

TOWN OF PACOLET, SOUTH CAROLINA

AUDITED FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2022

TOWN OF PACOLET, SOUTH CAROLINA

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TOWN OF PACOLET, SOUTH CAROLINA

**LISTING OF PRINCIPAL OFFICIALS
YEAR ENDED JUNE 30, 2022**

MAYOR

Ned Camby

TOWN COUNCIL MEMBERS

Jason Wright

Daniel Hood

Theresa Sexton

Thomas Williams

April Palmer-Greene

Josephine McBeth

TOWN ADMINISTRATOR

Patrick Kay

TOWN CLERK

Toni Kirby

POLICE CHIEF

Joseph L. Hawes

INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and Members of Town Council
Town of Pacolet
Pacolet, South Carolina

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Town of Pacolet (the "Town") as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Town of Pacolet as of June 30, 2022, and the respective changes in the financial position and the respective budgetary comparison for the General Fund for the year ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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



The Honorable Mayor and Members of Town Council
Town of Pacolet
April 28, 2023

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

The Honorable Mayor and Members of Town Council
Town of Pacolet
April 28, 2023

Required Supplementary Information

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

Supplementary Information

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

The supplemental schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 28, 2023, on our consideration of the Town of Pacolet'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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

McKinley, Cooper & Co., LLC

Greenville, South Carolina
April 28, 2023

Management's Discussion and Analysis

As management of the Town of Pacolet (the "Town"), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2022.

Financial Highlights

- The assets of the Town exceeded its liabilities at the close of the most recent fiscal year by \$3,150,547 (*net position*). Of this amount, \$636,816 (*unrestricted net position*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net position increased by \$372,394.
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$1,373,393, an increase of \$345,778 from the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$1,231,331, or 61 percent of total general fund expenditures.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements comprise the three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the Town's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the Town's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes).

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into one category: governmental funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar

information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Town currently maintains only one governmental fund, the general fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, which is considered to be a major fund.

The Town adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the Town's pension liability related to its participation in the South Carolina Retirement System and Police Officer's Retirement Systems.

The report also includes supplementary information intended to furnish additional detail to support the basic financial statement's themselves, and is presented immediately following the required supplementary information.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Town, assets exceeded liabilities by \$3,150,547 at the close of the most recent fiscal year.

A large portion of the Town's net position (75 percent) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment). The Town uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. The balance of unrestricted net position \$636,816 may be used to meet the government's ongoing obligations to citizens and creditors.

The following table presents a summary of the Town's net position for the fiscal years ended June 30, 2022 and 2021:

NET POSITION

| | Governmental Activities | |
|---------------------------------------|-------------------------|---------------------|
| | 2022 | 2021 |
| ASSETS | | |
| Current and other assets | \$ 1,410,089 | \$ 1,076,288 |
| Capital assets | 2,594,929 | 2,602,577 |
| Total assets | 4,005,018 | 3,678,865 |
| DEFERRED OUTFLOWS OF RESOURCES | 232,365 | 229,034 |
| LIABILITIES | | |
| Current liabilities | 85,147 | 97,444 |
| Long-term liabilities | 861,104 | 1,012,542 |
| Total liabilities | 946,251 | 1,109,986 |
| DEFERRED INFLOWS OF RESOURCES | 140,585 | 19,760 |
| NET POSITION | | |
| Invested in capital assets | 2,371,670 | 2,330,546 |
| Restricted | 142,061 | 120,529 |
| Unrestricted | 636,816 | 327,078 |
| Total Net Position | \$ 3,150,547 | \$ 2,778,153 |

The following table presents a summary of the activity that resulted in changes in net position for the fiscal years ended June 30, 2022 and 2021:

CHANGE IN NET POSITION

| | Governmental Activities | | | |
|-----------------------------------|-------------------------|-----------------------|---------------------|---------------------|
| | 2022 | 2021 | | |
| REVENUES | | | | |
| Program revenues | | | | |
| Charges for services | \$ 229,996 | \$ 169,572 | | |
| Operating grants | 4,857 | 31,550 | | |
| Capital grants | 451,239 | 68,449 | | |
| General revenues | | | | |
| Property taxes | 934,578 | 813,335 | | |
| Other | 745,151 | 182,020 | | |
| Total revenues all sources | 2,365,821 | 1,264,926 | | |
| PROGRAM EXPENSES | | | | |
| | | Net Costs | | Net Costs |
| General government | 791,984 | \$ (326,126) | 445,828 | \$ (414,929) |
| Public safety | 858,947 | (670,437) | 519,327 | (334,319) |
| Public works | 336,428 | (305,004) | 270,245 | (217,581) |
| Public relations/parks/recreation | 289 | (289) | 181 | (181) |
| Interest | 5,779 | (5,779) | 12,332 | (12,332) |
| Total program expenses | 1,993,427 | \$ (1,307,635) | 1,247,913 | \$ (979,342) |
| CHANGE IN NET POSITION | 372,394 | | 17,013 | |
| NET POSITION, beginning | 2,778,153 | | 2,761,140 | |
| NET POSITION, ending | \$ 3,150,547 | | \$ 2,778,153 | |

Financial Analysis of the Government's Funds

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

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

The general fund is the chief operating fund of the Town. At the end of the current fiscal year, the fund balance of \$1,373,393 is made up of \$142,062 restricted funds and \$1,231,331 unassigned funds.

The fund balance of the Town's general fund increased by \$345,778 during the current fiscal year.

- Total revenues increased from the prior year with the primary increase coming from increases in grant revenues.
- Total expenditures increased from the prior year due mainly to increases in non-departmental expenditures.

Capital Asset Administration

Capital assets. The Town's investment in capital assets for its governmental activities as of June 30, 2022, amounts to \$2,371,670 (net of accumulated depreciation and related debt). This investment in capital assets includes land, buildings, machinery, and equipment. The total increase of \$41,124 in net capital assets is the net of asset additions of \$113,835, depreciation expense of \$121,483, and debt repayment of \$48,772.

Additional information on the Town's capital assets can be found in the notes of this report.

Long-term debt. The long-term debt of the Town consists of notes payable, bonds payable, capital lease obligations, and net pension liability. The activity in long-term debt can be found in the notes of this report.

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for the Town is currently 4.5 percent, which is a decrease from a rate of 5.4 percent one year ago. This compares favorably to the state's average unemployment rate of 4.5 percent and the national average rate.
- Inflationary trends in the region compare favorably to national indices.

All of these factors were considered in preparing the Town's budget for the 2023 fiscal year.

Requests for Information

This financial report is designed to provide a general overview of the Town's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Town of Pacolet, Post Office Box 700, Pacolet, South Carolina 29372.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

TOWN OF PACOLET

STATEMENT OF NET POSITION JUNE 30, 2022

| | Primary Government Governmental Activities |
|--|--|
| ASSETS | |
| Cash and cash equivalents | \$ 818,116 |
| Investments | 166,559 |
| Receivables (net of allowance for uncollectibles) | 58,239 |
| Restricted assets | 367,175 |
| Capital assets (net of accumulated depreciation) | |
| Land | 16,000 |
| Buildings | 2,008,537 |
| Vehicles | 252,682 |
| Machinery and equipment | 43,758 |
| Infrastructure | 273,952 |
| Total assets | 4,005,018 |
| DEFERRED OUTFLOWS OF RESOURCES | |
| Differences between expected and actual expenditures related to pensions | 154,010 |
| Contributions subsequent to measurement date related to pensions | 78,355 |
| Total deferred outflows of resources | 232,365 |
| LIABILITIES | |
| Accounts payable and other current liabilities | 36,696 |
| Noncurrent liabilities | |
| Due in more than one year | |
| Due within one year | 48,451 |
| Due in more than one year | 174,808 |
| Net pension liability | 686,296 |
| Total liabilities | 946,251 |
| DEFERRED INFLOWS OF RESOURCES | |
| Differences between expected and actual expenditures related to pensions | 140,585 |
| Total deferred inflows of resources | 140,585 |
| NET POSITION | |
| Net investment in capital assets | 2,371,670 |
| Restricted | |
| Tourism | 92,814 |
| Victim's assistance | 23,927 |
| Law enforcement | 25,320 |
| Unrestricted | 636,816 |
| Total net position | \$ 3,150,547 |

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

TOWN OF PACOLET

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2022

| Function/Programs | Expenses | Program Revenues | | | Net (Expense) Revenue and |
|--|---------------------|-------------------|-----------------|-------------------|---------------------------|
| | | Charges for | Operating | Capital | Changes in Net Position |
| | | Services | Grants and | Grants and | Primary Government |
| | | | Contributions | Contributions | Governmental |
| | | | | | Activities |
| Primary government | | | | | |
| Governmental activities | | | | | |
| General government | \$ 791,984 | \$ 14,619 | \$ - | \$ 451,239 | \$ (326,126) |
| Parks/recreation/public relations | 289 | - | - | - | (289) |
| Public safety | 858,947 | 183,953 | 4,857 | - | (670,137) |
| Public works | 336,428 | 31,424 | - | - | (305,004) |
| Interest on long-term debt | 5,779 | - | - | - | (5,779) |
| Total primary government activities | \$ 1,993,427 | \$ 229,996 | \$ 4,857 | \$ 451,239 | (1,307,335) |
| General revenues | | | | | |
| Property taxes | | | | | 574,665 |
| Hospitality tax | | | | | 21,295 |
| Occupational licenses and franchise fees | | | | | 338,620 |
| Rental income | | | | | 37,610 |
| Miscellaneous | | | | | 659,871 |
| State collected revenue | | | | | 47,668 |
| | | | | | <u>1,679,729</u> |
| Change in net position | | | | | 372,394 |
| Net position - beginning | | | | | <u>2,778,153</u> |
| Net position - ending | | | | | <u>\$ 3,150,547</u> |

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

FUND FINANCIAL STATEMENTS

TOWN OF PACOLET

BALANCE SHEET

GOVERNMENTAL FUND

JUNE 30, 2022

| | <u>General</u> |
|---|-----------------------|
| ASSETS | |
| Cash and cash equivalents | \$ 818,116 |
| Investments | 166,559 |
| Receivables (net of allowance for uncollectibles) | 58,239 |
| Restricted assets | 142,061 |
| ABPA Grant | 225,114 |
| | <hr/> |
| Total assets | \$ 1,410,089 |
| | <hr/> |
| LIABILITIES AND FUND BALANCES | |
| Liabilities | |
| Accounts payable | \$ 21,641 |
| Accrued payroll liabilities | 15,055 |
| Total liabilities | <hr/> 36,696 <hr/> |
| Fund balances | |
| Restricted | |
| Tourism | 92,815 |
| Victim's assistance | 23,927 |
| Law enforcement | 25,320 |
| Unassigned | 1,231,331 |
| Total fund balances | <hr/> 1,373,393 <hr/> |
| Total liabilities and fund balances | \$ 1,410,089 |
| | <hr/> |

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

TOWN OF PACOLET

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUND TO THE STATEMENT OF NET POSITION YEAR ENDED JUNE 30, 2022

| | | |
|--|--------------------|---------------------|
| Fund balances - governmental fund | | \$ 1,373,393 |
| Amounts reported for governmental activities in the statement of net position are different because: | | |
| Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental fund. | | |
| Cost of capital assets | 4,830,045 | |
| Accumulated depreciation | <u>(2,235,116)</u> | 2,594,929 |
| Some liabilities, including net pension obligations, are not due and payable in the current period and, therefore, are not reported in the fund. | | |
| | | (686,296) |
| Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the fund. | | |
| Deferred outflows of resources related to pensions | 232,365 | |
| Deferred inflows of resources related to pension | <u>(140,585)</u> | 91,780 |
| Long-term liabilities, including bonds payable, notes payable, and capital lease obligations, are not due and payable in the current period, and therefore, are not reported as liabilities in the governmental fund balance sheet. Long-term liabilities at yearend consist of: | | |
| Bonds payable | (89,959) | |
| Notes payable | <u>(133,300)</u> | <u>(223,259)</u> |
| Net position - governmental activities | | <u>\$ 3,150,547</u> |

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

TOWN OF PACOLET

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
YEAR ENDED JUNE 30, 2022**

| | <u>General</u> |
|-----------------------------------|----------------------------|
| REVENUES | |
| Property taxes and penalties | \$ 574,665 |
| Hospitality tax | 21,293 |
| Licenses, permits and fees | 338,620 |
| Fines and forfeitures | 183,953 |
| Sanitation fee | 31,424 |
| Collection fees | 14,619 |
| Intergovernmental revenues | 451,239 |
| State collected revenues | 47,688 |
| Rental | 37,610 |
| Miscellaneous | 659,871 |
| Total revenues | <u>2,360,982</u> |
| EXPENDITURES | |
| Current | |
| General government | 734,318 |
| Parks/recreation/public relations | 289 |
| Public safety | 812,824 |
| Public works | 299,387 |
| Capital outlay | 113,835 |
| Debt service | |
| Principal | 48,772 |
| Interest | 5,779 |
| Total expenditures | <u>2,015,204</u> |
| Net change in fund balance | 345,778 |
| FUND BALANCE - beginning | <u>1,027,615</u> |
| FUND BALANCE - ending | <u><u>\$ 1,373,393</u></u> |

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

TOWN OF PACOLET

**RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUND
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2022**

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

| | |
|--|--------------------------|
| Net change in fund balance-total governmental fund | \$ 345,778 |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period. | 7,648 |
| Changes in the Town's proportionate share of the net pension liability, deferred outflows of resources, and deferred inflows of resources for the current year for its participation in the State Retirement Plan are not reported in the governmental fund but are reported in the statement of activities | (14,508) |
| The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items. | <u>33,476</u> |
| Change in net position of governmental activities | <u><u>\$ 372,394</u></u> |

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

TOWN OF PACOLET

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED JUNE 30, 2022

| | Budgeted Amounts | | Actual | Variance With |
|-----------------------------------|---------------------|---------------------|---------------------|-------------------|
| | Original | Final | Amounts | Final Budget |
| REVENUES | | | | |
| Property taxes and penalties | \$ 510,000 | \$ 510,000 | \$ 574,665 | \$ 64,665 |
| Hospitality tax | 14,000 | 14,000 | 21,293 | 7,293 |
| In lieu of taxes | 7,500 | 7,500 | - | (7,500) |
| Licenses, permits and fees | 300,000 | 300,000 | 338,620 | 38,620 |
| Fines and forfeitures | 125,000 | 125,000 | 183,953 | 58,953 |
| Sanitation fee | 53,000 | 53,000 | 31,424 | (21,576) |
| Collection fees | 14,600 | 14,600 | 14,619 | 19 |
| Intergovernmental revenues | 87,593 | 87,593 | 451,239 | 363,646 |
| State collected revenues | 57,053 | 57,053 | 47,688 | (9,365) |
| Investment earnings | 250 | 250 | - | (250) |
| Rental | 37,200 | 37,200 | 37,610 | 410 |
| Miscellaneous | 35,000 | 35,000 | 659,871 | 624,871 |
| Total revenues | <u>1,241,196</u> | <u>1,241,196</u> | <u>2,360,982</u> | <u>1,119,786</u> |
| EXPENDITURES | | | | |
| Current | | | | |
| General government | 300,150 | 300,150 | 734,318 | (434,168) |
| Parks/recreation/public relations | 1,000 | 1,000 | 289 | 711 |
| Public safety | 712,765 | 712,765 | 812,824 | (100,059) |
| Public works | 178,276 | 178,276 | 299,387 | (121,111) |
| Capital outlay | 25,000 | 25,000 | 113,835 | (88,835) |
| Debt service | | | | |
| Principal | 24,005 | 24,005 | 48,772 | (24,767) |
| Interest | - | - | 5,779 | (5,779) |
| Total expenditures | <u>1,241,196</u> | <u>1,241,196</u> | <u>2,015,204</u> | <u>(774,008)</u> |
| Deficiency of Revenues | | | | |
| Over Expenditures | <u>-</u> | <u>-</u> | <u>345,778</u> | <u>345,778</u> |
| Net change in fund balance | - | - | 345,778 | 345,778 |
| Fund balance - beginning | <u>1,027,615</u> | <u>1,027,615</u> | <u>1,027,615</u> | <u>-</u> |
| Fund balance - ending | <u>\$ 1,027,615</u> | <u>\$ 1,027,615</u> | <u>\$ 1,373,393</u> | <u>\$ 345,778</u> |

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

TOWN OF PACOLET

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting entity

The Town of Pacolet, South Carolina (the "Town") is a municipal corporation incorporated in 1896 and governed by an elected mayor and six-member council. The financial statements of the Town include all of the operations of the Town. No other organizations are included in the financial statements, and the Town is not included in any other governmental "reporting entity" as defined by the GASB pronouncement since Council members are elected by the public and have decision-making authority, the authority to levy taxes, the power to designate management, the ability to significantly influence operations, and primary accountability for fiscal matters.

In evaluating how to define the government, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The criteria used to determine whether or not an organization is included in the financial statements are financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, accountability for fiscal matters, scope of public service, and financing relationships. Based upon the application of these criteria, there are no component units that should be included along with the Town of Pacolet as part of the reporting entity.

The accounting policies of the Town of Pacolet conform to accounting principles generally accepted in the United States of America as applicable to governments.

Basis of Presentation

Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. *Governmental activities* are normally supported by taxes and intergovernmental revenues.

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*.

Fund Financial Statements

Fund financial statements report detailed information about the Town. The focus of governmental 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.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e. expenditures and other financing uses) of current financial resources.

The government reports the following major governmental fund:

The *general fund* is the Town's primary operating fund. It accounts for all financial resources of the general government.

Amounts reported as program revenues include operating grants and contributions.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-wide Financial Statements

The government-wide financial statements have been prepared using the *economic resources measurement focus* and the *accrual basis of accounting*, in accordance with accounting principles generally accepted in the United States of America, as applied to governmental units (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and reporting principles for a single enterprise fund. Revenues are recorded when earned and expenses are recorded when the liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, licenses, franchise fees, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

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

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Assets, Liabilities, and Net Position or Equity

Cash and Cash Equivalents

The Town's cash and cash equivalents are considered to be cash on hand and demand deposits. Investments are considered to be certificates of deposit, money market accounts, and savings accounts. Investments are stated at cost, which approximates market value.

Receivables and Payables

Outstanding balances between funds are reported as "due to/from other funds." Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All property tax receivables are shown net of allowance for uncollectibles.

The Town Code provides for the taxation of all real and personal property located within the Town's corporate limits on the first day of January. All property taxes are billed and collected by Spartanburg County and remitted to the Town during the year. Real property taxes are delinquent after January 15 with penalties assessed of 10% if paid after January 15, 12% if paid after January 31, and 15% if paid after February 28. Assessed property is subject to lien one year from the levy date if taxes remain unpaid. The property tax rate approved by ordinance for calendar year 2017 was 86.1 mills.

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of five years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. Interest is not capitalized in governmental-type funds.

Property, plant, and equipment is depreciated using the straight-line method over the following estimated useful lives:

| Assets | Years |
|----------------|----------|
| Buildings | 39 |
| Infrastructure | 10 to 40 |
| Vehicles | 5 to 10 |
| Equipment | 5 to 10 |

Compensated Absences

The Town does not have a provision for accrued compensated absences; therefore, no liability is reflected in the financial statements.

Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and so will *not* be recognized as an inflow of resources (revenue) until that time.

Fund Balance Classifications

Fund balance is classified in five categories: Nonspendable, Restricted, Committed, Assigned, and Unassigned. Nonspendable fund balances include amounts that are not in spendable form or are legally required to remain intact. Restricted fund balances include amounts that have external restrictions by either grantors, debt covenants, laws, or other governments. Committed fund balances include amounts that are committed to a specific purpose by council ordinance. Assigned fund balances include amounts that are constrained by limitations resulting from intended uses as established by Town Council or by the Town Mayor. Unassigned fund balance includes amounts that have not been assigned to any purpose. Unless specifically designated otherwise, fund expenditures and encumbrances are from restricted fund balance to the extent of restricted fund balance revenue, followed by committed fund balance, assigned fund balance, and unassigned fund balance, respectively.

Below are the fund balance classifications for the governmental funds at June 30, 2022:

| | General Fund |
|--------------------------------|---------------------|
| Fund Balances | |
| Restricted | |
| Tourism - hospitality tax | \$ 92,815 |
| Victim's assistance | 23,927 |
| Law enforcement - police funds | 25,320 |
| Unassigned | 1,231,331 |
| Total Fund Balances | <u>\$ 1,373,393</u> |

Net Position

Classifications of net position in government-wide statements are net investment in capital assets, restricted, and unrestricted. Restricted net position represents constraints on resources that are either externally imposed by creditors, grantors, contributors, laws or regulations of other governments or imposed by law through state statute. Restricted net position consists of third-party gifts and donations that are reserved for branch expenditures.

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

Transactions Between Funds

Transactions that would be treated as revenues, expenditures, or expenses if they involved organizations external to the governmental unit are accounted for as revenues, expenditures, or expenses in the funds involved. Transactions which constitute reimbursements of a fund for expenditures or expenses initially made from that fund which are properly applicable to another fund are recorded as expenditures or expenses in the reimbursing fund and as reductions of the expenditure or expense in the fund that is reimbursed.

These transactions are treated as transfers and are included in the results of operations of the governmental funds.

Use of Estimates

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

Comparative Data/Reclassifications

Certain comparative total data for the prior period have been presented in order to provide an understanding of the changes in the financial position and operations of the Town. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

In accordance with the State of South Carolina General Statutes, the Town prepares an annual balanced budget ordinance. The Town adopts annual budgets for the General Fund using the modified accrual basis which is consistent with GAAP. Appropriations for the General Fund lapse at the end of the budget year.

In February, the budget process begins with a work session in which Clerk/Treasurer and Town Council meet with all department heads to discuss current and future trends, needs and goals of the Town. All department heads submit comprehensive lists of programs, projects and initiatives to be considered in the upcoming budget. During May and June, formal budget workshops are held. The Council holds public hearings and a final budget must be prepared and adopted no later than June 30.

Budgets are prepared at the fund and department level. Budgets are adopted at the fund level and are amended as necessary during the fiscal year in one of two ways. First, the Town Council may make line item transfers within individual fund budgets. Such transfers can neither increase nor decrease the overall budget at the fund level. Secondly, the budget may be increased or decreased at the fund level as changing circumstances dictate, subject to Town Council approval. During the year, no supplemental appropriations were adopted by the Town Council; therefore, original budget has not been amended.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year.

NOTE 3 – DETAILED NOTES ON ALL FUNDS

Deposits and Investments

The State of South Carolina General Statutes permit the Town to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements, and the State Treasurer's Investment Pool.

Cash is maintained in demand deposits or savings accounts, money market accounts, and certificates of deposits. There were no deposit or investment transactions during the year that were in violation of either the state statutes or the policy of the Town.

As of June 30, 2022, the Town had deposits as follows:

| | |
|---------------------------------------|----------------------------|
| Deposits with a financial institution | <u><u>\$ 1,154,820</u></u> |
|---------------------------------------|----------------------------|

Interest rate risk. The Town manages its exposure to declines in fair values by limiting its investments to deposits with short-term maturity dates at financial institutions.

Credit risk. As of June 30, 2022, the Town's investments are limited to deposits with financial institutions.

Concentration of credit risk. The Town's investment policy currently does not involve investment in any individual issuers.

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. The Town's policy is that all deposits in excess of federal insurance amounts be collateralized with securities held by the pledging financial institution's trust department or agent in the Town's name. As of June 30, 2022, all deposits are either insured or fully collateralized.

Receivables

Receivables as of yearend for the government's major fund, including the applicable allowances for uncollectible accounts, are as follows:

| | General |
|------------------------------------|-------------------------|
| Receivables | |
| Property taxes and assessments | \$ 12,517 |
| Duke Energy franchise fee | 13,428 |
| Other | 32,294 |
| | <hr/> |
| Gross receivables | 58,239 |
| Less: allowance for uncollectibles | - |
| Net total receivables | <u><u>\$ 58,239</u></u> |

Capital Assets

Capital asset activity for the year ended June 30, 2022 was as follows:

| Primary Government | Beginning Balance | Increases | Decreases | Ending Balance |
|--|----------------------------|--------------------------|--------------------|----------------------------|
| Governmental activities: | | | | |
| Capital assets, not being depreciated | | | | |
| Land | \$ 16,000 | \$ - | \$ - | \$ 16,000 |
| Total capital assets, not being depreciated | <u>16,000</u> | <u>-</u> | <u>-</u> | <u>16,000</u> |
| Capital assets, being depreciated | | | | |
| Buildings and improvements | 3,383,897 | - | - | 3,383,897 |
| Infrastructure | 507,279 | - | - | 507,279 |
| Vehicles | 661,695 | 69,140 | - | 730,835 |
| Machinery and equipment | 147,339 | 44,695 | - | 192,034 |
| Total capital assets, being depreciated | <u>4,700,210</u> | <u>113,835</u> | <u>-</u> | <u>4,814,045</u> |
| Less accumulated depreciation for | | | | |
| Buildings and improvements | (1,342,445) | (32,914) | - | (1,375,359) |
| Infrastructure | (206,022) | (27,305) | - | (233,327) |
| Vehicles | (422,290) | (55,864) | - | (478,154) |
| Machinery and equipment | (142,876) | (5,400) | - | (148,276) |
| Total accumulated depreciation | <u>(2,113,633)</u> | <u>(121,483)</u> | <u>-</u> | <u>(2,235,116)</u> |
| Total capital assets, being depreciated, net | <u>2,586,577</u> | <u>(7,648)</u> | <u>-</u> | <u>2,578,929</u> |
| Governmental activities capital assets, net | <u><u>\$ 2,602,577</u></u> | <u><u>\$ (7,648)</u></u> | <u><u>\$ -</u></u> | <u><u>\$ 2,594,929</u></u> |

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

| | |
|--|-------------------|
| General government | \$ 52,527 |
| Public safety | 46,423 |
| Public works | <u>22,533</u> |
| Total depreciation expense - governmental activities | <u>\$ 121,483</u> |

Long-term Debt

The following is a summary of the change in long-term debt owed by the Town during the year ended June 30, 2022:

| | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|--|----------------------|-------------|--------------------|-------------------|------------------------|
| Governmental activities | | | | | |
| Capital leases | \$ 159,633 | \$ - | \$ (26,334) | \$ 133,299 | \$ 26,839 |
| Notes payable | 1,385 | - | (1,385) | - | - |
| General obligation bond, series 2017 | <u>111,013</u> | <u>-</u> | <u>(21,053)</u> | <u>89,960</u> | <u>21,612</u> |
| Governmental activities Long-term liabilities | <u>\$ 272,031</u> | <u>\$ -</u> | <u>\$ (48,772)</u> | <u>\$ 223,259</u> | <u>\$ 48,451</u> |

Capital Leases

During the year ended June 30, 2018, the Town entered into a capital lease purchase agreement for the acquisition of a police vehicle. The agreement provides for monthly principal and interest payments at a rate of 6.45% with payments of \$551 through February 2023.

During the year ended June 30, 2021, the Town entered into a capital lease purchase agreement for the acquisition of a police vehicle. The agreement provides for monthly principal and interest payments at a rate of 1.89% with payments of \$550 through September 2026.

The annual debt service requirements to amortize the capital leases payable as of June 30, 2022, including interest components are as follows:

| Year Ending June 30, | Governmental Activities | | |
|-------------------------|-------------------------|---------------|------------------|
| | Principal | Interest | Total |
| 2023 | \$ 6,267 | \$ 339 | \$ 6,606 |
| 2024 | 6,386 | 220 | 6,606 |
| 2025 | 6,508 | 98 | 6,606 |
| 2026 | <u>1,646</u> | <u>5</u> | <u>1,651</u> |
| Total | <u>\$ 20,807</u> | <u>\$ 662</u> | <u>\$ 21,469</u> |

During the year ended June 30, 2021, the Town entered into a capital lease purchase agreement for the acquisition of a trash vehicle. The agreement provides for quarterly principal and interest payments at a rate of 1.89% with payments of \$578 through September 2023.

The annual debt service requirements to amortize the capital leases payable as of June 30, 2022, including interest components are as follows:

| Year Ending June 30, | Governmental Activities | | |
|-------------------------|-------------------------|-----------------|-------------------|
| | Principal | Interest | Total |
| 2023 | \$ 20,572 | \$ 1,959 | \$ 22,531 |
| 2024 | 20,966 | 1,565 | 22,531 |
| 2025 | 21,368 | 1,163 | 22,531 |
| 2026 | 21,777 | 753 | 22,530 |
| 2027 | 22,194 | 336 | 22,530 |
| Thereafter | 5,615 | 18 | 5,633 |
| Total | <u>\$ 112,492</u> | <u>\$ 5,794</u> | <u>\$ 118,286</u> |

General Obligation Bond

The Town has issued a general obligation bond to fund the Historic Cloth Room Project. The General Obligation Bond, Series 2017, dated January 6, 2017, requires annual payments of \$20,005 beginning July 2017 through July 2026, including interest at 2.66%.

Annual debt service requirements to maturity for general obligation bonds are as follows:

| Year Ending June 30, | Governmental Activities | | |
|-------------------------|-------------------------|-----------------|------------------|
| | Principal | Interest | Total |
| 2023 | \$ 21,612 | \$ 2,393 | \$ 24,005 |
| 2024 | 22,187 | 1,818 | 24,005 |
| 2025 | 22,777 | 1,228 | 24,005 |
| 2026 | 23,385 | 620 | 24,005 |
| Total | <u>\$ 89,961</u> | <u>\$ 6,059</u> | <u>\$ 96,020</u> |

NOTE 4 – OTHER INFORMATION

Employee Retirement Systems

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

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

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

Plan Descriptions

- The South Carolina Retirement System (SCRS), a cost-sharing multiple-employer defined benefit pension plan, was established effective July 1, 1945, pursuant to the provisions of Section 9-1-20 of the South Carolina Code of Laws for the purpose of providing retirement allowances and other benefits for 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 subdivision of government and individuals newly elected to the South Carolina General Assembly at or after the 2012 general election.
- The State Optional Retirement Program (State ORP) is a defined contribution plan that is offered as an alternative to SCRS to certain newly hired employees of state agencies, institutions of higher education, public school districts and individuals first elected to the General Assembly at or after the general election in November 2012. State ORP participants direct the investment of their funds into an account administered by one of four third party service providers. PEBA assumes no liability for state ORP benefits. Rather, the benefits are the liability of the four third party service providers. For this reason, State ORP assets are not part of the retirement systems' trust funds for financial statement purposes.
- The South Carolina Police Officers Retirement System (PORS), a cost-sharing multiple-employer benefit pension plan, was established July 1, 1962, pursuant to the provisions of Sections 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.

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

Membership

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

- SCRS – Generally, all employees of covered employers are required to participate in and contribute to the system as a condition of employment. This plan covers general employees and teachers and individuals newly elected to the South Carolina General Assembly beginning with the November 2012 general election. An employee member of the system with an effective date of membership prior to July 1, 2012, is a Class Two member. An employee member of the system with an effective date of membership on or after July 1, 2012, is a Class Three member.
- State ORP – As an alternative to membership in SCRS, newly hired state, public school, and higher education employees and individuals first elected to the S.C. General Assembly at or after the November 2012 general election have the option to participate in the State ORP. Contributions to the State ORP are at the same rates as SCRS. A direct remittance is required from the employer to the member's account with the ORP service provider for the employee contribution and a portion of the employer contribution (5 percent). A direct remittance is also required to SCRS for the remaining portion of the employer contribution and an incidental death benefit contribution, if applicable, which is retained by SCRS.
- PORS – To be eligible for PORS membership, an employee must be required by the terms of his employment, by election or appointment, to preserve public order, protect life and property, and detect crimes in the state; to prevent and control property destruction by fire; be a coroner in a full-time permanent position; or be a peace officer employed by the Department of Corrections, the Department of Juvenile Justice or the Department of Mental Health. Probate judges and coroners may elect membership in PORS. Magistrates are required to participate in PORS for service as a magistrate. PORS members, other than magistrates and probate judges, must also earn at least \$2,000 per year and devote at least 1,600 hours per year to this work, unless exempted by statute. An employee member of the system with an effective membership prior to July 2012, is a Class Two member. An employee member of the system with an effective date of membership on or after July 1, 2012, is a Class Three member.

Benefits

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

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

or more years of earned service is eligible for a monthly pension upon satisfying the Rule of 90 requirement that the total of the member's age and the member's creditable service equals at least 90 years. Both Class Two and Class three members are eligible to receive a reduced deferred annuity at age 60 if they satisfy the five- or eight-year earned service requirements, 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 July 1 after reaching age 60 or the second July 1 after the date they would have had 28 years of service credit had they not retired.

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

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

Contributions

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

the applicable year. The maximum funding period of SCRS and PORS is scheduled to be reduced over a ten-year schedule from 30 years beginning fiscal year 2018 to 20 years by fiscal year 2028.

Additionally, the Board is prohibited from decreasing the SCRS and PORS contribution rates until the funded ratio is at least 85 percent. If the most recent annual actuarial valuation of the Systems for funding purposes shows a ratio of the actuarial values of system assets to the actuarial accrued liability of the system (the funded ratio) that is equal to or greater than 85 percent, then the Board, effective on the following July first, 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 first, and annually thereafter as necessary, the Board shall increase the then current contribution rates until a subsequent annual actuarial valuation of the system shows a funded ratio that is equal to or greater than 85 percent.

Required employee contribution rates¹ are as follows:

| | <u>Fiscal Year 2022¹</u> | <u>Fiscal Year 2021¹</u> |
|----------------------|-------------------------------------|-------------------------------------|
| SCRS | | |
| Employee Class Two | 9.00% | 9.00% |
| Employee Class Three | 9.00% | 9.00% |
| State ORP | | |
| Employee | 9.00% | 9.00% |
| PORS | | |
| Employee Class Two | 9.75% | 9.75% |
| Employee Class Three | 9.75% | 9.75% |

Required employer contribution rates¹ are as follows:

| | <u>Fiscal Year 2022¹</u> | <u>Fiscal Year 2021¹</u> |
|-----------------------------------|-------------------------------------|-------------------------------------|
| SCRS | | |
| Employee Class Two | 16.41% | 15.41% |
| Employee Class Three | 16.41% | 15.41% |
| Employer Incidental Death Benefit | 0.15% | 0.15% |
| State ORP | | |
| Employer Contribution (2) | 16.41% | 15.41% |
| Employer Incidental Death Benefit | 0.15% | 0.15% |
| PORS | | |
| Employee Class Two | 18.84% | 17.84% |
| Employee Class Three | 18.84% | 17.84% |
| Employer Incidental Death Benefit | 0.20% | 0.20% |
| Employer Accidental Death Program | 0.20% | 0.20% |

- (1) Calculated on earnable compensation as defined in Title 9 of the South Carolina Code of Laws.
- (2) Of this employer contribution, 5% of earnable compensation must be remitted by the employer directly to the ORP vendor to be allocated to the member's account with the remainder of the employer contribution remitted to the SCRS.

Actuarial Assumptions and Methods

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

The June 30, 2021, total pension liability (TPL), net pension liability (NPL), and sensitivity information shown in this report were determined by our consulting actuary, Gabriel, Roeder, Smith and Company (GRS) and are based on an actuarial valuation performed as of July 1, 2020. The total pension liability was rolled-forward from the valuation date to the plans' fiscal yearend, June 30, 2021, using generally accepted actuarial principles. There was no legislation enacted during the 2021 legislative session that had a material change in the benefit provisions for any of the systems. In FY 2021, the Board adopted updated demographic assumptions. Also, the General Assembly permitted the investment return assumption at July 1, 2021 to decrease from 7.25% to 7.00%, as provided by Section 9-16-335 in South Carolina State Code.

The following provides a summary of the actuarial assumptions and methods used to calculate the TPL as of June 30, 2021:

| | SCRS | PORS |
|--|--|--|
| Actuarial Cost Method | Entry Age Normal | Entry Age Normal |
| Investment rate of return ¹ | 7.00% | 7.00% |
| Projected salary increases | 3.0% to 11.5% (varies by service) ¹ | 3.5% to 10.5% (varies by service) ¹ |
| Benefit adjustments | Lesser of 1% or \$500 annually | Lesser of 1% or \$500 annually |
| ¹ Includes inflation at 2.25% | | |

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

Assumptions used in the determination of the June 30, 2021, TPL are as follows:

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

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

At June 30, 2022, the Town reported a liability of \$686,296 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

For the year ended June 30, 2022, the Town recognized pension expense totaling \$14,508 for its participation in the Plan. The expense amount includes actual employer contributions, changes in deferred outflows and/or inflows of resources related to changes in the employer's proportionate share of the collective pension liability, and differences between actual employer contributions and proportionate share of total employer contributions as reported by PEBA for the year ended June 30, 2022.

At June 30, 2022, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| Description | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|--------------------------------------|-------------------------------------|
| SCRS | | |
| Differences between expected and actual experience | \$ 5,529 | \$ 438 |
| Assumption changes | 17,767 | - |
| Net difference between projected and actual earnings on pension plan investments | - | 47,151 |
| Changes in proportionate share and differences between employer contributions and proportionate share of total plan employer contributions | 77,743 | 1,099 |
| Town contributions subsequent to the measurement date | 30,167 | - |
| Total SCRS | 131,206 | 48,688 |
| PORS | | |
| Differences between expected and actual experience | 12,305 | 1,126 |
| Assumption changes | 25,799 | - |
| Net difference between projected and actual earnings on pension plan investments | - | 81,093 |
| Changes in proportionate share and differences between employer contributions and proportionate share of total plan employer contributions | 14,867 | 9,676 |
| Town contributions subsequent to the measurement date | 48,188 | - |
| Total PORS | 101,159 | 91,895 |
| Total SCRS and PORS | \$ 232,365 | \$ 140,583 |

\$78,355 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability 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) will increase (decrease) pension expense as follows:

| Year Ended June 30, | SCRS | PORS | Total |
|------------------------|------------------|--------------------|------------------|
| 2022 | \$ 28,715 | \$ 2,585 | \$ 31,300 |
| 2023 | 30,427 | (3,384) | 27,043 |
| 2024 | 10,852 | (9,165) | 1,687 |
| 2025 | (17,645) | (28,959) | (46,604) |
| 2026 | - | - | - |
| Total | <u>\$ 52,349</u> | <u>\$ (38,923)</u> | <u>\$ 13,426</u> |

Net Pension Liability

The NPL is calculated separately for each system and represents that particular system's TPL determined in accordance with GASB No. 67 less that System's fiduciary net position. NPL totals, as of June 30, 2021, for SCRS and PORS are presented below.

| System | Total Pension Liability | Plan Fiduciary Net Position | Employers' Net Position Liability (Asset) | Plan Fiduciary Net Position as a Percentage of the Total Pension Liability |
|--------|-------------------------------|-----------------------------------|---|--|
| SCRS | \$ 55,131,579,363 | \$ 33,490,305,970 | \$ 21,641,273,393 | 60.7% |
| PORS | 8,684,586,488 | 6,111,672,064 | 2,572,914,424 | 70.4% |

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

Long-term Expected Rate of Return

The long-term expected rate of return on pension plan investments is based upon the 30-year capital markets assumptions. The long-term expected rate of returns represent assumptions developed using an arithmetic building block approach primarily based on consensus expectations and market based inputs. Expected returns are net of investment fees.

The expected returns, along with the expected inflation rate, form the basis for the target asset allocation adopted at the beginning of the 2021 fiscal year. The long-term expected rate of return is produced by weighting the expected future real rates of return by the target allocation percentage and adding expected inflation and is summarized in the table on the following page. For actuarial purposes, the 7.00 percent assumed annual investment rate of return and used in the calculation of the TPL includes a 4.75 percent real rate of return and a 2.25 percent inflation component.

| Asset Class | Policy Target | Expected Arithmetic Real Rate of Return | Long-term Expected Portfolio Real Rate of Return |
|-------------------------------------|----------------------|--|---|
| Public Equity¹ | 46.0% | 6.87% | 3.16% |
| Bonds | 26.0% | 2.70% | 0.07% |
| Private Equity^{1,2} | 9.0% | 9.68% | 0.87% |
| Private Debt² | 7.0% | 5.47% | 0.39% |
| Real Assets | 12.0% | | |
| Real Estate ² | 9.0% | 6.01% | 0.54% |
| Infrastructure ² | 3.0% | 5.08% | 0.15% |
| Total Expected Return ³ | 100.0% | | 5.18% |
| Inflation for Actuarial Purposes | | | 2.25% |
| | | | 7.43% |

¹ The target weight to Private Equity will be equal to its actual weight, reported by the custodial bank, as of prior month end. When flows have occurred, flow adjusted weights are used to more accurately reflect the impact of the asset class weight. Private Equity and Public Equity combine for 55% of the entire portfolio.

² Staff and Consultant will notify the Commission if Private Markets assets exceed 25% of total assets.

³ Portable Alpha Strategies, which are not included in the Policy Target, will be capped as 12% of total assets; hedge funds (including all hedge funds used in portable alpha implementation) are capped at 20% of total assets.

Discount Rate

The discount rate used to measure TPL was 7.00%. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers in SCRS and PORS will be made based on the actuarially determined rates based on provisions in the South Carolina Code of Laws. Based on those assumptions, the System's fiduciary net position was projected to be available to make all the projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL.

Sensitivity Analysis

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

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

| System | 1.00% Decrease (6.00%) | Current Discount Rate (7.00%) | 1.00% Increase (8.00%) |
|--------|---------------------------|----------------------------------|---------------------------|
| SCRS | \$ 324,590 | \$ 425,172 | \$ 240,985 |
| PORS | \$ 361,706 | \$ 524,789 | \$ 228,116 |

Additional Financial and Actuarial Information

Information contained in these Notes to the Schedules of Employer and Nonemployer Allocations and Schedules of Pension Amounts by Employer (Schedules) was compiled from the Systems' audited financial

statements for the fiscal year ended June 30, 2021, and the accounting and financial reporting actuarial valuation as of June 30, 2021. Additional financial information supporting the preparation of the Schedules (including the unmodified audit opinion on the financial statements and required supplementary information) is available in the Systems' ACFR.

Other Post-employment Benefits

The Town provides death benefits to employees through the incidental death benefit option for members of the SCRS. The beneficiaries of those employees who die in active service after one year of credited service are eligible for death benefits. Lump sum death benefit payments to beneficiaries are equal to the budgeted salary of the deceased member. The Town has no liability beyond the payment of monthly contributions. Contributions are determined as a percentage of monthly covered payroll. The Town does not determine the number of eligible participants. For the year ended June 30, 2022, the Town made contributions to the State for death benefits representing .15% of covered payroll.

Upon the death of a retiree, a benefit will be paid to the designated beneficiary of an amount based on the years of credit services as follows:

| | |
|-------------------------------------|---------|
| 10 –19 years of service credits | \$2,000 |
| 20 –27 years of service credits | \$4,000 |
| 28 or more years of service credits | \$6,000 |

NOTE 5 – FINES, CONFISCATIONS AND FORFEITURES

The Town retains all fines, confiscations and forfeitures resulting from the prosecution of cases made by those employed as Town Police Officers. This money is paid to or collected by the Town and the Town is responsible for all reporting requirements and paying necessary assessments required by law from money collected.

NOTE 6 – TAX ABATEMENTS

There were no tax abatements that affected the tax revenues for the year.

NOTE 7 – SUBSEQUENT EVENTS

Subsequent events have been evaluated through the date of the auditor's report, which is the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF PACOLET

SCHEDULE OF PENSION PLAN CONTRIBUTIONS
SOUTH CAROLINA RETIREMENT SYSTEM AND POLICE OFFICER RETIREMENT SYSTEM
LAST 8 FISCAL YEARS

| | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| <u>SCRS</u> | | | | | | | | |
| Contractually required contribution | \$ 30,167 | \$ 26,381 | \$ 21,282 | \$ 14,700 | \$ 13,672 | \$ 11,877 | \$ 11,280 | \$ 10,969 |
| Contributions in relation to the contractually required contribution | (30,167) | (26,381) | (21,282) | (14,700) | (13,672) | (11,877) | (11,280) | (10,969) |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Town's covered-employee payroll | \$ 183,833 | \$ 169,546 | \$ 136,773 | \$ 100,964 | \$ 100,831 | \$ 102,738 | \$ 101,990 | \$ 100,636 |
| Contributions as a percentage of covered-employee payroll | 16.5% | 15.5% | 15.4% | 14.4% | 13.4% | 11.4% | 10.9% | 10.7% |
| | | | | | | | | |
| | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
| <u>PORS</u> | | | | | | | | |
| Contractually required contribution | \$ 48,188 | \$ 38,558 | \$ 39,553 | \$ 35,821 | \$ 27,697 | \$ 26,803 | \$ 24,258 | \$ 25,195 |
| Contributions in relation to the contractually required contribution | (48,188) | (38,558) | (39,553) | (35,821) | (27,697) | (26,803) | (24,258) | (25,195) |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Town's covered-employee payroll | \$ 255,774 | \$ 211,392 | \$ 216,846 | \$ 241,122 | \$ 235,968 | \$ 223,483 | \$ 250,272 | \$ 236,422 |
| Contributions as a percentage of covered-employee payroll | 18.4% | 18.2% | 17.8% | 16.8% | 15.8% | 13.8% | 13.3% | 13.0% |

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

TOWN OF PACOLET

**SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
SOUTH CAROLINA RETIREMENT SYSTEM AND POLICE OFFICER RETIREMENT SYSTEM
LAST 8 FISCAL YEARS**

| | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| <u>SCRS</u> | | | | | | | | |
| Town's proportion of the net pension liability | 0.0015% | 0.001% | 0.001% | 0.001% | 0.001% | 0.001% | 0.001% | 0.001% |
| Town's proportionate share of the net pension liability | \$ 324,590 | \$ 313,256 | \$ 218,322 | \$ 218,021 | \$ 229,168 | \$ 224,919 | \$ 203,500 | \$ 201,952 |
| Town's covered-employee payroll | \$ 183,833 | \$ 169,546 | \$ 136,773 | \$ 100,964 | \$ 100,831 | \$ 102,738 | \$ 101,990 | \$ 100,636 |
| Town's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 176.6% | 184.8% | 159.6% | 215.9% | 227.3% | 218.9% | 199.5% | 200.7% |
| Plan's fiduciary net position | \$ 33,490,305,970 | \$ 26,292,418,682 | \$ 27,238,916,138 | \$ 26,414,916,370 | \$ 25,732,829,268 | \$ 23,996,362,354 | \$ 25,131,828,101 | \$ 25,738,521,026 |
| Plan fiduciary net position as a percentage of the total pension liability from PEBA | 60.7% | 50.7% | 54.4% | 54.1% | 53.3% | 52.9% | 57.0% | 59.9% |
| <u>PORS</u> | | | | | | | | |
| Town's proportion of the net pension liability | 0.014% | 0.014% | 0.014% | 0.012% | 0.014% | 0.014% | 0.015% | 0.014% |
| Town's proportionate share of the net pension liability | \$ 361,706 | \$ 476,026 | \$ 410,551 | \$ 349,136 | \$ 382,908 | \$ 351,276 | \$ 330,542 | \$ 265,895 |
| Town's covered-employee payroll | \$ 255,774 | \$ 211,392 | \$ 216,846 | \$ 207,781 | \$ 169,705 | \$ 188,225 | \$ 176,551 | \$ 187,883 |
| Town's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 141.4% | 225.2% | 189.3% | 168.0% | 225.6% | 186.6% | 187.2% | 141.5% |
| Plan's fiduciary net position | \$ 6,111,672,064 | \$ 4,730,174,642 | \$ 4,815,808,554 | \$ 4,570,430,247 | \$ 4,274,123,178 | \$ 3,876,035,732 | \$ 3,971,824,838 | \$ 3,985,101,996 |
| Plan fiduciary net position as a percentage of the total pension liability from PEBA | 70.4% | 58.8% | 62.7% | 61.7% | 60.9% | 60.4% | 64.6% | 67.5% |

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

TOWN OF PACOLET

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED JUNE 30, 2022

Method and Assumptions Used in Calculations of Actuarially Determined Contributions: The actuarially determined contribution rates in the schedule of contributions are calculated as of June 30, 2021, one year prior to the end of the fiscal year in which contributions are reported. The actuarial methods and assumptions used to determine the contractually required contributions for the year ended June 30, 2022 reported in that schedule can be found in Note 4 of the basic financial statements.

OTHER SUPPLEMENTARY INFORMATION

TOWN OF PACOLET
SCHEDULE OF EXPENDITURES BY DEPARTMENT
BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED JUNE 30, 2022

| | Budgeted Amounts | | Actual | Variance with |
|----------------------------|------------------|----------|----------|---------------|
| | Original | Final | Amounts | Final Budget |
| ADMINISTRATION | | | | |
| Gas | \$ 4,000 | \$ 4,000 | \$ 3,826 | \$ 174 |
| Telephone | 5,500 | 5,500 | 5,694 | (194) |
| Electricity | 17,000 | 17,000 | 10,860 | 6,140 |
| Attorney | 10,000 | 10,000 | 3,053 | 6,947 |
| Water | 3,500 | 3,500 | 3,030 | 470 |
| Mayor | 1,000 | 1,000 | 1,000 | - |
| Town clerk | 44,033 | 44,033 | 50,734 | (6,701) |
| Collection clerk | 21,852 | 21,852 | - | 21,852 |
| Council | 4,800 | 4,800 | 4,000 | 800 |
| Office supplies | 10,000 | 10,000 | 14,383 | (4,383) |
| Advertising | 500 | 500 | 326 | 174 |
| Audit | 9,000 | 9,000 | 8,928 | 72 |
| Miscellaneous | 5,000 | 5,000 | 16,867 | (11,867) |
| Municipal association fees | 1,500 | 1,500 | 3,209 | (1,709) |
| Travel | 1,000 | 1,000 | 1,601 | (601) |
| Building maintenance | 20,000 | 20,000 | 5,986 | 14,014 |
| Christmas lights | 3,000 | 3,000 | 935 | 2,065 |
| Unemployment insurance | 850 | 850 | - | 850 |
| Retirement | 16,300 | 16,300 | 27,249 | (10,949) |
| Insurance | 40,000 | 40,000 | 36,654 | 3,346 |
| Chamber-festival | 2,500 | 2,500 | 5,980 | (3,480) |
| Payroll taxes | 9,800 | 9,800 | 9,316 | 484 |
| Property lease | 330 | 330 | - | 330 |
| ADT security | 1,500 | 1,500 | 661 | 839 |
| Custodian | 3,000 | 3,000 | 3,650 | (650) |
| Administrator | 61,285 | 61,285 | 42,992 | 18,293 |
| Assistant clerk | - | - | 24,976 | (24,976) |
| Admin/Chief phones | 3,000 | 3,000 | 9,675 | (6,675) |
| Computer | - | - | 2,513 | (2,513) |
| Revitalization projects | - | - | 25,000 | (25,000) |
| Data max | - | - | 3,555 | (3,555) |
| Farmers market | - | - | 68 | (68) |
| Riverfest | - | - | 23,200 | (23,200) |
| Cares Act | - | - | 382,098 | (382,098) |
| Signs | - | - | 2,300 | (2,300) |
| Capital outlay | 25,000 | 25,000 | - | 25,000 |
| Debt service | 24,005 | 24,005 | 24,005 | - |
| Total Administration | 349,255 | 349,255 | 758,324 | (409,069) |
| COURT | | | | |
| Recorder | 9,000 | 9,000 | 9,000 | - |
| SC Treasurer | 55,000 | 55,000 | 69,674 | (14,674) |
| Jury | 400 | 400 | - | 400 |
| Miscellaneous | 100 | 100 | 2,163 | (2,063) |
| Victim's assistance | 8,000 | 8,000 | 8,658 | (658) |
| Bond reimbursement | - | - | 1,251 | (1,251) |
| N. Court | - | - | 119,663 | (119,663) |
| Total Court | 72,500 | 72,500 | 210,409 | (137,909) |
| SANITATION | | | | |
| Salaries | 60,000 | 60,000 | 79,643 | (19,643) |
| Payroll taxes | 4,700 | 4,700 | 6,406 | (1,706) |
| Workmen's compensation | 7,500 | 7,500 | 7,982 | (482) |
| Gas and oil | 10,000 | 10,000 | 9,980 | 20 |
| Repairs | 7,000 | 7,000 | 5,705 | 1,295 |
| Insurance | 15,000 | 15,000 | 13,559 | 1,441 |
| Supplies | 3,000 | 3,000 | 83,150 | (80,150) |

(continued)

TOWN OF PACOLET
SCHEDULE OF EXPENDITURES BY DEPARTMENT
BUDGET AND ACTUAL (Continued)
GENERAL FUND
YEAR ENDED JUNE 30, 2022

| | Budgeted Amounts | | Actual | Variance with |
|-------------------------------|---------------------|---------------------|---------------------|---------------------|
| | Original | Final | Amounts | Final Budget |
| SANITATION (continued) | | | | |
| Unemployment insurance | \$ 600 | \$ 600 | \$ - | \$ 600 |
| SC Retirement | 9,336 | 9,336 | 13,175 | (3,839) |
| Uniforms | 500 | 500 | - | 500 |
| Truck washing | 200 | 200 | - | 200 |
| Miscellaneous | 500 | 500 | 478 | 22 |
| Recycle | 840 | 840 | 2,633 | (1,793) |
| Capital outlay | 25,800 | 25,800 | - | 25,800 |
| Debt service | - | - | 22,530 | (22,530) |
| Total Sanitation | 144,976 | 144,976 | 245,241 | (100,265) |
| RECREATION | | | | |
| Recreation | 500 | 500 | 289 | 211 |
| Total Recreation | 500 | 500 | 289 | 211 |
| STREET | | | | |
| Vehicle repair | 1,000 | 1,000 | 3,005 | (2,005) |
| Gas and oil | 500 | 500 | - | 500 |
| Supplies | 400 | 400 | 2,211 | (1,811) |
| Miscellaneous | 300 | 300 | 5,692 | (5,392) |
| Grass cutting | 27,000 | 27,000 | 22,690 | 4,310 |
| Chipping service | - | - | 7,250 | (7,250) |
| Debt service | - | - | 1,410 | (1,410) |
| Total Street | 29,200 | 29,200 | 42,258 | (13,058) |
| STREET LIGHTS | | | | |
| Street lights | 39,000 | 39,000 | 35,406 | 3,594 |
| Stop lights | 350 | 350 | 422 | (72) |
| Total Street Lights | 39,350 | 39,350 | 35,828 | 3,522 |
| POLICE | | | | |
| Salaries | 271,878 | 271,878 | 256,717 | 15,161 |
| Gas and oil | 25,000 | 25,000 | 25,214 | (214) |
| Insurance | 52,600 | 52,600 | 59,662 | (7,062) |
| Workmen's compensation | 9,000 | 9,000 | 7,512 | 1,488 |
| Payroll taxes | 21,000 | 21,000 | 20,249 | 751 |
| Supplies | 15,000 | 15,000 | 14,403 | 597 |
| Retirement | 50,000 | 50,000 | 36,329 | 13,671 |
| Vehicle repairs | 15,000 | 15,000 | 8,983 | 6,017 |
| Miscellaneous | 4,000 | 4,000 | 4,048 | (48) |
| Unemployment insurance | 2,000 | 2,000 | - | 2,000 |
| Equipment | 30,000 | 30,000 | 29,609 | 391 |
| Dept of Juvenile Justice | - | - | 800 | (800) |
| SCLEO | 525 | 525 | - | 525 |
| Mobile phone | 2,100 | 2,100 | - | 2,100 |
| Computer system | - | - | 5,213 | (5,213) |
| Motorola 800 | 4,500 | 4,500 | 5,767 | (1,267) |
| Lawtraks | 3,624 | 3,624 | 3,984 | (360) |
| Forfeiture fees | - | - | 1,499 | (1,499) |
| Code Enforcement | 20,000 | 20,000 | 6,250 | 13,750 |
| Jag Reimbursement | - | - | 15,671 | (15,671) |
| ARPA | - | - | 100,505 | (100,505) |
| Capital outlay | 67,900 | 67,900 | 113,835 | (45,935) |
| Debt Service | 6,688 | 6,688 | 6,606 | 82 |
| Total Police | 600,815 | 600,815 | 722,856 | (122,041) |
| ZONING | | | | |
| Zoning | 500 | 500 | 15,671 | (15,171) |
| Total Zoning | 500 | 500 | 15,671 | (15,171) |
| Total Expenditures | \$ 1,237,096 | \$ 1,237,096 | \$ 2,030,876 | \$ (793,780) |

TOWN OF PACOLET

UNIFORM SCHEDULE OF COURT FINES, ASSESSMENTS
AND SURCHARGES (per ACT 96)
YEAR ENDED JUNE 30, 2022

FOR THE STATE TREASURER'S OFFICE

| COUNTY/MUNICIPAL FUNDS COLLECTED BY THE CLERK OF COURT | General Sessions | Magistrate Court | Municipal Court | Total |
|--|---------------------|---------------------|--------------------|-----------------|
| Court Fines and Assessments | | | | |
| Court fines and assessments collected | \$ - | \$ - | \$ 58,389 | \$ 58,389 |
| Court fines and assessments remitted to State Treasurer | - | - | 52,263 | 52,263 |
| Total Court Fines and Assessments Retained | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 6,126</u> | <u>\$ 6,126</u> |
| Surcharges and Assessments Retained for Victim Services | | | | |
| Surcharges collected and retained | \$ - | \$ - | \$ 1,667 | \$ 1,667 |
| Assessments retained | - | - | 6,126 | 6,126 |
| Total Surcharges and Assessments Retained for Victim Services | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 7,793</u> | <u>\$ 7,793</u> |

FOR THE DEPARTMENT OF CRIME VICTIM COMPENSATION (DCVC)

| VICTIM SERVICE FUNDS COLLECTED | Municipal | County | Total |
|---|--------------|-------------|--------------|
| Carryforward from Previous Year - Beginning Balance | \$ - | \$ - | \$ - |
| Victim Service Revenue | | | |
| Victim Service assessments retained by City/County Treasurer | 1,667 | - | 1,667 |
| Victim Service surcharges retained by City/County Treasurer | 6,126 | - | 6,126 |
| Total Funds Allocated to Victim Service Fund + Beginning Balance | <u>7,793</u> | <u>-</u> | <u>7,793</u> |
| Expenditures for Victim Service Program | | | |
| Victim Service Contract(s) | | | |
| (1) Spartanburg County | 7,793 | - | 7,793 |
| Total Expenditures from Victim Service Fund/Program | <u>7,793</u> | <u>-</u> | <u>7,793</u> |
| Carryforward Funds - End of Year | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

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

The Honorable Mayor and Members of Town Council
Town of Pacolet
Pacolet, 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 Town of Pacolet which comprise the statement of financial position as of June 30, 2022, and the related statement of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated April 28, 2023.

Report on Internal Control Over Financial Reporting

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

Members
American Institute of Certified Public Accountants
S.C. Association of Certified Public Accountants

The Honorable Mayor and Members of Town Council
Town of Pacolet
April 28, 2023

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.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Pacolet's financial statements are free of 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 result of that testing, and not to provide an opinion on the effectiveness of the Town'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 Company's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

McKinley, Cooper & Co., LLC

Greenville, South Carolina
April 28, 2023