

**CITY OF LIBERTY,  
SOUTH CAROLINA**

**FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2021**



CITY OF LIBERTY, SOUTH CAROLINA

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YEAR ENDED JUNE 30, 2021

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**CITY OF LIBERTY, SOUTH CAROLINA**

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

Established

1876

**MAYOR**

Brian Petersen

**CITY COUNCIL MEMBERS**

Chris Carroll

Brad Dover

Joshua Harrison

Archie Newberry

Erica Woods

Chuck Powell

**CITY ADMINISTRATOR**

Bruce Evilsizor





# Greene Finney Cauley, LLP

CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

## INDEPENDENT AUDITOR'S REPORT

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

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Liberty, South Carolina (the "City"), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Liberty, South Carolina, as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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## ***Other Matters***

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

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

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

### ***Supplementary Information***

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

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

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated April 14, 2022 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

*Greene Finney Cauley, LLP*

Greene Finney Cauley, LLP  
Mauldin, South Carolina  
April 14, 2022

# **BASIC FINANCIAL STATEMENTS**

## CITY OF LIBERTY, SOUTH CAROLINA

## STATEMENT OF NET POSITION

JUNE 30, 2021

	PRIMARY GOVERNMENT		
	Governmental Activities	Business-Type Activities	Totals
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 1,038,905	434,595	\$ 1,473,500
Restricted Cash and Cash Equivalents	548,556	1,125,891	1,674,447
Receivables, Net			
Taxes	48,221	-	48,221
Accounts and Other	287,154	201,118	488,272
Internal Balances	(371,692)	371,692	-
Prepays	31,577	-	31,577
Capital Assets:			
Non-Depreciable	114,669	6,414	121,083
Depreciable, Net	1,661,553	4,044,456	5,706,009
<b>TOTAL ASSETS</b>	<b>3,358,943</b>	<b>6,184,166</b>	<b>9,543,109</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred Pension Charges	497,726	125,488	623,214
<b>LIABILITIES</b>			
Accounts Payable	131,951	75,164	207,115
Accrued Salaries and Fringe Benefits	34,097	8,357	42,454
Accrued Interest Payable	601	1,828	2,429
Customer Deposits	-	21,160	21,160
Non-Current Liabilities:			
Net Pension Liability - Due in More Than One Year	2,222,575	574,013	2,796,588
Long-Term Obligations - Due Within One Year	176,758	75,010	251,768
Long-Term Obligations - Due in More Than One Year	475,384	998,846	1,474,230
<b>TOTAL LIABILITIES</b>	<b>3,041,366</b>	<b>1,754,378</b>	<b>4,795,744</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred Pension Credits	287,175	2,626	289,801
<b>NET POSITION</b>			
Net Investment in Capital Assets	1,268,733	4,062,420	5,331,153
Restricted For:			
Recreation and Tourism	162,326	-	162,326
Victims' Assistance	28,065	-	28,065
Local Law Enforcement	15,600	-	15,600
Road Maintenance	258,783	-	258,783
Sewer Maintenance Projects	-	55,891	55,891
Unrestricted	(1,205,379)	434,339	(771,040)
<b>TOTAL NET POSITION</b>	<b>\$ 528,128</b>	<b>4,552,650</b>	<b>\$ 5,080,778</b>

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

## CITY OF LIBERTY, SOUTH CAROLINA

## STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2021

FUNCTIONS/PROGRAMS	PROGRAM REVENUES				NET (EXPENSE) REVENUE AND CHANGE IN NET POSITION		
					Primary Government		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>PRIMARY GOVERNMENT:</b>							
Governmental Activities:							
General Government	\$ 387,228	453,369	54,752	-	120,893	-	\$ 120,893
Police	968,664	258,000	4,596	-	(706,068)	-	(706,068)
Public Works	543,721	336,228	-	-	(207,493)	-	(207,493)
Recreation	257,444	33,926	40,000	-	(183,518)	-	(183,518)
Interest and Other Charges	14,692	-	-	-	(14,692)	-	(14,692)
<b>Total Governmental Activities</b>	<b>2,171,749</b>	<b>1,081,523</b>	<b>99,348</b>	<b>-</b>	<b>(990,878)</b>	<b>-</b>	<b>(990,878)</b>
Business-Type Activities:							
Water	766,378	589,384	-	70,916	-	(106,078)	(106,078)
Sewer	971,559	839,854	-	173,095	-	41,390	41,390
<b>Total Business-Type Activities</b>	<b>1,737,937</b>	<b>1,429,238</b>	<b>-</b>	<b>244,011</b>	<b>-</b>	<b>(64,688)</b>	<b>(64,688)</b>
<b>TOTAL - PRIMARY GOVERNMENT</b>	<b>\$ 3,909,686</b>	<b>2,510,761</b>	<b>99,348</b>	<b>244,011</b>	<b>(990,878)</b>	<b>(64,688)</b>	<b>(1,055,566)</b>
General Revenues:							
Taxes:							
Property Taxes					350,000	-	350,000
Hospitality Taxes					105,661	-	105,661
Local Option Sales Tax					470,185	-	470,185
Franchise Fees					271,560	-	271,560
State-Shared Revenues					152,135	-	152,135
Fines					75,494	-	75,494
Miscellaneous Revenue					71,672	2,593	74,265
Gain on Disposal of Capital Assets					17,641	-	17,641
<b>Total General Revenues</b>					<b>1,514,348</b>	<b>2,593</b>	<b>1,516,941</b>
<b>CHANGE IN NET POSITION</b>					<b>523,470</b>	<b>(62,095)</b>	<b>461,375</b>
<b>NET POSITION, Beginning of Year</b>					<b>4,658</b>	<b>4,614,745</b>	<b>4,619,403</b>
<b>NET POSITION, End of Year</b>					<b>528,128</b>	<b>4,552,650</b>	<b>\$ 5,080,778</b>

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

## CITY OF LIBERTY, SOUTH CAROLINA

## BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2021

	GENERAL FUND	NONMAJOR SPECIAL REVENUE FUNDS	TOTAL GOVERNMENTAL FUNDS
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 1,038,905	-	\$ 1,038,905
Restricted Cash and Cash Equivalents	335,551	213,005	548,556
Receivables, Net			
Taxes	48,221	-	48,221
Accounts and Other	277,246	9,908	287,154
Due from Other Funds	28,308	-	28,308
Prepays	18,427	13,150	31,577
<b>TOTAL ASSETS</b>	<b>\$ 1,746,658</b>	<b>236,063</b>	<b>\$ 1,982,721</b>
<b>LIABILITIES</b>			
Accounts Payable	\$ 115,029	16,922	\$ 131,951
Accrued Salaries and Fringe Benefits	34,097	-	34,097
Due to the Water and Sewer Fund	400,000	-	400,000
<b>TOTAL LIABILITIES</b>	<b>549,126</b>	<b>16,922</b>	<b>566,048</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable Revenue - Property Taxes	47,273	-	47,273
<b>FUND BALANCES</b>			
Nonspendable:			
Prepays	18,427	13,150	31,577
Restricted for:			
Recreation and Tourism	-	162,326	162,326
Victims' Assistance	-	28,065	28,065
Local Law Enforcement	-	15,600	15,600
Road Maintenance	258,783	-	258,783
Unspent Bond Proceeds	76,768	-	76,768
Committed for:			
Future Purchase of Solid Waste Collection Trucks	48,481	-	48,481
Unassigned	747,800	-	747,800
<b>TOTAL FUND BALANCES</b>	<b>1,150,259</b>	<b>219,141</b>	<b>1,369,400</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>\$ 1,746,658</b>	<b>236,063</b>	<b>\$ 1,982,721</b>

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

**CITY OF LIBERTY, SOUTH CAROLINA**

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

**JUNE 30, 2021**

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**TOTAL FUND BALANCES - GOVERNMENTAL FUNDS** **\$ 1,369,400**

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

Property taxes due from Pickens County in the Statement of Net Position will be collected but are not available soon enough to pay for the current period's expenditures and therefore are reflected as unavailable in the governmental funds. 47,273

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds. The cost of the assets was \$4,889,549 and the accumulated depreciation was \$3,113,327. 1,776,222

The City's proportionate shares of the net pension liability, deferred outflows of resources, and deferred inflows of resources related to its participation in the State retirement plans are not recorded in the governmental funds but are recorded in the Statement of Net Position. (2,012,024)

Accrued interest on debt in governmental accounting is not due and payable in the current period and therefore has not been reported as a liability in the governmental funds. (601)

Long-term liabilities are not due or payable in the current period and therefore are not reported as liabilities in the governmental funds. Long-term liabilities consisted of the following:

Long-Term Obligations (Debt Obligations)	(584,257)	
Compensated Absences (Annual Leave)	(67,885)	(652,142)

**TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES** **\$ 528,128**

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

## CITY OF LIBERTY, SOUTH CAROLINA

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

YEAR ENDED JUNE 30, 2021

	GENERAL FUND	NONMAJOR SPECIAL REVENUE FUNDS	TOTAL GOVERNMENTAL FUNDS
<b>REVENUES</b>			
Taxes	\$ 820,125	105,661	\$ 925,786
Licenses and Permits	441,753	-	441,753
Franchise Fees	271,560	-	271,560
Fines and Forfeitures	62,979	12,515	75,494
Charges for Services	639,771	-	639,771
Shared Revenues	152,135	-	152,135
Miscellaneous	71,671	1,150	72,821
Grants	98,198	-	98,198
<b>TOTAL REVENUES</b>	<b>2,558,192</b>	<b>119,326</b>	<b>2,677,518</b>
<b>EXPENDITURES</b>			
Current:			
General Government	308,163	63,163	371,326
Police	1,037,280	6,434	1,043,714
Public Works	477,533	-	477,533
Recreation	186,576	47,183	233,759
Capital Outlay	598,953	-	598,953
Debt Service:			
Principal	115,153	-	115,153
Interest	14,295	-	14,295
<b>TOTAL EXPENDITURES</b>	<b>2,737,953</b>	<b>116,780</b>	<b>2,854,733</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(179,761)</b>	<b>2,546</b>	<b>(177,215)</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Issuance of Lease Purchase	145,000	-	145,000
Issuance of General Obligation Bonds	330,000	-	330,000
Sale of Capital Assets	17,641	-	17,641
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>492,641</b>	<b>-</b>	<b>492,641</b>
<b>CHANGES IN FUND BALANCES</b>	<b>312,880</b>	<b>2,546</b>	<b>315,426</b>
FUND BALANCES, Beginning of Year	837,379	216,595	1,053,974
<b>FUND BALANCES, End of Year</b>	<b>\$ 1,150,259</b>	<b>219,141</b>	<b>\$ 1,369,400</b>

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

**CITY OF LIBERTY, SOUTH CAROLINA**

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

**YEAR ENDED JUNE 30, 2021**

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**TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS** **\$ 315,426**

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

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds. This amount represents the change in unavailable revenues for the year.	60
Repayment of bond and debt principal (including capital lease and lease purchase obligations) is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.	115,153
Issuance of debt provides current financial resources to the governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position.	(475,000)
Interest on long-term obligations in the Statement of Activities differs from the amount reported in the governmental fund because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. This amount is the net change in accrued interest for the year.	(397)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds. This amount represents the change in compensated absences for the year.	(497)
Changes in the City's proportionate shares of the net pension liability, deferred outflows of resources, and deferred inflows of resources for the current year related to its participation in the State retirement plans are not reported in the governmental funds but are reported in the Statement of Activities.	168,137
The governmental funds report capital asset additions as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital asset additions of \$583,976 exceeded depreciation expense of \$183,388 in the current year.	400,588

**TOTAL CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES** **\$ 523,470**

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

## CITY OF LIBERTY, SOUTH CAROLINA

## STATEMENT OF NET POSITION - PROPRIETARY FUND

JUNE 30, 2021

	<b>WATER AND SEWER FUND</b>
<b>ASSETS</b>	
Current Assets	
Cash and Cash Equivalents	\$ 434,595
Restricted Cash and Cash Equivalents	1,125,891
Accounts Receivables	201,118
Total Current Assets	<u>1,761,604</u>
Noncurrent Assets	
Due From the General Fund	400,000
Capital Assets:	
Non-Depreciable	6,414
Depreciable Capital Assets, Net	4,044,456
Total Noncurrent Assets	<u>4,450,870</u>
<b>TOTAL ASSETS</b>	<u><b>6,212,474</b></u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred Pension Charges	<u>125,488</u>
<b>LIABILITIES</b>	
Current Liabilities	
Accounts Payable	75,164
Accrued Salaries and Fringe Benefits	8,357
Accrued Interest Payable	1,828
Customer Deposits	21,160
Due to Other Funds	28,308
Compensated Absences - Current Portion	10,004
Bonds Payable - Current Portion	65,006
Total Current Liabilities	<u>209,827</u>
Noncurrent Liabilities	
Net Pension Liability	574,013
Compensated Absences, Less Current Portion	5,402
Bonds Payable, Less Current Portion	993,444
Total Non-Current Liabilities	<u>1,572,859</u>
<b>TOTAL LIABILITIES</b>	<u><b>1,782,686</b></u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred Pension Credits	<u>2,626</u>
<b>NET POSITION</b>	
Net Investment in Capital Assets	4,062,420
Restricted for Sewer Maintenance Projects	55,891
Unrestricted	434,339
<b>TOTAL NET POSITION</b>	<u><b>\$ 4,552,650</b></u>

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

**CITY OF LIBERTY, SOUTH CAROLINA****STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - PROPRIETARY FUND****YEAR ENDED JUNE 30, 2021**

	<b>WATER AND SEWER FUND</b>
<b>OPERATING REVENUES</b>	
Charges for Services:	
Water Fees	\$ 589,384
Sewer Fees	839,854
Miscellaneous	2,593
<b>TOTAL OPERATING REVENUES</b>	<b>1,431,831</b>
<b>OPERATING EXPENSES</b>	
Water Department	401,077
Water Purchases	281,241
Sewer Department	398,507
Sewer Treatment Fees	464,250
Depreciation	155,123
<b>TOTAL OPERATING EXPENSES</b>	<b>1,700,198</b>
<b>OPERATING INCOME</b>	<b>(268,367)</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>	
Interest Expense	(5,639)
Issuance Costs	(32,100)
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<b>(37,739)</b>
<b>INCOME (LOSS) BEFORE CONTRIBUTIONS AND CAPITAL GRANTS</b>	<b>(306,106)</b>
Capital Contributions - Donated Capital Assets	70,916
Capital Grants	173,095
<b>CHANGE IN NET POSITION</b>	<b>(62,095)</b>
<b>NET POSITION, Beginning of Year</b>	<b>4,614,745</b>
<b>NET POSITION, End of Year</b>	<b>\$ 4,552,650</b>

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

**CITY OF LIBERTY, SOUTH CAROLINA**

**STATEMENT OF CASH FLOWS - PROPRIETARY FUND**

**YEAR ENDED JUNE 30, 2021**

	<b><u>WATER AND SEWER FUND</u></b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash Received from Customers	\$ 1,419,452
Cash Payments for Goods and Services	(1,135,778)
Cash Payments for Personnel Services	(298,226)
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<b><u>(14,552)</u></b>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>	
Payments from Other Funds for Noncapital Purposes	128,308
<b>NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES</b>	<b><u>128,308</u></b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Acquisition of Capital Assets	(217,884)
Proceeds from Issuance of Debt	1,070,000
Proceeds from Capital Grant	-
Principal Paid on Debt	(85,049)
Interest Payments on Debt	(6,107)
Issuance Costs Paid	(32,100)
<b>NET CASH PROVIDED BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b><u>901,955</u></b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>1,015,711</b>
<b>CASH AND CASH EQUIVALENTS INCLUDING RESTRICTED CASH, Beginning of Year</b>	<b><u>544,775</u></b>
<b>CASH AND CASH EQUIVALENTS INCLUDING RESTRICTED CASH, End of Year</b>	<b><u>\$ 1,560,486</u></b>
<b>Reconciliation of Operating Income to Net Cash from Operating Activities:</b>	
Operating Income	\$ (268,367)
Adjustments to Reconcile Operating Income to Net Cash from Operating Activities:	
Depreciation Expense	155,123
Change in Statement of Net Position Accounts that Impacted Operating Activities:	
Accounts Receivables	(12,694)
Prepays	3,665
Deferred Pension Charges	(59,084)
Accounts Payable	(97,107)
Accrued Salaries and Fringe Benefits	706
Customer Deposits	315
Compensated Absences	(1,656)
Net Pension Liability	265,666
Deferred Pension Credits	(1,119)
<b>Net Cash Used in Operating Activities</b>	<b><u>\$ (14,552)</u></b>
<b>Noncash Investing, Capital, and Financing Activities:</b>	
Acquisition of Capital Assets Not Yet Paid For	\$ (36,637)

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

## CITY OF LIBERTY, SOUTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2021

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The City of Liberty ("City") was incorporated in 1876. Section 47-26 of the 1962 Code of Laws, as amended (Home Rule Act), requires that municipalities adopt a specific form of government. The City operates under a Mayor - Council Form of government. The City Council may enact ordinances, levy taxes, adopt a budget and set compensation, in addition to other legislative duties. The Mayor is elected at large, and six council members are elected from four wards plus two elected at large to serve four-year staggered terms. The City Council appoints a City Administrator who serves as the chief executive officer of the City and is responsible to the City Council for the proper administration of all affairs of the City.

#### I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### A. The Reporting Entity

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

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

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

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

##### *Major Operations*

The City's operations include general and administrative services, public safety (police), public works (streets and sanitation), recreation, water and sewer services.

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

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

CITY OF LIBERTY, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2021

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I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

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

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

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

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

# CITY OF LIBERTY, SOUTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2021

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

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

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

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

The **Special Revenue Funds, non-major funds**, are used to account for and report the proceeds of specific revenue sources (that are expected to continue to comprise a substantial portion of the inflows of the fund) that are restricted, committed or assigned to expenditures for specified purposes other than debt service. None of these funds have a legally adopted budget and any remaining fund balance is generally restricted for the purpose of the specific revenue sources. The City has the following nonmajor special revenue funds:

Hospitality Tax Fund	Police Department Donations Fund
Victims' Assistance Fund	Recreation Scholarships Fund
Drug Seizures Fund	

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

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

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

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

**CITY OF LIBERTY, SOUTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2021**

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

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

**1. Cash, Cash Equivalents, and Investments**

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

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

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

The City's cash and investment objectives are preservation of capital, liquidity, and yield. The City reports its cash and investments at fair value which is normally determined by quoted market prices.

The City does not and in the past year did not have any investments.

CITY OF LIBERTY, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2021

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I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

2. *Restricted Assets*

The City established certain accounts for assets that are restricted for specific purposes, typically by outside parties or legal agreement. The major types of restrictions are those imposed by the revenue source (i.e., hospitality taxes, victims' assistance, drug seizures, road maintenance and bond indentures).

3. *Receivables and Payables*

During the course of its operations, the City has numerous transactions occurring between funds. The accompanying financial statements generally reflect such transactions as transfers in (out). To the extent that certain transactions between funds had not been paid or received as of year-end, balances of interfund amounts or payables have been recorded.

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

4. *Prepays*

Prepays are reported under the consumption method as they are recorded as an expense/expenditure at the time individual prepaid items are consumed. Prepays in the governmental funds are offset by a fund balance constraint (nonspendable) to reflect that portion of fund balance does not represent available expendable resources.

5. *Capital Assets*

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

The City defines capital assets as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if not purchased or constructed. Donated capital assets are recorded at estimated fair market value (as estimated by the City) at the date of donation. Further, the City considers renovations/improvements to buildings over \$25,000 and improvements to infrastructure over \$100,000 as capital assets. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. The City considers resurfacing of streets and parking lots to be normal maintenance that does not add to the value of these assets.

All reported capital assets except land and construction in progress are depreciated. Construction projects begin being depreciated once they are complete and placed in service, at which time the complete costs of the project are transferred to the appropriate capital asset category. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following estimated useful lives:

Buildings and Improvements	10 - 40 years
Water and Sewer Utility Systems	5 - 40 years
Machinery and Equipment	3 - 20 years
Vehicles	5 - 15 years

CITY OF LIBERTY, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2021

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I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

6. *Compensated Absences*

It is the City's policy to permit employees to accumulate earned but unused vacation leave and sick leave. Unused vacation leave is accumulated in varying amounts based on years and will be paid out upon separation of service in accordance with City policies. Unused sick leave will not be paid out upon separation of service.

The City reports compensated absences in accordance with the provisions of GASB Statement No. 16, *Accounting for Compensated Absences*. The entire compensated absence liability and expense is reported on the government-wide financial statements. The portion applicable to the Water and Sewer Fund is also recorded in the proprietary fund financial statements. The governmental funds will also recognize a liability for compensated absences for terminations or retirements that occur prior to fiscal year end (if material).

7. *Accrued Liabilities and Long-Term Obligations*

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements. The portion applicable to the Water and Sewer Fund is also recorded in the proprietary fund financial statements. If material, bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method (as it approximates the effective interest method). Debt is reported net of applicable bond premiums and discounts. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenses when incurred.

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

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

8. *Deferred Outflows/Inflows of Resources*

In addition to assets, the Statement of Net Position and the Balance Sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City currently has one type of deferred outflows of resources. The City reports *deferred pension charges* in its Statements of Net Position in connection with its participation in the South Carolina Retirement System and the South Carolina Police Officers Retirement System (the "Plans"). These *deferred pension charges* are either (a) recognized in the subsequent period as a reduction of the net pension liability (which includes pension contributions made after the measurement date) or (b) amortized in a systematic and rational method as pension expense in future periods in accordance with GAAP. In addition to liabilities, the Statement of Net Position and the Balance Sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

CITY OF LIBERTY, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2021

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I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

8. *Deferred Outflows/Inflows of Resources (Continued)*

The City currently has two types of deferred inflows of resources: (1) The City reports *unavailable revenues* only in the governmental funds Balance Sheet; they are deferred and recognized as inflows of resources (i.e., property tax revenues) in the period the amounts become available. (2) The City also reports *deferred pension credits* in its Statements of Net Position in connection with its participation in the Plans. These *deferred pension credits* are amortized in a systematic and rational method and recognized as a reduction of pension expense in future periods in accordance with GAAP.

9. *Fund Balance*

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

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

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

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

**Assigned** – includes amounts that are intended to be used for specific purposes that are neither considered restricted or committed and that such assignments are made before the report issuance date. City Council has designated that the assignment of funds may be performed by the Mayor or City Administrator.

**Unassigned** – includes amounts that do not qualify to be accounted for and reported in any of the other fund balance categories. This classification represents the amount of fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund. The General Fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds, if expenditures incurred for specific purposes exceeded the amounts that are restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

The City generally uses restricted amounts to be spent first when both restricted and unrestricted (committed, assigned, and unassigned) fund balance is available unless there are legal documents, contracts, or agreements that prohibit doing such. Additionally, the City generally would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made. The City has formally adopted a fund balance policy requiring that 10% to 15% of the current year operating budget, excluding capital items, be available as unassigned fund balance.

## **CITY OF LIBERTY, SOUTH CAROLINA**

### **NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2021**

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

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

###### ***10. Net Position***

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources in the Statement of Net Position. Net position is classified as net investment in capital assets; restricted; and unrestricted. Net investment in capital assets consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Outstanding debt which has not yet been expended is included in the same net position component as the unspent proceeds. Net position is reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, contributors, or laws or regulations of other governments. The City considers the fees received for major sewer maintenance projects, less expenditures for these projects, as restricted net position as these fees were restricted by City resolution for that purpose.

###### ***11. Pensions***

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

###### ***12. Accounting Estimates***

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

#### **II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY – BUDGETARY INFORMATION**

The City utilizes the following procedures in establishing the budgetary data reflected in the financial statements:

The City Council adopts an annual budget for the General Fund and the Water and Sewer Fund. The annual budget for the General Fund is prepared in accordance with the basis of accounting utilized by that fund. The budget for the Water and Sewer Fund is adopted under a basis consistent with GAAP, except that amortization is not considered. Additionally, cash outlay for debt principal and capital assets funded by operations are budgeted but treated differently in accordance with GAAP. After joint workshops with the City Council, which are open to the public, the City Administrator submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means for financing them. Prior to the beginning of the fiscal year, the budget is legally enacted through passage of an ordinance. Appropriations lapse at the end of each fiscal year.

# CITY OF LIBERTY, SOUTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2021

### II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY – BUDGETARY INFORMATION (CONTINUED)

The Mayor is authorized to transfer budgeted amounts within departments within any fund; however, any revisions that alter the total expenditures of any fund or transfer amounts between departments must be approved by the City Council. The presented budgeted amounts are as originally adopted or as last amended by the City Council. There were no amendments to the budget for the year ended June 30, 2021.

### III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES

#### A. Deposits and Investments

##### *Deposits*

**Custodial Credit Risk for Deposits:** Custodial credit risk for deposits is the risk that, in the event of a bank failure, the City's deposits might not be recovered. The City does not have a formal deposit policy for custodial credit risk but follows the investment policy statutes of the State of South Carolina. As of June 30, 2021, none of the City's bank balances of approximately \$3,180,000 (with a carrying value of approximately \$3,148,000) were exposed to custodial credit risk.

##### *Investments*

As of June 30, 2021, the City did not have any investments.

#### B. Receivables and Unavailable Revenues

##### *Property Taxes and Unavailable Revenues*

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

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

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

After proper notification, the law requires "exclusive possession" of property necessary to satisfy the delinquent taxes. Properties with unpaid taxes are sold at a public auction during the month of October. Vehicle property taxes attach a lien and are levied throughout the year depending on when the vehicles' license tags expire. The lien and collection date for motor vehicle taxes is the last day of the month in which the motor vehicle license expires.

The City's fiscal year 2021 real and business personal property taxes (which was for tax year 2020) were levied in October 2020 based on a millage rate of 85.2 mills (79.8 mills in the prior year) and were due beginning on that date. The City's assessed value of real and personal property was approximately \$11.0 million. Amounts collected by the County but not yet remitted to the City at year end are included in other receivables in the Balance Sheet and Statement of Net Position.

**CITY OF LIBERTY, SOUTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2021**

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

**B. Receivables and Unavailable Revenues (Continued)**

***Property Taxes and Unavailable Revenues (Continued)***

The City has recorded uncollected property taxes of approximately \$48,000 at June 30, 2021, which is net of an allowance for uncollectible taxes of approximately \$32,000. The City recognized outstanding delinquent property taxes of approximately \$1,000 as revenue in the current year because the amount was collected within 60 days after year end. The remaining delinquent property tax receivable of approximately \$47,000 has been recorded as unavailable revenue on the governmental funds balance sheet.

***Accounts and Other Receivables***

The City has the following accounts and other receivables as of June 30, 2021: (a) franchise fees and hospitality taxes totaling approximately \$53,000; (b) intergovernmental revenues from the State of South Carolina for local option sales taxes of approximately \$42,000; (c) amounts due from Pickens County for dispatch revenues and aid to subdivisions totaling approximately \$43,000; (d) amounts due from the School District of Pickens County for school resource officer fees of approximately \$42,000; (e) amount due from the Municipal Association of South Carolina of approximately \$41,000; (f) amounts due from water and sewer customers of approximately \$201,000; and (g) approximately \$66,000 for other fees and miscellaneous items.

**C. Interfund Receivables and Payables**

Interfund balances at June 30, 2021, consisted of the following individual fund receivables and payables:

<u>Fund</u>	<u>Receivables</u>	<u>Payables</u>
<b><u>Governmental Funds:</u></b>		
General Fund	\$ 28,308	\$ 400,000
<b><u>Enterprise Fund:</u></b>		
Water and Sewer Fund	400,000	28,308
Totals	<u>\$ 428,308</u>	<u>\$ 428,308</u>

Amounts to be paid between funds are accounted for in the interfund receivable/payable accounts. The amount that the General Fund owes to the Water and Sewer Fund is related to the General Fund being unable to pay for all of its operations in prior years, and the City using cash from the Water and Sewer Fund. The amount that the Water and Sewer Fund owes the General Fund is related to salaries being paid by the General Fund for employees in the Public Works Department working for Water and Sewer. The outstanding balances between funds may also result from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

This above amount that the General Fund owed the Water and Sewer Fund will not be repaid within one year and thus is reflected as a noncurrent asset on the Water and Sewer Fund's Balance Sheet as of June 30, 2021. The General Fund repaid \$100,000 during the year ended June 30, 2021. The City anticipates being able to repay the remaining balance over the next several years.

**CITY OF LIBERTY, SOUTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2021**

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

**D. Capital Assets**

Capital asset activity for the City's governmental activities for the year ended June 30, 2021, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities:</b>				
Capital Assets, Non-Depreciable:				
Land	\$ 114,669	-	-	\$ 114,669
Total Capital Assets, Non-Depreciable	114,669	-	-	114,669
Capital Assets, Depreciable:				
Buildings and Improvements	1,481,315	-	-	1,481,315
Infrastructure	1,724,316	347,164	-	2,071,480
Vehicles, Furniture and Equipment	1,171,660	236,812	(186,387)	1,222,085
Total Capital Assets, Depreciable	4,377,291	583,976	(186,387)	4,774,880
Less: Accumulated Depreciation for:				
Buildings and Improvements	1,194,550	37,225	-	1,231,775
Infrastructure	981,330	82,932	-	1,064,262
Vehicles, Furniture and Equipment	940,446	63,231	(186,387)	817,290
Total Accumulated Depreciation	3,116,326	183,388	(186,387)	3,113,327
Total Capital Assets, Depreciable, Net	1,260,965	400,588	-	1,661,553
Governmental Activities Capital Assets, Net	\$ 1,375,634	400,588	-	\$ 1,776,222

As of June 30, 2021, the City was leasing a total of seven vehicles; the total cost of the vehicles was approximately \$252,000 and total accumulated depreciation was approximately \$89,000 for a net book value of approximately \$163,000. See Note III.E for more information on these capital leases.

Depreciation expense for governmental activities was charged to functions/programs as follows:

Functions/Programs	Expense
General Government	\$ 26,420
Police	54,368
Public Works	72,131
Recreation	30,469
Total - Governmental Activities	\$ 183,388

**CITY OF LIBERTY, SOUTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2021**

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

**D. Capital Assets (Continued)**

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

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-Type Activities</b>				
Capital Assets, Non-Depreciable:				
Land	\$ 6,414	-	-	\$ 6,414
Total Capital Assets, Non-Depreciable	6,414	-	-	6,414
Capital Assets, Depreciable:				
Vehicles, Furniture and Equipment	388,802	-	-	388,802
Water Infrastructure	2,135,676	149,592	-	2,285,268
Sewer Infrastructure	4,442,075	175,845	-	4,617,920
Total Capital Assets, Depreciable	6,966,553	325,437	-	7,291,990
Less: Accumulated Depreciation for:				
Vehicles, Furniture and Equipment	369,792	3,979	-	373,771
Water Infrastructure	862,187	60,063	-	922,250
Sewer Infrastructure	1,860,432	91,081	-	1,951,513
Total Accumulated Depreciation	3,092,411	155,123	-	3,247,534
Total Capital Assets, Depreciable, Net	3,874,142	170,314	-	4,044,456
Business-Type Activities Capital Assets, Net	\$ 3,880,556	170,314	-	\$ 4,050,870

The City received a donated water meter for the new US Waffle facility of approximately \$71,000.

Depreciation expense for business-type activities was charged to functions as follows:

Functions/Programs	Expense
Water	\$ 64,042
Sewer	91,081
Total - Business-Type Activities	\$ 155,123

**E. Long-Term Obligations**

The City may issue bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the City and are subject to the 8% debt limit requirement if not issued under a bond referendum. Revenue bonds are obligations of the City that are secured by revenue from a specific source. Lease purchase and capital lease obligations of the City are collateralized by the property underlying the obligation and are payable from the general revenues of the City. The full faith, credit, and taxing powers of the City are only pledged for the payment of general obligation bonds and the interest thereon. All of the City's indebtedness is considered to be direct borrowing / direct placement.

CITY OF LIBERTY, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2021

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

E. Long-Term Obligations (Continued)

Details on the City's outstanding debt obligations as of June 30, 2021 are as follows:

Balance at  
June 30, 2021

*General Obligation Bonds*

\$400,000 General Obligation Bond (GOB – Series 2020) issued in October 2020, due in annual installments of \$64,000 to \$69,000 beginning June 2021 through June 2026, plus interest 1.73% due annually. The proceeds for this issue was used for vehicles in governmental activities (\$330,000) and utility projects in business-type activities (\$70,000). \$ 334,000

*Revenue Bonds*

\$500,000 Water & Sewer System Revenue Bonds, Series 2021A (Series 2021A Water and Sewer RB). Proceeds from the Bonds were used to fund the upgrades to the City's lift station and for new water meters. Bonds are due in annual installments of \$26,903 to \$40,638 beginning June 2022 through June 2036, plus interest at 2.99% due annually. Revenues from the water & sewer system are pledged to repay this indebtedness. 500,000

\$500,000 Water & Sewer System Revenue Bonds, Series 2021B (Series 2021B Water and Sewer RB). Proceeds from the Bonds were used to fund the upgrades to the City's lift station and for new water meters. Bonds are due in annual installments of \$26,903 to \$40,638 beginning June 2022 through June 2036, plus interest at 2.99% due annually. Revenues from the water & sewer system are pledged to repay this indebtedness. 500,000

*Lease Purchases*

The City has entered into a lease purchase with local bank to finance the acquisition of a vehicle for its public works. The amount financed was \$133,383. The interest rate on this agreement is 2.04%, with annual payments (including interest) of \$20,641. This agreement matures in 2022. 20,222

The City has entered into a lease purchase with local bank to finance the acquisition of a vehicle for its public works. The amount financed was \$145,000. The interest rate on this agreement is 2.20%, with annual payments (including interest) of \$22,577. This agreement matures in 2028. 145,000

*Capital Leases*

The City has entered into an agreement with a company to lease four vehicles in the year ended June 30, 2019, which is being accounted for as a capital lease. The total cost of the vehicles was approximately \$150,000, with the City paying approximately \$23,000 up front and financing approximately \$127,000, with monthly payments of approximately \$2,500 for 60 months, which includes interest ranging from 5.43% to 6.25%. If the City is late making its required payments, the interest rate will be 18%. In the event the lease term for any vehicle ends prior to the last day of the scheduled term, the lessor will recalculate all fees due in accordance with the Rule of 78's. In addition to specified maintenance and insurance to be maintained on each vehicle through the lease term, the City will have to pay approximately \$3,000 per vehicle at the end of the lease term if they want to keep the vehicle. \$ 74,073

CITY OF LIBERTY, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2021

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

E. Long-Term Obligations (Continued)

*Capital Leases (Continued)*

The City has entered into an agreement with a company to lease three vehicles in the year ended June 30, 2020, which is being accounted for as a capital lease. The total cost of the vehicles was approximately \$103,000, with the City paying approximately \$15,000 up front and financing approximately \$88,000, with monthly payments of approximately \$1,600 for 60 months, which includes interest ranging from 2.91% to 4.14%. If the City is late making its required payments, the interest rate will be 18%. In the event the lease term for any vehicle ends prior to the last day of the scheduled term, the lessor will recalculate all fees due in accordance with the Rule of 78's. In addition to specified maintenance and insurance to be maintained on each vehicle through the lease term, the City will have to pay approximately \$3,000 per vehicle at the end of the lease term if they want to keep the vehicle. \$ 69,412

Article Eight, Section Seven of the South Carolina Constitution of 1895, as amended, provides that no City or Town shall incur any bonded debt which shall exceed eight percent (8%) of the assessed value of the property therein and no such debt shall be created without the electors of such City or Town voting in favor of such further bonded debt. As of June 30, 2021, the City had \$334,000 of outstanding general obligation bonds subject to the 8% limit of approximately \$877,000 resulting in an unused legal debt margin of approximately \$543,000.

Resources from the General Fund have been used to liquidate the City's governmental activities long-term obligations. Resources from the Water and Sewer Fund have been used to liquidate the City's business-type activities long-term obligations.

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

Long-Term Obligations	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities:</b>					
Debt:					
Lease Purchase - 2015	\$ 40,046	-	19,824	20,222	\$ 20,222
Lease Purchase - 2020	-	145,000	-	145,000	19,387
Capital Lease - 2019	98,346	-	24,273	74,073	25,775
Capital Lease - 2020	86,018	-	16,606	69,412	17,159
GOB - Series 2020	-	330,000	54,450	275,550	52,800
Total Debt	224,410	475,000	115,153	584,257	135,343
Compensated Absences	67,388	41,609	41,112	67,885	41,415
<b>Total Governmental Activities</b>	<b>\$ 291,798</b>	<b>516,609</b>	<b>156,265</b>	<b>652,142</b>	<b>\$ 176,758</b>
<b>Business-Type Activities:</b>					
Debt:					
Series 1983 Water System Bonds	\$ 73,499	-	73,499	-	\$ -
GOB - Series 2020	-	70,000	11,550	58,450	11,200
Series 2021A Water & Sewer RB	-	500,000	-	500,000	26,903
Series 2021B Water & Sewer RB	-	500,000	-	500,000	26,903
Total Debt	73,499	1,070,000	85,049	1,058,450	65,006
Compensated Absences	17,062	9,423	11,079	15,406	10,004
<b>Total Business-Type Activities</b>	<b>\$ 90,561</b>	<b>1,079,423</b>	<b>96,128</b>	<b>1,073,856</b>	<b>\$ 75,010</b>

**CITY OF LIBERTY, SOUTH CAROLINA****NOTES TO THE FINANCIAL STATEMENTS****YEAR ENDED JUNE 30, 2021****III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)****E. Long-Term Obligations (Continued)**

Presented below is a summary of debt service requirements to maturity by year as of June 30, 2021:

Year Ended June 30,	Govenmental Activities		Business-Type Activities		Total
	Principal	Interest	Principal	Interest	
2022	\$ 135,343	14,141	65,006	30,911	\$ 245,401
2023	119,363	10,221	66,964	29,109	225,657
2024	114,773	6,605	68,797	27,252	217,427
2025	92,997	4,084	70,678	25,343	193,102
2026	78,075	2,411	72,611	23,379	176,476
2027 - 2031	43,706	1,448	330,936	87,594	463,684
2032 - 2036	-	-	383,458	35,072	418,530
Totals	<u>\$ 584,257</u>	<u>38,910</u>	<u>1,058,450</u>	<u>258,660</u>	<u>\$ 1,940,277</u>

**IV. OTHER INFORMATION****A. Risk Management**

The City is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, and natural disasters. For all of these risks, the City is a member of the South Carolina Municipal Insurance Reserve Fund ("SCMIRF"), a public entity risk pool operating as a common risk management and insurance program for local governments for general risk. The City pays premiums to SCMIRF for this coverage. SCMIRF's net position from its most recently issued audited financial statements at December 31, 2020 totaled approximately \$14,492,000. The City did not have any significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage in the past three fiscal years.

The City has also joined together with other municipalities in the state to form the South Carolina Municipal Insurance Trust ("SCMIT"), a public entity risk pool operating as a common risk management and insurance program for workers' compensation. The City pays premiums to SCMIT for this coverage. The Trust uses reinsurance agreements to reduce its exposure to large workers' compensation losses. SCMIT's net position from its most recently issued audited financial statements at December 31, 2020, totaled approximately \$60,286,000. The City did not have any significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage in the past three fiscal years.

The City provides a health insurance program for its eligible employees. The City pays a monthly premium to the insurer for its health coverage (insured plan) with the insurer being responsible for claims. The City does not provide any health insurance or other postemployment benefits to its retirees.

**B. State Retirement Plans**

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

## CITY OF LIBERTY, SOUTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2021

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#### IV. OTHER INFORMATION (CONTINUED)

##### B. State Retirement Plans (Continued)

The Commission, an eight-member board, serves as co-trustee and co-fiduciary for the assets of the retirement trust funds. By law, the State Fiscal Accountability Authority ("SFAA"), which consists of five elected officials, also reviews certain PEBA Board decisions regarding the actuary of the Systems.

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

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

##### *Plan Description*

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

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

##### *Plan Membership*

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

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

CITY OF LIBERTY, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2021

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IV. OTHER INFORMATION (CONTINUED)

A. State Retirement Plans (Continued)

*Plan Membership (Continued)*

An employee member of the system with an effective date of membership prior to July 1, 2012, is a Class Two member. An employee member of the system with an effective date of membership on or after July 1, 2012, is a Class Three member.

*Plan Benefits*

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

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

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

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

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

*Plan Contributions*

Actuarial valuations are performed annually by an external consulting actuary to ensure applicable contribution rates satisfy the funding parameters specified in Title 9 of the South Carolina Code of Laws. Under these provisions, SCRS and PORS ("Plans") contribution requirements must be sufficient to maintain an amortization period for the financing of the unfunded actuarial accrued liability ("UAAL") over a period that does not exceed the number of years scheduled in state statute. Legislation in 2017 increased, but also established a ceiling for SCRS and PORS employee contribution rates.

**CITY OF LIBERTY, SOUTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2021**

**IV. OTHER INFORMATION (CONTINUED)**

**A. State Retirement Plans (Continued)**

*Plan Contributions (Continued)*

Effective July 1, 2017, employee rates were increased to a capped rate of 9.00 percent for SCRS and 9.75 percent for PORS. The legislation also increased employer contribution rates beginning July 1, 2017 for both SCRS and PORS by two percentage points and further scheduled employer contribution rates to increase by a minimum of one percentage point each year in accordance with state statute. However, the General Assembly postponed the one percent increase in the SCRS and PORS employer contribution rates that was scheduled to go into effect beginning July 1, 2020. If the scheduled contributions are not sufficient to meet the funding periods set in state statute, the PEBA Board shall increase the employer contribution rates as necessary to meet the funding periods set for the applicable year. The maximum funding period of SCRS and PORS is scheduled to be reduced over a ten-year schedule from 30 years beginning fiscal year 2018 to 20 years by fiscal year 2028.

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

As noted earlier, both employees and the City are required to contribute to the Plans at rates established and as amended by the PEBA. The City's contributions are actuarially determined but are communicated to and paid by the City as a percentage of the employees' annual eligible compensation. Required employer and employee contribution rates for the past three years are as follows:

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

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

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

Year Ended June 30,	SCRS Contributions		PORS Contributions	
	Required	% Contributed	Required	% Contributed
2021	\$ 111,396	100%	\$ 94,323	100%
2020	111,101	100%	96,409	100%
2019	\$ 95,708	100%	\$ 84,595	100%

# CITY OF LIBERTY, SOUTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2021

### IV. OTHER INFORMATION (CONTINUED)

#### A. State Retirement Plans (Continued)

##### *Plan Contributions (Continued)*

In an effort to help offset a portion of the burden of the increased contribution requirement for employers, the State General Assembly ("State") funded 1 percent of the SCRS and PORS contribution increases for the year ended June 30, 2020. The State's budget appropriated these funds directly to the PEBA for the South Carolina Retirement System Trust Fund and the Police Officers Retirement System Trust Fund. The amount of funds appropriated by the State (nonemployer contributing entity) for the year ended June 30, 2020 (measurement date) to the City were approximately \$5,000 and \$10,000 for the SCRS and PORS, respectively.

The City recognized contributions (on-behalf benefits) from the State of approximately \$5,000 and \$10,000 for the year ended June 30, 2021 for the SCRS and PORS, respectively. These contributions by the State are recognized as intergovernmental revenues and pension expenditures in the City's governmental fund financial statements.

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

Year Ended June 30,	SCRS Payroll	PORS Payroll	Total Payroll
2021	\$ 715,910	517,122	\$ 1,233,032
2020	714,019	528,558	1,242,577
2019	\$ 657,339	490,691	\$ 1,148,030

##### *Actuarial Assumptions and Methods*

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

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

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

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

\* Includes inflation at 2.25%.

**CITY OF LIBERTY, SOUTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2021**

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**IV. OTHER INFORMATION (CONTINUED)**

**B. State Retirement Plans (Continued)**

*Actuarial Assumptions and Methods (Continued)*

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

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

*Long-Term Expected Rate of Return*

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

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

**CITY OF LIBERTY, SOUTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2021**

**IV. OTHER INFORMATION (CONTINUED)**

**B. State Retirement Plans (Continued)**

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

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

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

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

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

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 No. 67 in the Systems' notes to the financial statements and required supplementary information. Liability calculations performed by the Systems' actuary for the purpose of satisfying the requirements of GASB Nos. 67 and 68 are not applicable for other purposes, such as determining the Plans' funding requirements.

**CITY OF LIBERTY, SOUTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2021**

**IV. OTHER INFORMATION (CONTINUED)**

**B. State Retirement Plans (Continued)**

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

At June 30, 2021, the City reported liabilities of approximately \$1,636,000 and \$1,160,000 for its proportionate share of the NPL for the SCRS and PORS, respectively. The NPL were measured as of June 30, 2020, and the TPL for the Plans used to calculate the NPL were determined based on the most recent actuarial valuation report as of July 1, 2019 that was projected forward to the measurement date. The City's proportion of the NPL were based on a projection of the City's long-term share of contributions to the Plans relative to the projected contributions of all participating South Carolina state and local governmental employers, actuarially determined. At the June 30, 2020 measurement date, the City's SCRS proportion was 0.006404 percent, which was an increase of 0.000175 from its proportion measured as of June 30, 2019. At the June 30, 2020 measurement date, the City's PORS proportion was 0.034989 percent, which was an increase of 0.001159 from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the City recognized pension expense of approximately \$264,000 and (\$21,000) for the SCRS and PORS, respectively. At June 30, 2021, the City reported deferred outflows of resources (deferred pension charges) and deferred inflows of resources (deferred pension credits) related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
<b>SCRS</b>		
Differences Between Expected and Actual Experience	\$ 18,881	\$ 6,187
Changes in Assumptions	2,005	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	120,363	-
Changes in Proportionate Share and Differences Between Employer Contributions and Proportionate Share of Total Plan Employer Contributions	109,726	1,299
City Contributions Subsequent to the Measurement Date	106,743	-
Total SCRS	<u>357,718</u>	<u>7,486</u>
<b>PORS</b>		
Differences Between Expected and Actual Experience	24,659	5,107
Changes in Assumptions	14,160	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	118,813	-
Changes in Proportionate Share and Differences Between Employer Contributions and Proportionate Share of Total Plan Employer Contributions	23,587	277,208
City Contributions Subsequent to the Measurement Date	84,277	-
Total PORS	<u>265,496</u>	<u>282,315</u>
Total SCRS and PORS	<u>\$ 623,214</u>	<u>\$ 289,801</u>

CITY OF LIBERTY, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2021

IV. OTHER INFORMATION (CONTINUED)

B. State Retirement Plans (Continued)

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

Approximately \$107,000 and \$84,000 that were reported as deferred outflows of resources related to the City's contributions subsequent to the measurement date to the SCRS and PORS, respectively, will be recognized as a reduction of the NPL in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources (deferred pension charges) and deferred inflows of resources (deferred pension credits) related to the SCRS and PORS will increase (decrease) pension expense as follows:

Year Ended June 30,	SCRS	PORS	Total
2022	\$ 74,177	(154,586)	\$ (80,409)
2023	86,080	(22,812)	63,268
2024	52,517	44,307	96,824
2025	30,715	31,995	62,710
Total	<u>\$ 243,489</u>	<u>(101,096)</u>	<u>\$ 142,393</u>

*Discount Rate*

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

*Sensitivity Analysis*

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

System	1.00% Decrease (6.25%)	Current Discount Rate (7.25%)	1.00% Increase (8.25%)
The City's proportionate share of the net pension liability of the SCRS	\$ 2,027,972	1,636,283	\$ 1,309,218
The City's proportionate share of the net pension liability of the PORS	1,536,048	1,160,305	858,607
Total Pension Liability	<u>\$ 3,564,020</u>	<u>2,796,588</u>	<u>\$ 2,167,825</u>

*Plans Fiduciary Net Position*

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

## CITY OF LIBERTY, SOUTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2021

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#### IV. OTHER INFORMATION (CONTINUED)

##### B. State Retirement Plans (Continued)

###### *Payable to Plans*

The City reported a payable of approximately \$25,000 to the PEBA as of June 30, 2021, representing required employer and employee contributions for the month of June 2021 for the SCRS and PORS. This amount is included in Accrued Salaries and Fringe on the financial statements and was paid in July 2021.

##### C. Contingent Liabilities and Commitments

###### *Litigation*

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

###### *Grants*

The City receives financial assistance from various federal, state, and local governmental agencies in the form of grants. Disbursements of funds received under these programs generally require compliance with the terms and conditions specified in the grant agreements. The disbursements are also subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements included herein or on the overall financial position of the City at June 30, 2021.

###### *Water and Wastewater Agreements*

The City entered into an agreement with Pickens County Water Authority (the "Authority") in 2006 to purchase water at a base rate of \$3,000 per month plus the cost of water that is purchased from the Greenville Water System. The agreement with the Authority extends through the maturity of the Authority's Waterworks System Revenue Bonds, Series 1999, which was refinanced in 2013 and matures in 2023. The City incurred a total of approximately \$281,000 for water purchase charges in the year ended June 30, 2021.

The City, along with the Town of Central, South Carolina, entered into a wastewater treatment agreement with Pickens County in 2005, whereas Pickens County will perform all wastewater treatment services for both the City and the Town of Central's sewer customers. Each participant is required to pay its respective operations and maintenance charges and capital charges on a monthly basis throughout the life of the agreement. These charges are defined and established in the agreement. The agreement shall extend for as long as the system is capable of providing to the participants their reserved capacities, as defined in the agreement. The City incurred a total of approximately \$316,000 for these services and charges in the year ended June 30, 2021.

###### *Sewer System Issues*

In June 2019, the City received notification from the South Carolina Department of Health and Environmental Control ("DHEC") that the City's sewer system was rated unsatisfactory after a recent inspection. This unsatisfactory rating was due to several deficiencies noted during the inspection, including the following: all four lift / pump stations were in need of immediate repair / upgrades, there was significant corrosion and deterioration of sewer lines and manholes, and a general lack of maintenance of the sewer system overall. The City does not have the resources to repair and upgrade the lift / pump stations, which is estimated to cost around \$1 million. The City is applying for and has received grants to provide the funds for these repairs along with other needed repairs and upgrades. The City has made progress by completing the upgrading of the Rice Creek lift station, but has not started/has not completed the remaining three. In addition, the City does not presently have a map, reports, or any records of their current system. The City is developing a map. They are working with an engineering consultant on mapping and potential inflow and infiltration issues. The City began submitting quarterly reports to DHEC as required during FY 2019 through FY 2021. The City entered into a consent order agreement with DHEC in December 2020.

## CITY OF LIBERTY, SOUTH CAROLINA

### NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2021

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#### IV. OTHER INFORMATION (CONTINUED)

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

###### *Computer Services and Support Agreement*

Effective July 1, 2018, the City entered into an agreement with a technology company to provide the City with computer services and support for a period of 60 months through June 30, 2023 for a monthly fee of approximately \$2,800 (approximately \$33,800 annually).

###### *Police Dispatch Services Agreements*

In April 2020, the City entered into an agreement with the Town of Central to provide police dispatch services for a quarterly rate of \$11,250 (\$45,000 annually) beginning on July 1, 2020. The agreement will be renewed automatically for successive terms of one year until terminated by either party. Beginning July 1, 2021, the terms of the agreement increased from \$11,250 to \$11,950 quarterly (\$47,800 annually).

In April 2013, the City entered into an agreement with the City of Pickens to provide police dispatch services for a quarterly rate of \$9,000 (\$36,000 annually) beginning May 1, 2013. The agreement will be renewed automatically each year upon agreement as long as both parties mutually agree. Beginning May 1, 2016, the terms of the agreement increased to \$42,000 annually. Beginning April 1, 2018, the terms of the agreement increased to \$45,000 annually. Beginning July 1, 2021, the terms of the agreement increased to \$47,800 annually.

###### *Landscaping Services Agreement*

In February 2020, the City entered into a landscaping services agreement with a local company for approximately \$33,000 annually plus \$48 per hour for nuisance mowing. The term of the agreement is one year beginning March 1, 2020 with the option to renew annually for up to five years. In March 2021, the City added two additional month-to-month lawn maintenance agreements for \$475 and \$100 per month. As of June 30, 2021, the remaining commitment for this agreement was approximately \$26,000.

###### *COVID-19 Health Pandemic*

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

##### D. Concentrations of Credit Risk

The Water and Sewer Fund grants credit to customers in Liberty, South Carolina. Accounts receivable are financial instruments that potentially subject the City to credit risk. The City generally only requires security deposits for its water and sewer customers who are renting their facilities. The City generally terminates services for accounts unpaid after 30 days for its water and sewer customers.

**CITY OF LIBERTY, SOUTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2021**

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**IV. OTHER INFORMATION (CONTINUED)**

**E. Tax Abatements**

*The City's Tax Abatements*

The City does not have any of its own significant tax abatement agreements.

*Pickens County Tax Abatements*

The City's property tax revenues were reduced by approximately \$500 under agreements entered into by Pickens County.

**F. Subsequent Events**

In July 2021, the City purchased two trucks for approximately \$83,000.

In August 2021, the City entered into a construction contract with Greenestone Construction, LLC for the rehabilitation of the Odell Street Lift Station of approximately \$250,000.

In September 2021, the City entered into an agreement to become a member of the Pickens Regional Joint Water System ("PRJWS"). The City finds that becoming a member of the PRJWS and entering into an agreement to finance and develop a water treatment plant and related infrastructure is a means of obtaining the right to access a safe and abundant source of potable water capacity and is economically analogous to building a water treatment plant to provide the amount of potable water required by the City and its resident, and has the added benefit of obtaining local control over the source of water and will take advantage of economies of scale unavailable to the City acting alone.

In October 2021, the City entered into a lease agreement consisting of three separate notes to purchase a garbage truck, backhoe, and roll cart. The notes are approximately \$107,000, \$110,000, and \$230,000, for a total of approximately \$446,000. The interest rates on the notes range from 1.30% to 2.01%, with annual principal payments ranging from \$10,000 to \$34,000 required beginning October 7, 2022 until paid in full on October 7, 2031.

In October 2021, the City received approximately \$785,000 in American Rescue Plan Act ("ARPA") funds.

In October 2021, the City purchased a garbage truck for approximately \$234,000.

In October 2021, the City purchased a backhoe for approximately \$106,000.

In October 2021, the City purchased a generator for approximately \$59,000.

In November 2021, the City paid a settlement amount of approximately \$25,000 associated with a lawsuit regarding the landscape of the Liberty Dollar General store location.

## CITY OF LIBERTY, SOUTH CAROLINA

## REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE

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

YEAR ENDED JUNE 30, 2021

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH REVISED BUDGET
	ORIGINAL	REVISED		
<b>REVENUES</b>				
Taxes	\$ 782,100	782,100	820,125	\$ 38,025
Licenses and Permits	381,100	381,100	441,753	60,653
Franchise Fees	286,200	286,200	271,560	(14,640)
Fines and Forfeitures	95,000	95,000	62,979	(32,021)
Charges for Services	643,266	643,266	639,771	(3,495)
Shared Revenues	143,700	143,700	152,135	8,435
Miscellaneous	53,165	53,165	71,671	18,506
Grants	30,000	30,000	98,198	68,198
<b>TOTAL REVENUES</b>	<b>2,414,531</b>	<b>2,414,531</b>	<b>2,558,192</b>	<b>143,661</b>
<b>EXPENDITURES</b>				
Current:				
General Government	307,000	307,000	308,163	(1,163)
Police	1,114,414	1,114,414	1,037,280	77,134
Public Works	569,593	569,593	477,533	92,060
Recreation	236,003	236,003	186,576	49,427
Capital Outlay	59,121	59,121	598,953	(539,832)
Debt Service				
Principal	99,182	99,182	115,153	(15,971)
Interest and Other Charges	818	818	14,295	(13,477)
<b>TOTAL EXPENDITURES</b>	<b>2,386,131</b>	<b>2,386,131</b>	<b>2,737,953</b>	<b>(351,822)</b>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<b>28,400</b>	<b>28,400</b>	<b>(179,761)</b>	<b>(208,161)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Issuance of Lease Purchase	-	-	145,000	145,000
Issuance of General Obligation Bonds	-	-	330,000	330,000
Sale of Capital Assets	-	-	17,641	17,641
Transfers In	89,000	89,000	-	(89,000)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>89,000</b>	<b>89,000</b>	<b>492,641</b>	<b>403,641</b>
<b>CHANGES IN FUND BALANCE</b>	<b>117,400</b>	<b>117,400</b>	<b>312,880</b>	<b>195,480</b>
FUND BALANCE, Beginning of Year	837,379	837,379	837,379	-
<b>FUND BALANCE, End of Year</b>	<b>\$ 954,779</b>	<b>954,779</b>	<b>1,150,259</b>	<b>\$ 195,480</b>

Note: The City's original and revised budget reflected a surplus of fund balance of approximately \$117,400.

Note: City Council approved expenditures in excess of the original budget but chose not to amend the budget.

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

CITY OF LIBERTY, SOUTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION - PENSION PLAN SCHEDULES

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

LAST SEVEN FISCAL YEARS

	Year Ended June 30,						
	2021	2020	2019	2018	2017	2016	2015
City's Proportion of the Net Pension Liability	0.006404%	0.006229%	0.005502%	0.005526%	0.004710%	0.005582%	0.004752%
City's Proportionate Share of the Net Pension Liability	\$ 1,636,283	1,422,322	1,232,847	1,243,991	1,006,049	1,058,653	\$ 818,137
City's Covered Payroll	\$ 714,019	657,339	564,971	557,581	491,645	522,945	\$ 431,424
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	229.17%	216.38%	218.21%	223.10%	204.63%	202.44%	189.64%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	50.71%	54.40%	54.10%	53.34%	52.91%	56.99%	59.92%

Notes to Schedule:

The amounts presented for each fiscal year were determined as of June 30th of the preceding year.  
The City implemented GASB #68/71 during the year ended June 30, 2015. Information before 2015 is not available.  
The discount rate was lowered from 7.50% to 7.25% for the year ended June 30, 2017.

CITY OF LIBERTY, SOUTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION - PENSION PLAN SCHEDULES

SCHEDULE OF CONTRIBUTIONS  
SOUTH CAROLINA RETIREMENT SYSTEM

LAST SEVEN FISCAL YEARS

	Year Ended June 30,					
	2021	2020	2019	2018	2017	2016
Contractually Required Contribution	\$ 111,396	111,101	95,708	76,610	64,456	54,376
Contributions in Relation to the Contractually Required Contribution:						
Contributions from the City	106,743	106,448	91,055	71,957	64,456	54,376
Contributions from the State	4,653	4,653	4,653	4,653	-	-
Contribution Deficiency (Excess)	\$ -	-	-	-	-	\$ -
City's Covered Payroll	\$ 715,910	714,019	657,339	564,971	557,581	491,645
Contributions as a Percentage of Covered Payroll:	15.56%	15.56%	14.56%	13.56%	11.56%	11.06%
						10.90%

Notes to Schedule:

The City implemented GASB #68/71 during the year ended June 30, 2015. Information before 2015 is not available.

Due to the health pandemic, the General Assembly postponed the one percent increase in the SCRS employer contribution rate that was scheduled to go into effect beginning July 1, 2020

**CITY OF LIBERTY, SOUTH CAROLINA**

**REQUIRED SUPPLEMENTARY INFORMATION - PENSION PLAN SCHEDULES**

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

**LAST SEVEN FISCAL YEARS**

	Year Ended June 30,						
	2021	2020	2019	2018	2017	2016	2015
City's Proportion of the Net Pension Liability	0.03499%	0.03383%	0.03491%	0.06753%	0.07665%	0.06603%	0.06284%
City's Proportionate Share of the Net Pension Liability	\$ 1,160,305	969,549	989,231	1,850,053	1,944,208	1,439,209	\$ 1,202,930
City's Covered Payroll	\$ 528,558	490,691	483,227	830,234	937,292	808,213	\$ 755,749
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	219.52%	197.59%	204.71%	222.84%	207.43%	178.07%	159.17%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	58.79%	62.69%	61.73%	60.94%	60.44%	64.57%	67.55%

**Notes to Schedule:**

The amounts presented for each fiscal year were determined as of June 30th of the preceding year.  
The City implemented GASB #68/71 during the year ended June 30, 2015. Information before 2015 is not available.  
The discount rate was lowered from 7.50% to 7.25% for the year ended June 30, 2017.

**CITY OF LIBERTY, SOUTH CAROLINA**

**REQUIRED SUPPLEMENTARY INFORMATION - PENSION PLAN SCHEDULES**

**SCHEDULE OF CONTRIBUTIONS  
POLICE OFFICERS RETIREMENT SYSTEM**

**LAST SEVEN FISCAL YEARS**

	Year Ended June 30,						
	2021	2020	2019	2018	2017	2016	2015
Contractually Required Contribution	\$ 94,323	96,409	84,595	78,476	118,225	128,784	\$ 109,249
Contributions in Relation to the Contractually Required Contribution:							
Contributions from the City	84,277	86,363	74,549	68,430	118,225	128,784	109,249
Contributions from the State	10,046	10,046	10,046	10,046	-	-	-
Contribution Deficiency (Excess)	\$ -	-	-	-	-	-	\$ -
City's Covered Payroll	\$ 517,122	528,558	490,691	483,227	830,234	937,292	\$ 800,744
Contributions as a Percentage of Covered Payroll:	18.24%	18.24%	17.24%	16.24%	14.24%	13.74%	13.64%

**Notes to Schedule:**

The City implemented GASB #68/71 during the year ended June 30, 2015. Information before 2015 is not available.  
Due to the health pandemic, the General Assembly postponed the one percent increase in the SCRS employer contribution rate that was scheduled to go into effect beginning July 1, 2020

## CITY OF LIBERTY, SOUTH CAROLINA

## SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE

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

YEAR ENDED JUNE 30, 2021

	REVISED BUDGET	ACTUAL	VARIANCE
<b>REVENUES</b>			
Taxes:			
Property Taxes	\$ 377,100	349,940	\$ (27,160)
Local Option Sales Tax	405,000	470,185	65,185
Total Taxes	782,100	820,125	38,025
Licenses and Permits:			
Business Licenses	105,000	133,089	28,089
MASC Insurance Business Licenses	272,000	301,942	29,942
Building and Other Permits	4,100	6,722	2,622
Total Licenses and Permits	381,100	441,753	60,653
Charges for Services:			
Sanitation Fees	267,750	269,842	2,092
Recreation Department	42,200	33,926	(8,274)
School Resource Officer	168,000	168,000	-
Road Maintenance Fees	63,700	66,387	2,687
Pickens Dispatch	90,000	90,000	-
Cell Tower Rent	11,616	11,616	-
Total Charges for Services	643,266	639,771	(3,495)
Franchise Fees:			
Electricity	215,000	207,005	(7,995)
Fort Hill Natural Gas	60,000	55,150	(4,850)
Northland	11,200	9,405	(1,795)
Total Franchise Fees	286,200	271,560	(14,640)
Fines and Forfeitures:			
Court Fines	95,000	62,979	(32,021)
Total Fines and Forfeitures	95,000	62,979	(32,021)
Shared Revenues:			
Homestead Exemption	52,000	52,982	982
Manufacturer's Tax Exemption	6,000	9,227	3,227
Aid to Subdivisions	77,500	78,989	1,489
Merchant Inventory	3,000	6,648	3,648
Housing Authority in Lieu of Taxes	5,200	4,289	(911)
Total Shared Revenues	143,700	152,135	8,435
Miscellaneous:			
Miscellaneous	53,165	71,671	18,506
Total Miscellaneous	53,165	71,671	18,506
Grants	30,000	98,198	68,198
<b>TOTAL REVENUES</b>	<b>\$ 2,414,531</b>	<b>2,558,192</b>	<b>\$ 143,661</b>

(Continued)

## CITY OF LIBERTY, SOUTH CAROLINA

## SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE

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

YEAR ENDED JUNE 30, 2021

	REVISED BUDGET	ACTUAL	VARIANCE
<b>EXPENDITURES</b>			
General Government:			
Salaries	\$ 100,770	101,359	\$ (589)
Employee Benefits	33,191	32,965	226
Operating Expenditures	173,039	173,839	(800)
Capital Outlay	59,121	-	59,121
	<u>366,121</u>	<u>308,163</u>	<u>57,958</u>
Police:			
Salaries	675,132	646,918	28,214
Employee Benefits	273,778	248,383	25,395
Operating Expenditures	165,504	141,979	23,525
Capital Outlay	-	900	(900)
	<u>1,114,414</u>	<u>1,038,180</u>	<u>76,234</u>
Public Works:			
Salaries	216,333	188,423	27,910
Employee Benefits	90,904	79,502	11,402
Operating Expenditures	262,356	209,608	52,748
Capital Outlay	-	346,609	(346,609)
	<u>569,593</u>	<u>824,142</u>	<u>(254,549)</u>
Recreation:			
Salaries	90,545	79,214	11,331
Employee Benefits	31,760	26,440	5,320
Operating Expenditures	113,698	80,922	32,776
Capital Outlay	-	251,444	(251,444)
	<u>236,003</u>	<u>438,020</u>	<u>(202,017)</u>
Debt Service:			
Principal	99,182	115,153	(15,971)
Interest and Other Charges	818	14,295	(13,477)
	<u>100,000</u>	<u>129,448</u>	<u>(29,448)</u>
<b>TOTAL EXPENDITURES</b>	<u><b>2,386,131</b></u>	<u><b>2,737,953</b></u>	<u><b>(351,822)</b></u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<u><b>28,400</b></u>	<u><b>(179,761)</b></u>	<u><b>(208,161)</b></u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Issuance of Lease Purchase	-	145,000	145,000
Issuance of General Obligation Bonds	-	330,000	330,000
Sale of Capital Assets	-	17,641	17,641
Transfers In	89,000	-	(89,000)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u><b>89,000</b></u>	<u><b>492,641</b></u>	<u><b>403,641</b></u>
<b>CHANGES IN FUND BALANCE</b>	<u><b>117,400</b></u>	<u><b>312,880</b></u>	<u><b>195,480</b></u>
FUND BALANCE, Beginning of Year	<u>837,379</u>	<u>837,379</u>	<u>-</u>
<b>FUND BALANCE, End of Year</b>	<u><u><b>\$ 954,779</b></u></u>	<u><u><b>1,150,259</b></u></u>	<u><u><b>\$ 195,480</b></u></u>

**CITY OF LIBERTY, SOUTH CAROLINA**

**SUPPLEMENTARY INFORMATION**

**COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS**

**JUNE 30, 2021**

	<b>HOSPITALITY TAX FUND</b>	<b>VICTIMS' ASSISTANCE FUND</b>
<b>ASSETS</b>		
Restricted Cash and Cash Equivalents	\$ 166,301	28,096
Receivables	9,908	-
Prepays	13,150	-
<b>TOTAL ASSETS</b>	<b>\$ 189,359</b>	<b>28,096</b>
<b>LIABILITIES</b>		
Accounts Payable	\$ 16,891	31
<b>TOTAL LIABILITIES</b>	<b>16,891</b>	<b>31</b>
<b>FUND BALANCES</b>		
Nonspendable:		
Prepays	13,150	-
Restricted:		
Recreation and Tourism	159,318	-
Victims' Assistance	-	28,065
Local Law Enforcement	-	-
<b>TOTAL FUND BALANCES</b>	<b>172,468</b>	<b>28,065</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 189,359</b>	<b>28,096</b>

<b>DRUG SEIZURES FUND</b>	<b>POLICE DEPARTMENT DONATIONS FUND</b>	<b>RECREATION SCHOLARSHIPS FUND</b>	<b>TOTAL NONMAJOR SPECIAL REVENUE FUNDS</b>
10,059	5,541	3,008	\$ 213,005
-	-	-	9,908
-	-	-	13,150
<b>10,059</b>	<b>5,541</b>	<b>3,008</b>	<b>\$ 236,063</b>
-	-	-	\$ 16,922
-	-	-	16,922
-	-	-	13,150
-	-	3,008	162,326
-	-	-	28,065
10,059	5,541	-	15,600
<b>10,059</b>	<b>5,541</b>	<b>3,008</b>	<b>219,141</b>
<b>10,059</b>	<b>5,541</b>	<b>3,008</b>	<b>\$ 236,063</b>

**CITY OF LIBERTY, SOUTH CAROLINA**

**SUPPLEMENTARY INFORMATION**

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
NONMAJOR SPECIAL REVENUE FUNDS**

**YEAR ENDED JUNE 30, 2021**

	<b>HOSPITALITY TAX FUND</b>	<b>VICTIMS' ASSISTANCE FUND</b>
<b>REVENUES</b>		
Hospitality Taxes	\$ 105,661	-
Fines and Forfeitures	-	7,043
Donations	-	-
<b>TOTAL REVENUES</b>	<b>105,661</b>	<b>7,043</b>
<b>EXPENDITURES</b>		
Current:		
General Government	63,163	-
Police	-	6,434
Recreation	44,968	-
<b>TOTAL EXPENDITURES</b>	<b>108,131</b>	<b>6,434</b>
<b>CHANGES IN FUND BALANCES</b>	<b>(2,470)</b>	<b>609</b>
<b>FUND BALANCES, Beginning of Year</b>	<b>174,938</b>	<b>27,456</b>
<b>FUND BALANCES, End of Year</b>	<b>\$ 172,468</b>	<b>28,065</b>

<b>DRUG SEIZURES FUND</b>	<b>POLICE DEPARTMENT DONATIONS FUND</b>	<b>RECREATION SCHOLARSHIPS FUND</b>	<b>TOTAL NONMAJOR SPECIAL REVENUE FUNDS</b>
-	-	-	\$ 105,661
5,472	-	-	12,515
-	1,000	150	1,150
<b>5,472</b>	<b>1,000</b>	<b>150</b>	<b>119,326</b>
-	-	-	63,163
-	-	-	6,434
-	-	2,215	47,183
-	-	2,215	116,780
<b>5,472</b>	<b>1,000</b>	<b>(2,065)</b>	<b>2,546</b>
<b>4,587</b>	<b>4,541</b>	<b>5,073</b>	<b>216,595</b>
<b>10,059</b>	<b>5,541</b>	<b>3,008</b>	<b>\$ 219,141</b>

## CITY OF LIBERTY, SOUTH CAROLINA

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

YEAR ENDED JUNE 30, 2021

## FOR THE STATE TREASURER'S OFFICE:

COUNTY / MUNICIPAL FUNDS COLLECTED BY CLERK OF COURT	General Sessions	Magistrate Court	Municipal Court	Total
<b>Court Fines and Assessments:</b>				
Court fines and assessments collected			128,727	128,727
Court fines and assessments remitted to State Treasurer			(59,682)	(59,682)
<b>Total Court Fines and Assessments retained</b>			<b>69,045</b>	<b>69,045</b>
<b>Surcharges and Assessments retained for victim services:</b>				
Surcharges collected and retained			2,041	2,041
Assessments retained			5,002	5,002
<b>Total Surcharges and Assessments retained for victim services</b>			<b>7,043</b>	<b>7,043</b>

## FOR THE DEPARTMENT OF CRIME VICTIM COMPENSATION (DCVC)

VICTIM SERVICE FUNDS COLLECTED	Municipal	County	Total
<b>Carryforward from Previous Year – Beginning Balance</b>	<b>27,456</b>		<b>27,456</b>
<b>Victim Service Revenue:</b>			
Victim Service Fines Retained by City/County Treasurer			
Victim Service Assessments Retained by City/County Treasurer	5,002		5,002
Victim Service Surcharges Retained by City/County Treasurer	2,041		2,041
Interest Earned			
Grant Funds Received			
Grant from:			
General Funds Transferred to Victim Service Fund			
<b>Contribution Received from Victim Service Contracts:</b>			
(1) Town of			
(2) Town of			
(3) City of			
<b>Total Funds Allocated to Victim Service Fund + Beginning Balance (A)</b>	<b>34,499</b>		<b>34,499</b>
<b>Expenditures for Victim Service Program:</b>	<b>Municipal</b>	<b>County</b>	<b>Total</b>
Salaries and Benefits	5,777		5,777
Operating Expenditures	657		657
<b>Victim Service Contract(s):</b>			
(1) Entity's Name			
(2) Entity's Name			
<b>Victim Service Donation(s):</b>			
(1) Domestic Violence Shelter:			
(2) Rape Crisis Center:			
(3) Other local direct crime victims service agency:			
Transferred to General Fund			
<b>Total Expenditures from Victim Service Fund/Program (B)</b>	<b>6,434</b>		<b>6,434</b>
<b>Total Victim Service Funds Retained by Municipal/County Treasurer (A-B)</b>	<b>28,065</b>		<b>28,065</b>
<b>Less: Prior Year Fund Deficit Repayment</b>			
<b>Carryforward Funds – End of Year</b>	<b>28,065</b>		<b>28,065</b>



# Greene Finney Cauley, LLP

CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

## REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

### INDEPENDENT AUDITOR'S REPORT

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Liberty, South Carolina (the "City"), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated April 14, 2022.

#### Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a deficiency in internal control, described in the accompanying schedule of findings and responses as 2021-001 that we consider to be a material weakness.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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### **City's Response to the Finding**

The City's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Greene Finney Cauley, LLP*

Greene Finney Cauley, LLP  
Mauldin, South Carolina  
April 14, 2022

**CITY OF LIBERTY, SOUTH CAROLINA**

**SCHEDULE OF FINDINGS AND RESPONSES**

**YEAR ENDED JUNE 30, 2021**

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**2021-001: CAPITAL ASSETS**

**Condition and Context:** The following issues with the City's capital assets were noted during the audit:

- The City had not capitalized water and sewer lines for Main Street and Peachtree Street (approximately \$79,000) and a donated water meter installed at US Waffle (approximately \$71,000). These items were corrected when we brought them to the City's attention.
- The City does not have a formal, written capital asset policy. Such a policy would normally include the City's capitalization threshold, how values are arrived at when capital assets are donated, its policy on infrastructure assets, etc.
- Individual capital assets are not always clearly identified in the City's capital asset system, so there can be confusion as to what exactly these individual capital asset amounts are to represent.
- Capital assets are not being monitored. The listing of capital assets do not get updated on a quarterly or annual basis. Capital assets have been disposed or sold in the current year (approximately \$18,000), and most of these assets (approximately \$10,000) were never recorded. The City also did not record these as a sale of capital assets.

**Criteria:** The City should be closely monitoring this area throughout the year.

**Cause:** The City has limited staff and resources to consistently track its capital assets. The City is not maintaining awareness of potential capital transactions. Further, they are still learning their accounting software and require help from an external contract accountant for closing their books and some of the more complex accounting areas.

**Effect:** Without a formal capital assets policy, the City may not always be consistent in the capitalization of purchased or donated items. If items are not properly capitalized and tracked, the City's capital asset listing and associated depreciation will be incorrect resulting in the government-wide and Proprietary Fund assets and expenditures being misstated. In the current year, expenditures were initially significantly overstated due to the City not capitalizing the approximate \$79,000 of water and sewer lines and revenue was understated due to the City not recording the approximate \$71,000 donation of the water meter for the US Waffle company. As noted above, the City recorded them correctly when we brought them to the City's attention.

**Recommendation:** We recommend that the City ensure that all significant capital asset purchases or donations are properly recorded and that the capital asset additions are clearly identified (i.e. VIN number, description, etc.). We also recommend that the City develop a formal, written capital assets policy. Further, disposals should be tracked throughout the year and personnel should be encouraged to inform management as soon as possible of any assets that have been disposed/sold, so that these disposals can be properly recorded in the capital assets system.

**Response:** The City will develop and adopt a formal capital asset policy and will work to properly record and track its assets throughout the year.