 2024 and approximately \$13,000 for fiscal year 2025. The City paid/incurred approximately \$62,000 in fiscal year 2021 related to these vehicle operating leases and paid approximately \$115,000 to buyout five of the original leases.

In May 2021, the City entered into a five year agreement with AXON Enterprise, Inc. for dash and body camera equipment and related monitoring services. The remaining payments on these operating leases were approximately \$37,000 for fiscal years 2022 through 2025. The City paid/incurred approximately \$29,000 in fiscal year 2021 related to these operating leases.

**D. Subsequent Events**

In July 2021, the City issued a \$3,273,000 Series 2021A Utility System Refunding Revenue Bond (“Series 2021A”) and a \$7,896,000 Series 2021B Utility System Improvement and Refunding Revenue Bond (“Series 2021B”). The Series 2021A currently refunds the Series 2014 Revenue Bonds and is due in 9 annual principal payments on June 1st each year with amounts ranging from \$351,000 to \$383,000 with interest payments due semi-annually on December 1st and June 1st each year at a rate of 1.83%. The Series 2021B currently refunds the Series 2016 Refunding Revenue Bonds and provides new proceeds of \$5,000,000 to be used for future utility improvements, and is due in 20 annual principal payments June 1st each year with amounts ranging from \$109,000 to \$680,000 with interest payments due semi-annually on December 1st and June 1st each year at a rate of 2.83%.

In November 2021, the City entered into an agreement with American Tank Maintenance, LLC to service and maintain five water storage tanks owned by the City for up to ten years. The City can terminate this agreement at any time but also has the right to continue this agreement for an indefinite period of time. The City has agreed to an initial annual cost of approximately \$93,000 (which is subject to a 3.5% inflation increase each year).

In October 2021, the City received approximately \$789,000 of the approximately \$1,578,000 that they were awarded in American Rescue Plan Act (“ARPA”) funding. The City Council has not yet committed the funds for future uses. There are four primary areas that the funding can be used for: (1) water, sewer, and storm drainage infrastructure, (2) premium pay for essential workers, (3) COVID-19 health related concerns, and (4) funding to help businesses recover from the pandemic.

In February 2022, City Council approved the payment of COVID-19 relief incentive payments (using ARPA funds) to all part-time and full-time employees of the City for approximately \$62,000. These amounts were paid to employees in March 2022.

In April 2022, the City Administrator resigned to pursue a new business opportunity in private industry.

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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 Schedules
  - General Fund
  - Hospitality Tax Fund
  
- Pension Plan Schedules
  - Schedule of the City's Proportionate Share of the Net Pension Liability – South Carolina Retirement System
  - Schedule of Contributions – South Carolina Retirement System
  - Schedule of the City's Proportionate Share of the Net Pension Liability – Police Officers Retirement System
  - Schedule of Contributions – Police Officers Retirement System

CITY OF PICKENS, SOUTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULES

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

YEAR ENDED JUNE 30, 2021

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH REVISED BUDGET
	ORIGINAL	REVISED		
<b>REVENUES</b>				
Taxes	\$ 355,700	355,700	458,754	\$ 103,054
Fees, Charges, and Rentals	540,075	540,075	593,966	53,891
Fines and Forfeitures	89,649	89,649	58,192	(31,457)
Licenses, Permits, and Franchise Fees	946,500	946,500	1,026,288	79,788
Intergovernmental Revenues	708,115	708,115	815,702	107,587
External Service Reimbursements	224,000	224,000	224,000	-
Grants	-	-	97,431	97,431
<b>TOTAL REVENUES</b>	<b>2,864,039</b>	<b>2,864,039</b>	<b>3,274,333</b>	<b>410,294</b>
<b>EXPENDITURES</b>				
Current:				
Administrative and General	367,328	367,328	440,126	(72,798)
Police	1,061,546	1,061,546	1,097,019	(35,473)
Fire	388,239	388,239	378,773	9,466
Municipal Court	65,751	65,751	62,525	3,226
Victims Services	17,649	17,649	15,741	1,908
Recreation and Parks	289,836	289,836	245,878	43,958
Streets and Sanitation	430,922	430,922	459,174	(28,252)
Grounds Maintenance	227,543	227,543	203,589	23,954
Capital Outlay	48,000	48,000	512,203	(464,203)
Debt Service				
Principal	245,000	245,000	228,583	16,417
Interest and Other Charges	4,800	4,800	6,281	(1,481)
Bond Issuance Costs	-	-	12,720	(12,720)
<b>TOTAL EXPENDITURES</b>	<b>3,146,614</b>	<b>3,146,614</b>	<b>3,662,612</b>	<b>(515,998)</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(282,575)</b>	<b>(282,575)</b>	<b>(388,279)</b>	<b>(105,704)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Issuance of General Obligation Bonds	-	-	775,000	775,000
Transfers In	285,000	285,000	295,000	10,000
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>285,000</b>	<b>285,000</b>	<b>1,070,000</b>	<b>785,000</b>
<b>NET CHANGES IN FUND BALANCES</b>	<b>2,425</b>	<b>2,425</b>	<b>681,721</b>	<b>679,296</b>
FUND BALANCES, Beginning of Year	980,920	980,920	980,920	-
<b>FUND BALANCES, End of Year</b>	<b>\$ 983,345</b>	<b>983,345</b>	<b>1,662,641</b>	<b>\$ 679,296</b>

Note: The City's original and revised budget reflected the expected surplus of fund balance of approximately \$2,000.

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 expenditures were over budget primarily due to one-time capital outlay and grant expenditures that were approved by City Council but for which they chose not to amend the budget.

CITY OF PICKENS, SOUTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULES

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

YEAR ENDED JUNE 30, 2021

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH REVISED BUDGET
	ORIGINAL	REVISED		
<b>REVENUES</b>				
Hospitality Taxes	\$ 465,000	465,000	540,450	\$ 75,450
Fees, Charges, and Rentals	-	-	900	900
Grants	-	-	40,000	40,000
Interest Earnings	-	-	111	111
<b>TOTAL REVENUES</b>	<b>465,000</b>	<b>465,000</b>	<b>581,461</b>	<b>116,461</b>
<b>EXPENDITURES</b>				
Current:				
Administrative and General	46,583	46,583	18,878	27,705
Recreation and Parks	68,000	68,000	25,142	42,858
Debt Service				
Principal	277,530	277,530	240,853	36,677
Interest and Other Charges	50,714	50,714	51,824	(1,110)
<b>TOTAL EXPENDITURES</b>	<b>442,827</b>	<b>442,827</b>	<b>336,697</b>	<b>106,130</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>22,173</b>	<b>22,173</b>	<b>244,764</b>	<b>222,591</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers Out	(60,000)	(60,000)	(60,000)	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(60,000)</b>	<b>(60,000)</b>	<b>(60,000)</b>	<b>-</b>
<b>NET CHANGES IN FUND BALANCES</b>	<b>(37,827)</b>	<b>(37,827)</b>	<b>184,764</b>	<b>222,591</b>
FUND BALANCES, Beginning of Year	411,090	411,090	411,090	-
<b>FUND BALANCES, End of Year</b>	<b>\$ 373,263</b>	<b>373,263</b>	<b>595,854</b>	<b>\$ 222,591</b>

Note: The City's original and revised budget reflected the use of fund balance of approximately \$38,000.

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.

CITY OF PICKENS, SOUTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION - PENSION PLAN SCHEDULES

SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
SOUTH CAROLINA RETIREMENT SYSTEM

LAST SEVEN FISCAL YEARS/PERIODS \*

	Year/Period Ended June 30th*				Year Ended April 30th *		
	2021	2020	2019	2018	2017	2016	2015
City's Proportion of the Net Pension Liability (Asset)	0.011704%	0.012642%	0.013319%	0.014102%	0.013167%	0.011347%	0.011329%
City's Proportionate Share of the Net Pension Liability (Asset)	\$ 2,990,598	2,886,591	2,984,467	3,174,587	2,812,452	2,152,013	\$ 1,950,478
City's Covered Payroll	\$ 1,293,996	1,573,310	1,380,266	1,422,834	1,267,320	1,044,902	\$ 1,028,511
City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	231.11%	183.47%	216.22%	223.12%	221.92%	205.95%	189.64%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	50.71%	54.40%	54.10%	53.34%	52.91%	56.99%	59.92%

Notes to Schedule:

\* The City changed its fiscal year end from April 30 to June 30 beginning in 2019. The period ending June 30, 2019 was a 14 month period. The amounts presented for each fiscal year/period were determined as of June 30th of the preceding year. The City adopted GASB #68/71 during the year ended April 30, 2016. Information before 2015 is not available. The discount rate was lowered from 7.50% to 7.25% beginning with the June 30, 2017 measurement date.

**CITY OF PICKENS, SOUTH CAROLINA**  
**REQUIRED SUPPLEMENTARY INFORMATION - PENSION PLAN SCHEDULES**  
**SCHEDULE OF CONTRIBUTIONS**  
**SOUTH CAROLINA RETIREMENT SYSTEM**

**LAST SEVEN FISCAL YEARS/PERIODS \***

	Year/Period Ended June 30th*			Year Ended April 30th *		
	2021	2020	2019	2018	2017	2016
Contractually Required Contribution	\$ 191,792	201,346	226,713	186,712	152,640	135,459
Contributions in Relation to the Contractually Required Contribution						
Contributions from the City	178,823	189,382	213,707	173,706	152,640	135,459
Contributions from the State	12,969	11,964	13,006	13,006	-	-
Contribution Deficiency (Excess)	\$ -	-	-	-	-	\$ -
City's Covered Payroll	\$ 1,232,596	1,293,996	1,573,310	1,433,515	1,333,125	1,228,458
Contributions as a Percentage of Covered Payroll	15.56%	15.56%	14.41%	13.02%	11.45%	11.03%
						10.83%

**Notes to Schedule:**

\* The City changed its fiscal year end from April 30 to June 30 beginning in 2019. The period ending June 30, 2019 was a 14 month period. The City adopted GASB #68/71 during the year ended April 30, 2016. Information before 2015 is not available.

CITY OF PICKENS, SOUTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION - PENSION PLAN SCHEDULES

SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
POLICE OFFICERS RETIREMENT SYSTEM

LAST SEVEN FISCAL YEARS/PERIODS \*

	Year/Period Ended June 30th*			Year Ended April 30th *			
	2021	2020	2019	2018	2017	2016	2015
City's Proportion of the Net Pension Liability (Asset)	0.05372%	0.05629%	0.04983%	0.04811%	0.04606%	0.04802%	0.05627%
City's Proportionate Share of the Net Pension Liability (Asset)	\$ 1,781,425	1,613,132	1,411,922	1,317,948	1,168,199	1,046,572	\$ 1,077,325
City's Covered Payroll	\$ 808,276	961,720	689,706	647,865	591,780	619,485	\$ 676,837
City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	220.40%	167.73%	204.71%	203.43%	197.40%	168.94%	159.17%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	58.79%	62.69%	61.73%	60.94%	60.44%	64.57%	67.55%

Notes to Schedule:

\* The City changed its fiscal year end from April 30 to June 30 beginning in 2019. The period ending June 30, 2019 was a 14 month period. The amounts presented for each fiscal year/period were determined as of June 30th of the preceding year. The City adopted GASB #68/71 during the year ended April 30, 2016. Information before 2015 is not available. The discount rate was lowered from 7.50% to 7.25% beginning with the June 30, 2017 measurement date.

CITY OF PICKENS, SOUTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION - PENSION PLAN SCHEDULES

SCHEDULE OF CONTRIBUTIONS  
POLICE OFFICERS RETIREMENT SYSTEM

LAST SEVEN FISCAL YEARS/PERIODS \*

	Year/Period Ended June 30th*			Year Ended April 30th *		
	2021	2020	2019	2018	2017	2015
Contractually Required Contribution	\$ 149,871	147,430	164,325	102,119	89,371	\$ 83,972
Contributions in Relation to the Contractually Required Contribution						
Contributions from the City	143,865	142,120	158,288	96,082	89,371	83,972
Contributions from the State	6,006	5,310	6,037	6,037	-	-
Contribution Deficiency (Excess)	\$ -	-	-	-	-	\$ -
City's Covered Payroll	\$ 821,660	808,276	961,720	648,919	632,807	\$ 632,355
Contributions as a Percentage of Covered Payroll	18.24%	18.24%	17.09%	15.74%	14.12%	13.28%

Notes to Schedule:

\* The City changed its fiscal year end from April 30 to June 30 beginning in 2019. The period ending June 30, 2019 was a 14 month period. The City adopted GASB #68/71 during the year ended April 30, 2016. Information before 2015 is not available.

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## Supplementary Information

CITY OF PICKENS, SOUTH CAROLINA

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

YEAR ENDED JUNE 30, 2021

	<b>REVISED BUDGET</b>	<b>ACTUAL</b>	<b>VARIANCE</b>
<b>REVENUES</b>			
Taxes:			
Property Taxes	\$ 354,000	457,627	\$ 103,627
Accommodations Taxes	1,700	1,127	(573)
Total Taxes	<u>355,700</u>	<u>458,754</u>	<u>103,054</u>
Fees, Charges, and Rentals:			
Fire Protection Fees	186,000	200,278	14,278
Recreation Fees	83,500	76,554	(6,946)
Sanitation Charges	260,000	229,208	(30,792)
Rentals	3,275	34,858	31,583
Miscellaneous	7,300	53,068	45,768
Total Fees, Charges, and Rentals	<u>540,075</u>	<u>593,966</u>	<u>53,891</u>
Fines and Forfeitures:			
Court Fines	89,649	58,192	(31,457)
Total Fines and Forfeitures	<u>89,649</u>	<u>58,192</u>	<u>(31,457)</u>
Licenses, Permits, and Franchise Fees:			
Business Licenses	600,000	702,971	102,971
Permits	1,500	6,244	4,744
Franchise Fees	345,000	317,073	(27,927)
Total Licenses, Permits, and Franchise Fees	<u>946,500</u>	<u>1,026,288</u>	<u>79,788</u>
Intergovernmental Revenues			
Local Option Sales Tax	600,000	666,196	66,196
Aid to Subdivisions	74,115	79,145	5,030
Merchants Inventory Tax	14,000	10,827	(3,173)
County Road Maintenance Award	20,000	40,525	20,525
State Aid	-	18,975	18,975
Manufacturing Reimbursement	-	34	34
Total Intergovernmental Revenues	<u>708,115</u>	<u>815,702</u>	<u>107,587</u>
External Service Reimbursements:			
School Resource Officers	224,000	224,000	-
Total External Service Reimbursements	<u>224,000</u>	<u>224,000</u>	<u>-</u>
Grants:			
Grant	-	97,431	97,431
Total Grants	<u>-</u>	<u>97,431</u>	<u>97,431</u>
<b>TOTAL REVENUES</b>	<b><u>\$ 2,864,039</u></b>	<b><u>3,274,333</u></b>	<b><u>\$ 410,294</u></b>

(Continued)

CITY OF PICKENS, SOUTH CAROLINA

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

YEAR ENDED JUNE 30, 2021

	<b>REVISED BUDGET</b>	<b>ACTUAL</b>	<b>VARIANCE</b>
<b>EXPENDITURES</b>			
Administrative and General:			
Personnel Services	\$ 165,048	174,114	\$ (9,066)
Operating Expenditures	202,280	266,012	(63,732)
Capital Outlay	-	511,735	(511,735)
Total Administrative and General	<u>367,328</u>	<u>951,861</u>	<u>(584,533)</u>
Police:			
Personnel Services	930,278	899,861	30,417
Operating Expenditures	131,268	197,158	(65,890)
Capital Outlay	48,000	-	48,000
Total Police	<u>1,109,546</u>	<u>1,097,019</u>	<u>12,527</u>
Fire:			
Personnel Services	290,551	284,028	6,523
Operating Expenditures	97,688	94,745	2,943
Total Fire	<u>388,239</u>	<u>378,773</u>	<u>9,466</u>
Municipal Court:			
Personnel Services	57,751	58,283	(532)
Operating Expenditures	8,000	4,242	3,758
Total Municipal Court	<u>65,751</u>	<u>62,525</u>	<u>3,226</u>
Victims Services:			
Personnel Services	14,649	15,741	(1,092)
Operating Expenditures	3,000	-	3,000
Total Victims Services	<u>17,649</u>	<u>15,741</u>	<u>1,908</u>
Recreation and Parks:			
Personnel Services	137,186	121,031	16,155
Operating Expenditures	152,650	124,847	27,803
Capital Outlay	-	28	(28)
Total Recreation and Parks	<u>289,836</u>	<u>245,906</u>	<u>43,930</u>
Streets and Sanitation:			
Personnel Services	254,242	241,964	12,278
Operating Expenditures	176,680	217,210	(40,530)
Total Streets and Sanitation	<u>430,922</u>	<u>459,174</u>	<u>(28,252)</u>
Grounds Maintenance:			
Personnel Services	167,393	164,842	2,551
Operating Expenditures	60,150	38,747	21,403
Capital Outlay	-	440	(440)
Total Grounds Maintenance	<u>\$ 227,543</u>	<u>204,029</u>	<u>\$ 23,514</u>

(Continued)

CITY OF PICKENS, SOUTH CAROLINA

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

YEAR ENDED JUNE 30, 2021

	<b>REVISED BUDGET</b>	<b>ACTUAL</b>	<b>VARIANCE</b>
<b>EXPENDITURES (CONTINUED)</b>			
Debt Service:			
Principal	\$ 245,000	228,583	\$ 16,417
Interest and Other Charges	4,800	6,281	(1,481)
Bond Issuance Costs	-	12,720	(12,720)
Total Debt Service	<u>249,800</u>	<u>247,584</u>	<u>2,216</u>
<b>TOTAL EXPENDITURES</b>	<b><u>3,146,614</u></b>	<b><u>3,662,612</u></b>	<b><u>(515,998)</u></b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b><u>(282,575)</u></b>	<b><u>(388,279)</u></b>	<b><u>(105,704)</u></b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Issuance of General Obligation Bonds	-	775,000	775,000
Transfers In	285,000	295,000	10,000
TOTAL OTHER FINANCING SOURCES (USES)	<u>285,000</u>	<u>1,070,000</u>	<u>785,000</u>
<b>NET CHANGES IN FUND BALANCES</b>	<b>2,425</b>	<b>681,721</b>	<b>679,296</b>
FUND BALANCES, Beginning of Year	<u>980,920</u>	<u>980,920</u>	<u>-</u>
<b>FUND BALANCES, End of Year</b>	<b><u>\$ 983,345</u></b>	<b><u>1,662,641</u></b>	<b><u>\$ 679,296</u></b>

**CITY OF PICKENS, SOUTH CAROLINA**

**SCHEDULE OF OPERATING EXPENSES BY DEPARTMENT - REVISED BUDGET AND ACTUAL PROPRIETARY FUND**

**YEAR ENDED JUNE 30, 2021**

<b>OPERATING EXPENSES</b>	<b>REVISED BUDGET</b>	<b>ACTUAL</b>	<b>VARIANCE</b>
<b>Water:</b>			
Personnel Services	\$ 942,904	699,112	\$ 243,792
Operating Expenses	714,650	678,274	36,376
Capital Outlay - Noncapitalizable/Depreciation	187,000	784,320	(597,320)
Total Water	<u>1,844,554</u>	<u>2,161,706</u>	<u>(317,152)</u>
<b>Sewer:</b>			
Personnel Services	212,702	185,818	26,884
Operating Expenses	139,290	112,679	26,611
Capital Outlay - Noncapitalizable/Depreciation	40,500	342,510	(302,010)
Total Sewer	<u>392,492</u>	<u>641,007</u>	<u>(248,515)</u>
<b>Stormwater:</b>			
Operating Expenses	7,000	-	7,000
Total Stormwater	<u>7,000</u>	<u>-</u>	<u>7,000</u>
<b>TOTAL EXPENSES</b>	<u><u>\$ 2,244,046</u></u>	<u><u>2,802,713</u></u>	<u><u>\$ (558,667)</u></u>

Note: Actual expenses above include depreciation expense, but the revised budget does not, as the City does not budget for depreciation expense.

CITY OF PICKENS, SOUTH CAROLINA

UNIFORM SCHEDULE OF FINES, ASSESSMENTS, AND SURCHARGES (PER ACT 96)

YEAR ENDED JUNE 30, 2021

FOR THE STATE TREASURER'S OFFICE:

COUNTY / MUNICIPAL FUNDS COLLECTED BY CLERK OF COURT	General Sessions	Magistrate Court	Municipal Court	Total
<b>Court Fines and Assessments:</b>				
Court fines and assessments collected			\$ 130,201	\$ 130,201
Court fines and assessments remitted to State Treasurer			(75,040)	(75,040)
<b>Total Court Fines and Assessments retained</b>			<b>55,161</b>	<b>55,161</b>
<b>Surcharges and Assessments retained for victim services:</b>				
Surcharges collected and retained			3,031	3,031
Assessments retained			7,645	7,645
<b>Total Surcharges and Assessments retained for victim services</b>			<b>\$ 10,676</b>	<b>\$ 10,676</b>

FOR THE DEPARTMENT OF CRIME VICTIM COMPENSATION (DCVC)

VICTIM SERVICE FUNDS COLLECTED	Municipal	County	Total
<b>Carryforward from Previous Year – Beginning Balance</b>	\$ 464		\$ 464
<b>Victim Service Revenue:</b>			
Victim Service Fines Retained by City/County Treasurer			
Victim Service Assessments Retained by City/County Treasurer	7,645		7,645
Victim Service Surcharges Retained by City/County Treasurer	3,031		3,031
Interest Earned			
Grant Funds Received			
Grant from:			
General Funds Transferred to Victim Service Fund			
<b>Contribution Received from Victim Service Contracts:</b>			
(1) Town of			
(2) Town of			
(3) City of			
<b>Total Funds Allocated to Victim Service Fund + Beginning Balance (A)</b>	<b>\$ 11,140</b>		<b>\$ 11,140</b>
<b>Expenditures for Victim Service Program:</b>	<b>Municipal</b>	<b>County</b>	<b>Total</b>
Salaries and Benefits	\$ 15,741		\$ 15,741
Operating Expenditures	-		-
<b>Victim Service Contract(s):</b>			
(1) Entity's Name			
(2) Entity's Name			
<b>Victim Service Donation(s):</b>			
(1) Domestic Violence Shelter:			
(2) Rape Crisis Center:			
(3) Other local direct crime victims service agency:			
Transferred to General Fund			
<b>Total Expenditures from Victim Service Fund/Program (B)</b>	<b>15,741</b>		<b>15,741</b>
Total Victim Service Funds Retained by Municipal/County Treasurer (A-B)			
<b>Less: Prior Year Fund Deficit Repayment</b>			
<b>Carryforward Funds – End of Year</b>	<b>\$ (4,601)</b>		<b>\$ (4,601)</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, South Carolina (the "City"), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated May 5, 2022.

**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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Greene Finney Cauley, LLP  
Mauldin, South Carolina  
May 5, 2022