

Mayor
ISAIAH SCIPIO
City Council
ALLIE WINTER, Mayor Pro-Tem
DANNY ADAMS
JONATHAN BAKER
CAMERON RIVERS
FLOYD ROGERS
RAY WILSON



Administrator
TIM O'BRIANT
City Clerk
DONNA F. OWEN

AGENDA
CITY COUNCIL SPECIAL CALLED MEETING
Wednesday , May 6, 2026
9:30 a.m.
CITY HALL
219 PENDLETON STREET
PICKENS, SOUTH CAROLINA

1. WELCOME AND CALL TO ORDER:
2. INVOCATION AND PLEDGE OF ALLEGIANCE:
3. COMMENTS MAYOR SCIPIO:
4. FY 2024 AUDIT PRESENTATION: (DRAFT COPY)
5. DISCUSSION OF FY 2026 BUDGET ORDINANCE:
6. RESOLUTION ENDORSING SCDOT ROAD DIET FOR MAIN STREET:
7. REQUEST FROM REX RICE FOR USE OF PICKENS AMPHITHEATER PROPERTY-CHARTERS OF FREEDOM DISPLAY:
8. CONVENE INTO EXECUTIVE SESSION:
 - a. Motion to enter into executive session to discuss employment, appointment, compensation, or promotion, demotion, discipline, or release of an employee, a student, or a person regulated by a public body or the appointment of a person to a public body as allowed by S.C. 30-4-70 (a) (1): evaluations and personnel matters as they relate to administration and finance.
9. RECONVENE INTO PUBLIC SESSION:
10. ACTION AS IT RELATES TO EXECUTIVE SESSION:
11. COMMENTS FROM COUNCIL:
12. ADJOURNMENT:

April 30, 2026

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Pickens (the "City") for the year ended June 30, 2024 ("2024"). Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated February 9, 2026. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. No new significant accounting policies were adopted and the application of existing policies was not significantly changed during 2024. We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most significant sensitive estimates affecting the City's financial statements were:

Management's estimates of the useful lives of capital assets and the resulting depreciation expense are based on historical data and industry standards. Management's estimate of property taxes, utility, and other receivables and the corresponding allowances for uncollectible accounts is based on information provided by the County and/or historical collection rates. Management's estimate of the compensated absences liability is based on historical usage patterns. Management's estimate of the net pension liabilities and deferred outflows/inflows of resources is based on an actuarial valuation (the actuarial valuation assumptions are based on accounting requirements, actuarial standards, historical data, and industry trends) prepared and certified by an independent actuary. We evaluated the methods, assumptions, and data used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. For purposes of this communication, professional standards define a significant audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the City's financial reporting process (that may or may not cause future financial statements to be materially misstated). Since it is inherently judgmental to determine what adjustments would or would not have been detected except through our auditing procedures, a schedule of all adjusting and reporting journal entries is attached, including those prepared by the City as part of their closing process after we obtained the initial trial balance.

In our judgment, there were no material known unrecorded and uncorrected misstatements, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated April 30, 2026.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City's auditor. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Matters for City Council's Consideration

During the course of our audit, we became aware of several matters that are opportunities for strengthening internal controls and improving operating efficiency. The memorandum (Attachment A) that accompanies this letter summarizes our comments and suggestions regarding these matters. This letter does not affect our independent auditor's report dated April 30, 2026 on the financial statements for the City.

We have already discussed our comments and suggestions with management, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

In addition to the matters discussed in Attachment A, we have noted other findings that have been reported in the compliance section of the 2024 financial statements.

Other Matters

We applied certain limited procedures to the budgetary comparison schedules and pension plan schedules which are required supplementary information ("RSI") that supplement the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the supplementary information and the schedule of expenditures of federal awards, as listed in the table of contents, which accompany the financial statements but are not RSI. With respect to this information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled this information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

This information is intended solely for the information and use of the Mayor, City Council, and management of the City and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Greene Finney Cauley, LLP

Greene Finney Cauley, LLP
Certified Public Accountants

ATTACHMENT A

**CITY OF PICKENS, SOUTH CAROLINA
MATTERS FOR CONSIDERATION
YEAR ENDED JUNE 30, 2024**

2024-A: FORMALIZE POLICIES AND PROCEDURES AND BANK ACCOUNTS

- Condition:** We noted that the City does not have a formal system for tracking/monitoring franchise fees. We noted that some of the bank reconciliations were not signed and dated by the preparer and reviewer and that some accounts did not have formal bank reconciliations. We noted that the City has a significant amount of cash in the General Fund that it owes to the Utility Fund, we would recommend that either (a) these funds be moved to a separate Utility Fund cash account to avoid confusion or (b) to always be netted against the related outstanding interfund balances. We also noted that various restricted monies do not have their own separate bank accounts (i.e. Victims Assistance Fund, Grants Fund, unspent bond proceeds, etc.).
- Recommendation:** We recommend that the City formalize policies and procedures for tracking/monitoring franchise fees and for reviewing/approving bank reconciliation. We also recommend that the City consider setting up a Utility Fund checking account and investment account with the SC Local Government Investment Pool ("LGIP"). The City could use these accounts to better separate Utility Fund cash from the General Fund and ensure that they have higher investment returns and have quick access to cash. We also recommend that restricted cash accounts have their own separate bank accounts.
- Response:** The Finance Department has established a tracking method for franchise fees. All bank reconciliations are currently being reviewed and signed by the City administrator and the mayor. Separate bank accounts have been established for the restricted police department accounts.

2024-B: FINANCIAL STRUGGLES

- Condition:** The City has continued to experience significant decreases in its fund balance in the General Fund for the years ended June 30, 2022, 2023, and 2024 of approximately (\$254,000), (\$767,000), and (\$486,000), respectively. These decreases have resulted in the City depleting its unassigned fund balance at June 30, 2024. In addition, the City was unable to file its annual audit/financial statements ("Annual Report") with the State within 13 months of its fiscal year end. The State has begun to withhold state allocations until such Annual Report has been received. The City is currently borrowing funds from the City's Utility Fund to pay current General Fund costs in excess of General Fund revenues – and will repay the Utility Fund once its financial position in the General Fund has improved. City Council and management have worked to begin addressing these shortfalls by increasing revenues and decreasing expenditures – and believe that these future changes will begin to improve the City's financial position for the General Fund in the coming years.
- Recommendation:** We recommend that the City increase revenues, decrease expenditures, or a combination of both in the General Fund in an effort to get unassigned fund balance to a higher balance and a higher percentage of General Fund expenditures.
- Response:** City Council and management have worked to begin addressing these shortfalls by increasing revenues and decreasing expenditures – and believe that these future changes will begin to improve the City's financial position for the General Fund in the coming years.

ATTACHMENT A

CITY OF PICKENS, SOUTH CAROLINA
MATTERS FOR CONSIDERATION
YEAR ENDED JUNE 30, 2024

2024-C: BUDGET

- Condition: The City is over budget in a number of its expenditure accounts in its General Fund. Most of City Council and management are fairly new and were not present for all of fiscal year 2024. The reason for being over budget in some accounts was not always formally communicated, documented, and/or approved by City Council. City Council and management should have a better process for dealing with budget to actual variances and should consider amending its budget when significant changes are known.
- Recommendation: We recommend that the City adhere to its approved budget or ensure that Council has amended or formally approved any expenditures over budgeted amounts.
- Response: The City will consider this recommendation and will determine an appropriate course of action.

2024-D: MUNICIPAL ASSISTANCE

- Condition: As noted above, the City has experienced a lot of Council and staff turnover over the past few years. The City is also experiencing some significant financial struggles and strained relationships where outside professional support could be helpful.
- Recommendation: We would encourage the City to reach out to the Municipal Association of South Carolina (“MASC”) or the Appalachian Council of Government (“ACOG”) to obtain assistance and support during these challenging times. We believe this would be a great resource to have another set of eyes and opinions as the City tries to improve its operations and financial position.
- Response: The City will consider this recommendation and will determine an appropriate course of action.
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4/28/2026 5:12PM

Entry #	Status	Account/Code	Description	Workpaper	Debit	Credit
AJE 1	Posted	16-4165-4453 16-2300-2100	PRT GRANT REVENUE Deferred Revenue	EQ Series	150,000.00	150,000.00
Audit Entry: To defer the PRT Grant revenue into FY25 to match revenues with expenditures.						
AJE 2	Posted	10-2100-2110 10-2100-2080 10-2100-2110 10-4210-5020 10-4210-5020 10-2200-2150	RETIRMENT EMPLOYEE RETIREMENT -EMPLOYEE RETIREMENT EMPLOYEE RETIREMENT EMPLOYER RETIREMENT EMPLOYER ACCRUED RETIREMENT/EMPLOYER		688,689.70 18,659.20 109,895.70	688,689.70 18,659.20 109,895.70
Audit Entry: Entry to fix retirement liability accounts and to accrue May and June retirement payments.						
AJE 3	Posted	10-5000-8500 15-5000-8500 10-5000-8503 15-5000-8501 60-2700-2705 60-2700-2706 60-2700-2702	GO BOND 2020 PRINCIPAL & INTEREST HOSP BOND 2012 PRINCIPAL GO BOND INTEREST PMTS HOSP BOND 2012 INTEREST 2021A REVENUE REFUNDING BOND 2021B REVENUE REFUNDING BOND BOND PAYABLE		956.65 4,617.09 364,000.00 198,000.00	956.65 4,617.09 562,000.00
Reclasp Entry: Entry to adjust principal and interest expense and to reclass current portion of business type bond payments.						
AJE 4	Posted	10-4150-6095 10-4210-5020	MISCELLANEOUS EXPENSE RETIREMENT EMPLOYER		34,414.02	34,414.02
Non-audit Entry: Entry to adjust pension expense.						
AJE 5	Posted	10-0100-1002 10-4150-6095	CENT DEPOSIT WELLS ACCT 4122273469 MISCELLANEOUS EXPENSE		33,251.99	33,251.99
Audit Entry: Entry to adjust cash for outstanding check that does not belong on the bank reconciliation.						
AJE 6	Posted	60-2700-2708 60-0600-1835 60-2700-2709 60-4300-5022 60-4320-5022	W&S NET PENSION LIABILITY UTILITY-DEFERRED PENSION CHARGES UTILITY-DEFERRED PENSION CREDITS WATER-PENSION EXPENSE SEWER-PENSION EXPENSE		894,815.00 15,334.00	77,919.00 4,055.00 828,175.00
Non-audit Entry: Entry o record change in Pension Items for FY 2024 related to GASB #68/71.						
AJE 7	Posted	60-2400-2200 60-3000-3001 60-2400-2200 60-4300-4520	CUSTOMER WATER DEPOSITS O & M FUND BALANCE CUSTOMER WATER DEPOSITS WATER REVENUE	AP-04	81,117.27 5,851.40	81,117.27 5,851.40
Audit Entry: To correct FY23 customer deposit balance and true up FY24 liability.						
AJE 8	Posted	60-2000-2002 60-2400-2300	ACCRUED ACCOUNTS PAYABLE Retainage Payable		513,749.40	513,749.40
Reclasp Entry: To reclass the retainage payable out of AP for ease of NICA and cash flow calculations. No change to FS presentation.						
AJE 9	Posted	10-0200-1140 10-4150-4065	LOCAL OPT SALES TAX RECEIVABLE LOCAL OPTION SALES TAX		73,730.36	73,730.36
Audit Entry: To record the LOST receivable balance for the month of June 2024.						
AJE 10	Posted	10-4510-6300 10-4510-6019	RECREATION CAPITAL OUTLAY GROUNDS/FIELDS		15,000.00	15,000.00
Reclasp Entry: To move an expenditure into Capital Outlay.						
AJE 11	Posted	60-4300-4530 60-0200-1222	CAPITAL IMPROVMENTS FEE ACCTS RECEIVABLE-CAP IMPR FEE	RR-06	18,375.40	18,375.40
Audit Entry: To true up net capital improvement fee revenue by eliminating client's miscoded AR account.						
AJE 12	Posted	10-4150-4071 10-4150-4075	AID TO SUBDIVISIONS LOCAL GOVT FUND		21,884.51	21,884.51
Reclasp Entry: Entry to reclass aid to subdivision revenue to the correct account.						
AJE 13	Posted	10-4510-5026 10-4210-5026	SCMIRF (LIABILITY & PROPERTY) SCMIRF (LIABILITY & PROPERTY)		28,393.38	28,393.38
Reclasp Entry: To correct allocation of SCMIRF Liability & Property expenses after discussion with David McAllister. UHY miskeyed the account number.						

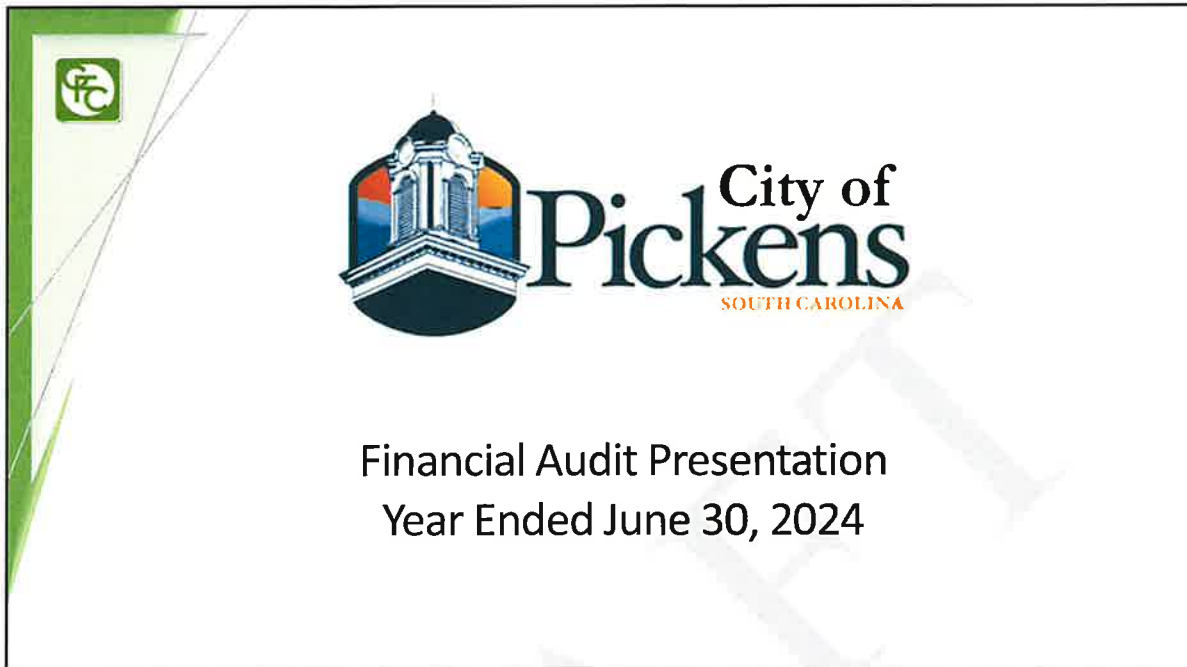
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Entry #	Status	Account/Code	Description	Workpaper CA Series	Debit	Credit
AJE 14	Posted	60-4320-6450	WASTE WATER MAINTENANCE		15,740.29	
		60-4330-6475	WATER PLANT MAINTENANCE		16,040.01	
		60-0600-1815	SEWER UTILITY SYSTEM			15,740.29
		60-0600-1820	WATER UTILITY SYSTEM			16,040.01
		60-0600-1855	ACCUM DEPREC - SEWER UTILITY SYSTEM		168.48	
		60-0600-1860	ACCUM DEPREC - WATER UTILITY SYSTEM		228.51	
		60-4320-7000	DEPRECIATION EXPENSE WASTE WTR			168.48
		60-4330-7000	DEPRECIATION EXPENSE WTR PLANT			228.51
		60-0600-1820	WATER UTILITY SYSTEM		1,599.00	
		60-0600-1815	SEWER UTILITY SYSTEM			1,599.00
Audit Entry: To un-capitalize costs that appear to be mainly repair and maintenance expenses and to adjust ledger accounts to capital asset detail.						
AJE 15	Posted	10-4150-4180	MISCELLANEOUS/ALL OTHER	AR-06	66,227.03	
		10-0300-1305	DUE TO/FROM HOSP FUND (15)			66,227.03
		15-0300-1220	DUE TO/FROM GENERAL FUND (10)		66,227.03	
		15-4155-4000	HOSPITALITY TAX REVENUE			50,008.99
		15-0200-1110	HOSP TAX RECEIVABLE			16,218.04
Audit Entry: To reverse UHY AJEs 6959 and 6969 to restore the TB to its true unadjusted balances.						
AJE 16	Posted	60-4300-4590	MISC. REVENUE/ALL OTHER	RR-04	101,220.46	
		60-4320-6010	CWS O&M FEES			101,220.46
Reclass Entry: To move CWS reimbursement from miscellaneous revenue to offset expenditures.						
TOTALS					3,538,185.88	3,538,185.88

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4/28/2026 5:12PM


Entry #	Status	Account/Code	Description	Workpaper	Debit	Credit
RJE 1	Posted	10-9999-0031	REPORTING - DEFERRED REVENUE		9,329.00	
		10-9999-0060	REPORTING - PROPERTY TAX REVENUE		1,646.00	
		10-9999-0056	REPORTING - UNRESTRICTED NET ASSETS			10,975.00
Reporting Entry: Entry to record change in property tax receivable.						
RJE 2	Posted	10-9999-0020	REPORTING - CAPITAL ASSETS GROSS		7,449,103.00	
		10-9999-0050	REPORTING - INVESTED IN CAPITAL ASSETS N			7,449,103.00
		10-9999-0020	REPORTING - CAPITAL ASSETS GROSS		442,708.00	
		10-9999-0070	REPORTING - ADMIN - CAPITAL OUTLAY			65,254.00
		10-9999-0071	REPORTING - POLICE - CAPITAL OUTLAY			155,494.00
		10-9999-0072	REPORTING - FIRE - CAPITAL OUTLAY			31,250.00
		10-9999-0069	REPORTING - STREET AND SANITATION - CAPI			68,365.00
		10-9999-0066	REPORTING - RECREATION AND PARKS - CAPIT			74,634.00
		10-9999-0073	REPORTING - ADMIN - DEPRECIATION		38,622.00	
		10-9999-0074	REPORTING - POLICE- DEPRECIATION		56,711.00	
		10-9999-0075	REPORTING - FIRE - DEPRECIATION		41,092.00	
		10-9999-0078	REPORTING - STREET AND SANITATION - DEPR		100,879.00	
		10-9999-0079	REPORTING - GROUNDS - DEPRECIATION		111,822.00	
		10-9999-0081	REPORTING - RECREATION AND PARKS - DEPPE		241,909.00	
		10-9999-0020	REPORTING - CAPITAL ASSETS GROSS			591,035.00
		10-9999-0066	REPORTING - RECREATION AND PARKS - CAPIT			
		10-9999-0068	REPORTING - GROUNDS - CAPITAL OUTLAY			47,711.00
Reporting Entry: Entry to record beginning balance, additions, disposals, and depreciation for capital assets.						
RJE 3	Posted	10-9999-0056	REPORTING - UNRESTRICTED NET ASSETS		28,959.00	
		10-9999-0030	REPORTING - ACCRUED INTEREST PAYABLE			28,959.00
		10-9999-0077	REPORTING - INTEREST AND FISCAL CHARGES			7,038.00
		10-9999-0030	REPORTING - ACCRUED INTEREST PAYABLE		7,038.00	
		10-9999-0050	REPORTING - INVESTED IN CAPITAL ASSETS N		1,108,934.00	
		10-9999-0056	REPORTING - UNRESTRICTED NET ASSETS		64,603.00	
		10-9999-0032	REPORTING - ACCRUED COMPENSATED ABSENCES			64,603.00
		10-9999-0041	REPORTING - DUE IN MORE THAN ONE YEAR			1,108,934.00
		10-9999-0076	REPORTING - INSTRUCTION - COMP ABSENCES			6,974.00
		10-9999-0032	REPORTING - ACCRUED COMPENSATED ABSENCES		6,974.00	
		10-9999-0041	REPORTING - DUE IN MORE THAN ONE YEAR		319,938.00	
		10-9999-0077	REPORTING - INTEREST AND FISCAL CHARGES			319,938.00
		10-9999-0041	REPORTING - DUE IN MORE THAN ONE YEAR		261,104.00	
		10-9999-0040	REPORTING - DUE WITHIN ONE YEAR			261,104.00
		10-9999-0023	REPORTING - DEFERRED PENSION CHARGES		640,004.00	
		10-9999-0024	REPORTING - DEFERRED PENSION CREDITS			173,336.00
		10-9999-0045	REPORTING - NET PENSION LIABILITY			3,001,447.00
		10-9999-0056	REPORTING - UNRESTRICTED NET ASSETS		2,534,779.00	
		10-9999-0023	REPORTING - DEFERRED PENSION CHARGES		162,678.00	
		10-9999-0024	REPORTING - DEFERRED PENSION CREDITS			287,597.00
		10-9999-0045	REPORTING - NET PENSION LIABILITY			402,091.00
		10-9999-0092	REPORTING - ADMINISTRATIVE & GENERAL PEN		92,928.00	
		10-9999-0093	REPORTING - POLICE PENSION EXPENSE		44,441.00	
		10-9999-0094	REPORTING - FIRE PENSION EXPENSE		49,658.00	
		10-9999-0095	REPORTING - MUNICIPAL COURT PENSION EXPE		26,327.00	
		10-9999-0096	REPORTING - RECREATION AND PARKS PENSION		65,776.00	
		10-9999-0097	REPORTING - STREETS AND SANITATION PENSI		154,867.00	
		10-9999-0098	REPORTING - GROUNDS MAINTENANCE PENSION		93,013.00	
Reporting Entry: Entry to record accrued interest payable, beginning balance for long-term obligations and net pension liability, payment on long-term obligations, and changes to net pension liability.						
TOTALS					14,155,842.00	14,155,842.00

This block contains the 'OPINION' section of the financial audit. It starts with a green header 'CITY OF PICKENS, SC' and 'FY 2024 FINANCIAL AUDIT'. Below this, the word 'OPINION' is written in bold black text. A bulleted list follows, detailing the city's responsibilities. The list includes: 'The City's responsibility:', 'Maintain effective internal controls' (with sub-points on limitations and risk assessment), and 'Financial Statements' (with a sub-point on accuracy and propriety). A large, faint 'DRAFT' watermark is visible across the background.

CITY OF PICKENS, SC
FY 2024 FINANCIAL AUDIT

OPINION

- The City's responsibility:
 - Maintain effective internal controls
 - There are limitations on internal controls.
 - Regular risk assessment is important, including assessing the risk of fraud.
 - Financial Statements
 - Accuracy, completeness, and propriety of balances, amounts, and disclosures.




CITY OF PICKENS, SC

FY 2024 FINANCIAL AUDIT

OPINION (CONTINUED)

- Greene Finney Cauley, LLP responsibility:
 - Opinion – reasonable assurance that financial statements are materially correct
 - Does not address the financial condition of the City
 - Purpose of the audit is not to detect fraud. We cannot take responsibility for finding fraud, if it existed.
 - Issued unmodified opinion
 - Prior period adjustments paragraph
 - Financial struggles paragraph



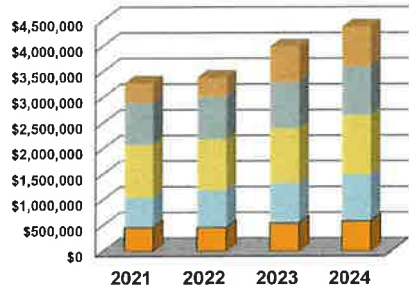
CITY OF PICKENS, SC

FY 2024 FINANCIAL AUDIT

General Fund Revenues:

- \$4.4M for 2024:
 - \$0.6 million from property taxes
 - \$0.9 million in fees, charges, and rentals
 - \$1.2 million in licenses, permits, and franchise fees
 - \$1.0 million in intergovernmental revenues
 - \$0.4 million in grants revenues
 - \$0.3 million for all other revenues
- \$0.4M increase from 2023
 - Primarily due to higher (a) Fees, Charges, and Rentals of \$123k, (b) business licenses of \$83k, (c) LOST revenues of \$48k, and (d) SRO revenue of \$56k.
- \$211k (5%) over budget
 - Same as noted above

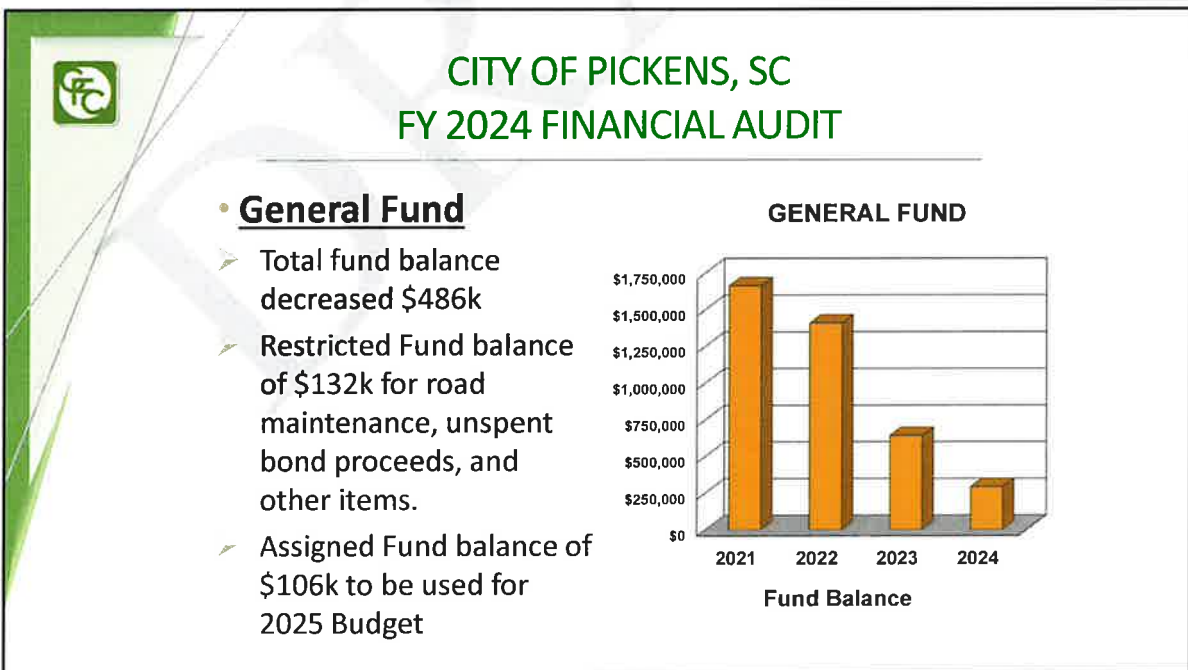
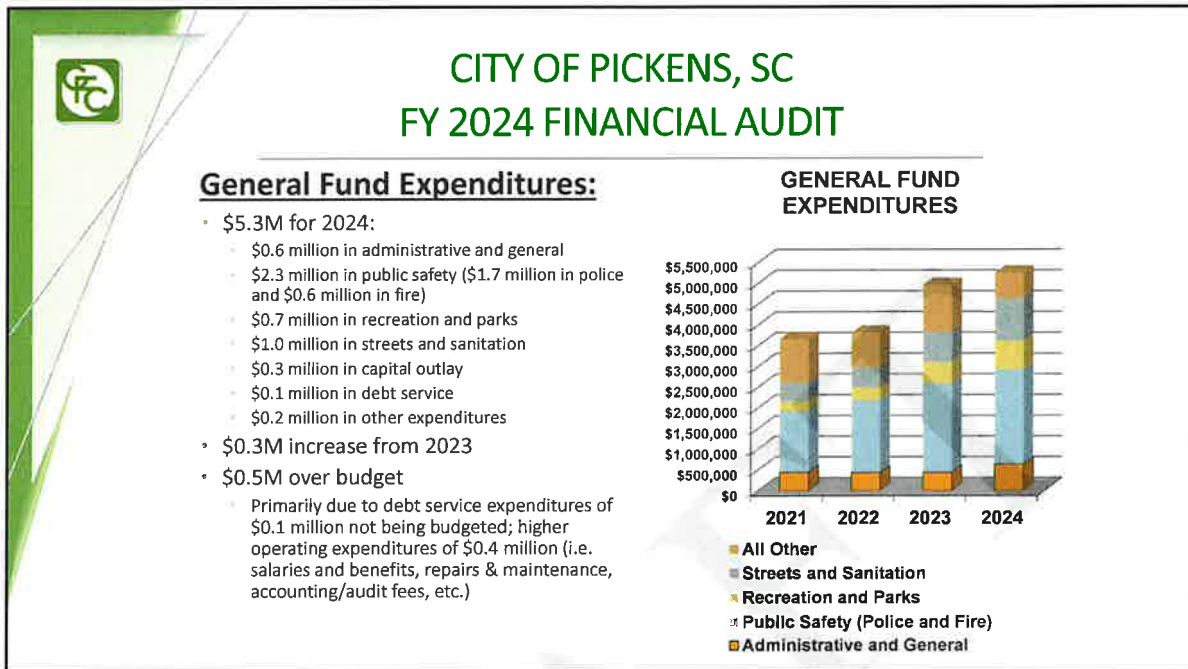
GENERAL FUND REVENUES




Year	Property Taxes	Fees, Charges, and Rentals	Licenses, Permits, and Franchise Fees	Intergovernmental Revenues	Other Revenues	Total
2021	\$0.4M	\$0.5M	\$0.8M	\$0.8M	\$0.3M	\$2.8M
2022	\$0.4M	\$0.6M	\$0.9M	\$0.9M	\$0.3M	\$3.1M
2023	\$0.4M	\$0.7M	\$1.1M	\$1.0M	\$0.3M	\$3.5M
2024	\$0.6M	\$0.9M	\$1.2M	\$1.0M	\$0.5M	\$4.4M

Transfers In

- \$0.4M for 2024



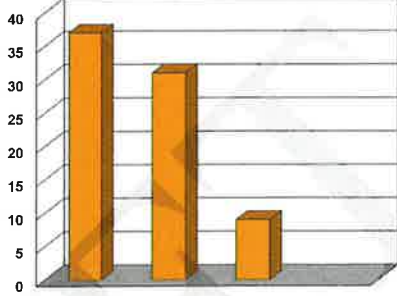


CITY OF PICKENS, SC


FY 2024 FINANCIAL AUDIT

- **General Fund**
 - Unassigned fund balance is \$0, which is 0% of 2024 actual expenditures (\$5.2m) and 0% of 2025 budgeted expenditures (\$5.3m).
 - GFOA recommends a minimum of 16.7% (two months)
 - Council’s minimum fund balance policy requires unassigned fund balance to be 3-4 months (24%-32%) of General Fund operating expenditures.

GENERAL FUND



Year	Unassigned Fund Balance as a % of General Fund Expenditures
2021	38
2022	32
2023	10
2024	0



CITY OF PICKENS, SC

FY 2024 FINANCIAL AUDIT

- **Major Reasons To Maintain An Adequate Fund Balance:**
 - Cash flow through second half of calendar year; property taxes and business licenses are cyclical.
 - Significant emergencies and unanticipated expenditures.
 - Flexibility for discretionary funding needs.
 - Potential for better interest rates on debt issues (can save the City money).
 - To cover potential shortfalls from the state (a) due to budget cuts or (b) as a result of the change in legislation
 - Extremely important given the uncertain economic times (health pandemic).



CITY OF PICKENS, SC FY 2024 FINANCIAL AUDIT

City's Financial Position

- The City has continued to experience significant decreases in its fund balance in the General Fund for the years ended June 30, 2022, 2023, and 2024 of approximately (\$254,000), (\$767,000), and (\$486,000), respectively.
- The City elected to claim reimbursements in FY 2024 for current and past Utility Fund improvement costs by drawing down from the US Bank bond proceeds account (related to the 2021B Refunding and Improvement Bonds).
- These funds were deposited in the General Fund in the City's pooled main operating account with a corresponding interfund payable to the Utility Fund.
- In order to gain an accurate picture of the General Fund's true cash position or its fund balance – you need to take the cash balances in the General Fund and reduce them by the net interfund payables (primarily to the Utility Fund) and other related net assets.
- Going forward, the City may have to borrow from the Utility Fund to pay some of its General Fund operating costs.



CITY OF PICKENS, SC FY 2024 FINANCIAL AUDIT

Other Funds

- **Hospitality Tax Fund** had approximately \$0.9 million in fund balance at year end, all of which was restricted for debt service or tourism related expenditures.
 - Revenues of \$0.7 million and expenditures of \$0.5 million.
 - Expenditures were primarily for salaries and employee benefits, tourism related events, and debt service payments.
 - Transfer out of \$113k for joint costs and overhead reimbursement to the General Fund.
- **Grants Fund** had approximately \$19k in fund balance at year end, all of which was restricted.



CITY OF PICKENS, SC FY 2024 FINANCIAL AUDIT

Utility Fund

- Had approximately \$20.9 million in net position at year end and an increase in net position of \$4.6 million:
 - Utility Fund operating revenues of \$3.6 million and operating expenses of \$3.3 million compared to 2024 operating revenues of \$3.5 million and operating expenses of \$4.0 million. Operating expenses decreased primarily due to lower pension costs (due to lower allocations of pension balances from the state retirement plan due to much lower headcount), partially offset by higher material and supplies, maintenance, and depreciation expense.
 - Nonoperating items of \$0.2 million – primarily interest expense on bonds
 - Contributions consist of \$4.6 million in capital grants (primarily SCIP grants) and \$0.3 million in capital improvement fee. Transfer out of \$0.3 million to the General Fund in lieu of payroll, property taxes, franchise fees, and to cover a greater portion of joint costs (that were budgeted and paid for in the General Fund).



CITY OF PICKENS, SC FY 2024 FINANCIAL AUDIT

Net Pension Liability:

- Relates to the City's proportionate shares of the net pension liabilities and deferred outflows/inflows of resources related to the City's participation in the South Carolina Retirement System and the SC Police Officers Retirement System ("Plans").
- Total Net Pension Liability ("NPL") of \$3.9 million (\$4.4 million in the prior year) on the City's government-wide Statement of Net Position for 2024.
 - Decrease in the NPL of \$0.5 million from the prior year is primarily due to less staff in the Utility Fund (via contracting with Clear Water Solutions), partially offset by more staff and higher salaries in the governmental funds.
 - PEBA approved continuing rate increases of 1% each year until a final employer rate of 18.56% and 21.24% for the SCRS and PORS, respectively, is achieved (was achieved in FY 2024).
 - No net impact on governmental funds but does impact the Utility Fund and the government-wide financial statements.
 - Significant pension disclosures in Note IV.B.



CITY OF PICKENS, SC FY 2024 FINANCIAL AUDIT

Other Items of Note – Capital Assets:

- Total capital assets were \$33.1 million at June 30, 2024 – increase of \$4.5 million from June 30, 2023:
 - Total capital asset additions of \$6.4 million which consisted of:
 - Water system upgrade project
 - Several vehicles and equipment related items (most notably a backhoe and diesel generator).
 - Other building improvements.
 - Depreciation expense of \$1.9 million.



CITY OF PICKENS, SC FY 2024 FINANCIAL AUDIT

Other Items of Note – Long-term Obligations:

- Total long-term obligations outstanding at June 30, 2024 were \$10.4 million – decrease of \$0.9 million from June 30, 2023:
 - Principal payments of \$0.9 million made during 2024.
- Debt services payments are estimated to be \$1.1 million for 2025 (\$0.3 million for governmental activities debt and \$0.8 million for business-type activities).



CITY OF PICKENS, SC FY 2024 FINANCIAL AUDIT

AUDITING/ACCOUNTING UPDATE:

- **Future Significant Changes in Auditing Principles:**
 - None
- **Future Significant Changes in Accounting Principles:**
 - GASB Statement #101 "*Compensated Absences*" – a government should recognize a liability for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through. This will be applicable for the City for FY 2025.
 - GASB Statement #102 "*Certain Risk Disclosures*" – need to assess and disclose significant concentrations and constraints that could expose the City to substantial financial risk. This will be applicable for the City for FY 2025.
 - GASB #103 "*Financial Reporting Model Improvements*" – this will primarily require (a) more robust management's discussion and analysis, (b) change in the presentation of the enterprise funds statements of revenues and expenses and changes in fund balances, and (c) budgetary comparison explanations. This will be applicable for the City for FY 2026.
 - GASB #104 "*Disclosure of Certain Capital Assets*" – will require more disclosure for certain types of capital assets (i.e. leases, SBITA's, assets held for sale, etc.). This will be applicable for the City for FY 2026.



CITY OF PICKENS, SC FY 2024 FINANCIAL AUDIT

Management Letter

- Required communications to management and those charged with governance – four comments
 - Formalize Policies and Procedures and Bank Accounts
 - Financial Struggles - Unassigned Fund Balance
 - Budget
 - Professional Support – MASC/ACOG

Compliance

- Three audit findings were noted for FY 2024
 - Accounting Cutoff – material weakness
 - Annual Report – compliance finding
 - ARPA Reporting – single audit



CITY OF PICKENS, SC FY 2024 FINANCIAL AUDIT

Summary

- Unmodified opinion on the Financial Statements from Greene Finney Cauley, LLP.
- The City needs to tighten its belt to improve its fund balance (City will need to raise revenues, cut expenditures, or a combination of both).
- We would highly encourage the City to reach out to MASC or Appalachian Council of Governments to get some ongoing municipal assistance to deal with these challenging times.

April 30, 2026

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Pickens (the "City") for the year ended June 30, 2024 ("2024"). Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated February 9, 2026. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. No new significant accounting policies were adopted and the application of existing policies was not significantly changed during 2024. We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most significant sensitive estimates affecting the City's financial statements were:

Management's estimates of the useful lives of capital assets and the resulting depreciation expense are based on historical data and industry standards. Management's estimate of property taxes, utility, and other receivables and the corresponding allowances for uncollectible accounts is based on information provided by the County and/or historical collection rates. Management's estimate of the compensated absences liability is based on historical usage patterns. Management's estimate of the net pension liabilities and deferred outflows/inflows of resources is based on an actuarial valuation (the actuarial valuation assumptions are based on accounting requirements, actuarial standards, historical data, and industry trends) prepared and certified by an independent actuary. We evaluated the methods, assumptions, and data used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. For purposes of this communication, professional standards define a significant audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the City's financial reporting process (that may or may not cause future financial statements to be materially misstated). Since it is inherently judgmental to determine what adjustments would or would not have been detected except through our auditing procedures, a schedule of all adjusting and reporting journal entries is attached, including those prepared by the City as part of their closing process after we obtained the initial trial balance.

In our judgment, there were no material known unrecorded and uncorrected misstatements, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated April 30, 2026.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City's auditor. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Matters for City Council's Consideration

During the course of our audit, we became aware of several matters that are opportunities for strengthening internal controls and improving operating efficiency. The memorandum (Attachment A) that accompanies this letter summarizes our comments and suggestions regarding these matters. This letter does not affect our independent auditor's report dated April 30, 2026 on the financial statements for the City.

We have already discussed our comments and suggestions with management, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

In addition to the matters discussed in Attachment A, we have noted other findings that have been reported in the compliance section of the 2024 financial statements.

Other Matters

We applied certain limited procedures to the budgetary comparison schedules and pension plan schedules which are required supplementary information (“RSI”) that supplement the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the supplementary information and the schedule of expenditures of federal awards, as listed in the table of contents, which accompany the financial statements but are not RSI. With respect to this information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled this information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

This information is intended solely for the information and use of the Mayor, City Council, and management of the City and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Greene Finney Cauley, LLP

Greene Finney Cauley, LLP
Certified Public Accountants

ATTACHMENT A

**CITY OF PICKENS, SOUTH CAROLINA
MATTERS FOR CONSIDERATION
YEAR ENDED JUNE 30, 2024**

2024-A: FORMALIZE POLICIES AND PROCEDURES AND BANK ACCOUNTS

- Condition:** We noted that the City does not have a formal system for tracking/monitoring franchise fees. We noted that the some of the bank reconciliations were not signed and dated by the preparer and reviewer and that some accounts did not have formal bank reconciliations. We noted that the City has a significant amount of cash in the General Fund that it owes to the Utility Fund, we would recommend that either (a) these funds be moved to a separate Utility Fund cash account to avoid confusion or (b) to always be netted against the related outstanding interfund balances. We also noted that various restricted monies do not have their own separate bank accounts (i.e. Victims Assistance Fund, Grants Fund, unspent bond proceeds, etc.).
- Recommendation:** We recommend that the City formalize policies and procedures for tracking/monitoring franchise fees and for reviewing/approving bank reconciliation. We also recommend that the City consider setting up a Utility Fund checking account and investment account with the SC Local Government Investment Pool (“LGIP”). The City could use these accounts to better separate Utility Fund cash from the General Fund and ensure that they have higher investment returns and have quick access to cash. We also recommend that restricted cash accounts have their own separate bank accounts.
- Response:** The Finance Department has established a tracking method for franchise fees. All bank reconciliations are currently being reviewed and signed by the City administrator and the mayor. Separate bank accounts have been established for the restricted police department accounts.

2024-B: FINANCIAL STRUGGLES

- Condition:** The City has continued to experience significant decreases in its fund balance in the General Fund for the years ended June 30, 2022, 2023, and 2024 of approximately (\$254,000), (\$767,000), and (\$486,000), respectively. These decreases have resulted in the City depleting its unassigned fund balance at June 30, 2024. In addition, the City was unable to file its annual audit/financial statements (“Annual Report”) with the State within 13 months of its fiscal year end. The State has begun to withhold state allocations until such Annual Report has been received. The City is currently borrowing funds from the City’s Utility Fund to pay current General Fund costs in excess of General Fund revenues – and will repay the Utility Fund once its financial position in the General Fund has improved. City Council and management have worked to begin addressing these shortfalls by increasing revenues and decreasing expenditures – and believe that these future changes will begin to improve the City’s financial position for the General Fund in the coming years.
- Recommendation:** We recommend that the City increase revenues, decrease expenditures, or a combination of both in the General Fund in an effort to get unassigned fund balance to a higher balance and a higher percentage of General Fund expenditures.
- Response:** City Council and management have worked to begin addressing these shortfalls by increasing revenues and decreasing expenditures – and believe that these future changes will begin to improve the City’s financial position for the General Fund in the coming years.

ATTACHMENT A

CITY OF PICKENS, SOUTH CAROLINA
MATTERS FOR CONSIDERATION
YEAR ENDED JUNE 30, 2024

2024-C: BUDGET

- Condition: The City is over budget in a number of its expenditure accounts in its General Fund. Most of City Council and management are fairly new and were not present for all of fiscal year 2024. The reason for being over budget in some accounts was not always formally communicated, documented, and/or approved by City Council. City Council and management should have a better process for dealing with budget to actual variances and should consider amending its budget when significant changes are known.
- Recommendation: We recommend that the City adhere to its approved budget or ensure that Council has amended or formally approved any expenditures over budgeted amounts.
- Response: The City will consider this recommendation and will determine an appropriate course of action.

2024-D: MUNICIPAL ASSISTANCE

- Condition: As noted above, the City has experienced a lot of Council and staff turnover over the past few years. The City is also experiencing some significant financial struggles and strained relationships where outside professional support could be helpful.
- Recommendation: We would encourage the City to reach out to the Municipal Association of South Carolina (“MASC”) or the Appalachian Council of Government (“ACOG”) to obtain assistance and support during these challenging times. We believe this would be a great resource to have another set of eyes and opinions as the City tries to improve its operations and financial position.
- Response: The City will consider this recommendation and will determine an appropriate course of action.
-

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4/28/2026 5:12PM

Entry #	Status	Account/Code	Description	Workpaper	Debit	Credit
AJE 1	Posted	16-4165-4453 16-2300-2100	PRT GRANT REVENUE Deferred Revenue	EQ Series	150,000.00	150,000.00
Audit Entry: To defer the PRT Grant revenue into FY25 to match revenues with expenditures.						
AJE 2	Posted	10-2100-2110 10-2100-2080 10-2100-2110 10-4210-5020 10-4210-5020 10-2200-2150	RETIRMENT EMPLOYEE RETIREMENT -EMPLOYEE RETIRMENT EMPLOYEE RETIREMENT EMPLOYER RETIREMENT EMPLOYER ACCRUED RETIREMENT/EMPLOYER		688,689.70 18,659.20 109,895.70	688,689.70 18,659.20 109,895.70
Audit Entry: Entry to fix retirement liability accounts and to accrue May and June retirement payments.						
AJE 3	Posted	10-5000-8500 15-5000-8500 10-5000-8503 15-5000-8501 60-2700-2705 60-2700-2706 60-2700-2702	GO BOND 2020 PRINCIPAL & INTEREST HOSP BOND 2012 PRINCIPAL GO BOND INTEREST PMTS HOSP BOND 2012 INTEREST 2021A REVENUE REFUNDING BOND 2021B REVENUE REFUNDING BOND BOND PAYABLE		956.65 4,617.09 364,000.00 198,000.00	956.65 4,617.09 562,000.00
Reclass Entry: Entry to adjust principal and interest expense and to reclass current portion of business type bond payments.						
AJE 4	Posted	10-4150-6095 10-4210-5020	MISCELLANEOUS EXPENSE RETIREMENT EMPLOYER		34,414.02	34,414.02
Non-audit Entry: Entry to adjust pension expense.						
AJE 5	Posted	10-0100-1002 10-4150-6095	CENT DEPOSIT WELLS ACCT 4122273469 MISCELLANEOUS EXPENSE		33,251.99	33,251.99
Audit Entry: Entry to adjust cash for outstanding check that does not belong on the bank reconciliation.						
AJE 6	Posted	60-2700-2708 60-0600-1835 60-2700-2709 60-4300-5022 60-4320-5022	W&S NET PENSION LIABILITY UTILITY-DEFERRED PENSION CHARGES UTILITY-DEFERRED PENSION CREDITS WATER-PENSION EXPENSE SEWER-PENSION EXPENSE		894,815.00 15,334.00	77,919.00 4,055.00 826,175.00
Non-audit Entry: Entry o record change in Pension Items for FY 2024 related to GASB #68/71.						
AJE 7	Posted	60-2400-2200 60-3000-3001 60-2400-2200 60-4300-4520	CUSTOMER WATER DEPOSITS O & M FUND BALANCE CUSTOMER WATER DEPOSITS WATER REVENUE	AP-04	81,117.27 5,851.40	81,117.27 5,851.40
Audit Entry: To correct FY23 customer deposit balance and true up FY24 liability.						
AJE 8	Posted	60-2000-2002 60-2400-2300	ACCRUED ACCOUNTS PAYABLE Retainage Payable		513,749.40	513,749.40
Reclass Entry: To reclass the retainage payable out of AP for ease of NICA and cash flow calculations. No change to FS presentation.						
AJE 9	Posted	10-0200-1140 10-4150-4065	LOCAL OPT SALES TAX RECEIVABLE LOCAL OPTION SALES TAX		73,730.36	73,730.36
Audit Entry: To record the LOST receivable balance for the month of June 2024.						
AJE 10	Posted	10-4510-6300 10-4510-6019	RECREATION CAPITAL OUTLAY GROUNDS/FIELDS		15,000.00	15,000.00
Reclass Entry: To move an expenditure into Capital Outlay.						
AJE 11	Posted	60-4300-4530 60-0200-1222	CAPITAL IMPROVMENTS FEE ACCTS RECEIVABLE-CAP IMPR FEE	RR-06	18,375.40	18,375.40
Audit Entry: To true up net capital improvement fee revenue by eliminating client's miscoded AR account.						
AJE 12	Posted	10-4150-4071 10-4150-4075	AID TO SUBDIVISIONS LOCAL GOVT FUND		21,884.51	21,884.51
Reclass Entry: Entry to reclass aid to subdivision revenue to the correct account.						
AJE 13	Posted	10-4510-5026 10-4210-5026	SCMIRF (LIABILITY & PROPERTY) SCMIRF (LIABILITY & PROPERTY)		28,393.38	28,393.38
Reclass Entry: To correct allocation of SCMIRF Liability & Property expenses after discussion with David McAllister. UHY miskeyed the account number.						

Entry #	Status	Account/Code	Description	Workpaper CA Series	Debit	Credit
AJE 14	Posted	60-4320-6450	WASTE WATER MAINTENANCE		15,740.29	
		60-4330-6475	WATER PLANT MAINTENANCE		16,040.01	
		60-0600-1815	SEWER UTILITY SYSTEM			15,740.29
		60-0600-1820	WATER UTILITY SYSTEM			16,040.01
		60-0600-1855	ACCUM DEPREC - SEWER UTILITY SYSTEM		168.48	
		60-0600-1860	ACCUM DEPREC - WATER UTILITY SYSTEM		228.51	
		60-4320-7000	DEPRECIATION EXPENSE WASTE WTR			168.48
		60-4330-7000	DEPRECIATION EXPENSE WTR PLANT			228.51
		60-0600-1820	WATER UTILITY SYSTEM		1,599.00	
		60-0600-1815	SEWER UTILITY SYSTEM			1,599.00
		Audit Entry: To un-capitalize costs that appear to be mainly repair and maintenance expenses and to adjust ledger accounts to capital asset detail.				
AJE 15	Posted	10-4150-4180	MISCELLANEOUS/ALL OTHER	AR-06	66,227.03	
		10-0300-1305	DUE TO/FROM HOSP FUND (15)			66,227.03
		15-0300-1220	DUE TO/FROM GENERAL FUND (10)		66,227.03	
		15-4155-4000	HOSPITALITY TAX REVENUE			50,008.99
		15-0200-1110	HOSP TAX RECEIVABLE			16,218.04
		Audit Entry: To reverse UHY AJEs 6959 and 6969 to restore the TB to its true unadjusted balances.				
AJE 16	Posted	60-4300-4590	MISC. REVENUE/ALL OTHER	RR-04	101,220.46	
		60-4320-6010	CWS O&M FEES			101,220.46
		Reclass Entry: To move CWS reimbursement from miscellaneous revenue to offset expenditures.				
TOTALS					3,538,185.89	3,538,185.88

4/28/2026 5:12PM

Entry #	Status	Account/Code	Description	Workpaper	Debit	Credit
RJE 1	Posted	10-9999-0031	REPORTING - DEFERRED REVENUE		9,329.00	
		10-9999-0060	REPORTING - PROPERTY TAX REVENUE		1,646.00	
		10-9999-0056	REPORTING - UNRESTRICTED NET ASSETS			10,975.00
		Reporting Entry: Entry to record change in property tax receivable.				
RJE 2	Posted	10-9999-0020	REPORTING - CAPITAL ASSETS GROSS		7,449,103.00	
		10-9999-0050	REPORTING - INVESTED IN CAPITAL ASSETS N			7,449,103.00
		10-9999-0020	REPORTING - CAPITAL ASSETS GROSS		442,708.00	
		10-9999-0070	REPORTING - ADMIN - CAPITAL OUTLAY			65,254.00
		10-9999-0071	REPORTING - POLICE - CAPITAL OUTLAY			155,494.00
		10-9999-0072	REPORTING - FIRE - CAPITAL OUTLAY			31,250.00
		10-9999-0069	REPORTING - STREET AND SANITATION - CAP			68,365.00
		10-9999-0066	REPORTING - RECREATION AND PARKS - CAPIT			74,634.00
		10-9999-0073	REPORTING - ADMIN - DEPRECIATION		38,622.00	
		10-9999-0074	REPORTING - POLICE- DEPRECIATION		56,711.00	
		10-9999-0075	REPORTING - FIRE - DEPRECIATION		41,092.00	
		10-9999-0078	REPORTING - STREET AND SANITATION - DEPR		100,879.00	
		10-9999-0079	REPORTING - GROUNDS - DEPRECIATION		111,822.00	
		10-9999-0081	REPORTING - RECREATION AND PARKS - DEPRE		241,909.00	
		10-9999-0020	REPORTING - CAPITAL ASSETS GROSS			591,035.00
		10-9999-0066	REPORTING - RECREATION AND PARKS - CAPIT			
		10-9999-0068	REPORTING - GROUNDS - CAPITAL OUTLAY			47,711.00
		Reporting Entry: Entry to record beginning balance, additions, disposals, and depreciation for capital assets.				
RJE 3	Posted	10-9999-0056	REPORTING - UNRESTRICTED NET ASSETS		28,959.00	
		10-9999-0030	REPORTING - ACCRUED INTEREST PAYABLE			28,959.00
		10-9999-0077	REPORTING - INTEREST AND FISCAL CHARGES			7,038.00
		10-9999-0030	REPORTING - ACCRUED INTEREST PAYABLE		7,038.00	
		10-9999-0050	REPORTING - INVESTED IN CAPITAL ASSETS N		1,108,934.00	
		10-9999-0056	REPORTING - UNRESTRICTED NET ASSETS		64,603.00	
		10-9999-0032	REPORTING - ACCRUED COMPENSATED ABSENCES			64,603.00
		10-9999-0041	REPORTING - DUE IN MORE THAN ONE YEAR			1,108,934.00
		10-9999-0076	REPORTING - INSTRUCTION - COMP ABSENCES			6,974.00
		10-9999-0032	REPORTING - ACCRUED COMPENSATED ABSENCES		6,974.00	
		10-9999-0041	REPORTING - DUE IN MORE THAN ONE YEAR		319,938.00	
		10-9999-0077	REPORTING - INTEREST AND FISCAL CHARGES			319,938.00
		10-9999-0041	REPORTING - DUE IN MORE THAN ONE YEAR		261,104.00	
		10-9999-0040	REPORTING - DUE WITHIN ONE YEAR			261,104.00
		10-9999-0023	REPORTING - DEFERRED PENSION CHARGES		640,004.00	
		10-9999-0024	REPORTING - DEFERRED PENSION CREDITS			173,336.00
		10-9999-0045	REPORTING - NET PENSION LIABILITY			3,001,447.00
		10-9999-0056	REPORTING - UNRESTRICTED NET ASSETS		2,534,779.00	
		10-9999-0023	REPORTING - DEFERRED PENSION CHARGES		162,678.00	
		10-9999-0024	REPORTING - DEFERRED PENSION CREDITS			287,597.00
		10-9999-0045	REPORTING - NET PENSION LIABILITY			402,091.00
		10-9999-0092	REPORTING - ADMINISTRATIVE & GENERAL PEN		92,928.00	
		10-9999-0093	REPORTING - POLICE PENSION EXPENSE		44,441.00	
		10-9999-0094	REPORTING - FIRE PENSION EXPENSE		49,658.00	
		10-9999-0095	REPORTING - MUNICIPAL COURT PENSION EXPE		26,327.00	
		10-9999-0096	REPORTING - RECREATION AND PARKS PENSION		65,776.00	
		10-9999-0097	REPORTING - STREETS AND SANITATION PENSI		154,867.00	
		10-9999-0098	REPORTING - GROUNDS MAINTENANCE PENSION		93,013.00	
		Reporting Entry: Entry to record accrued interest payable, beginning balance for long-term obligations and net pension liability, payment on long-term obligations, and changes to net pension liability.				
TOTALS					14,155,842.00	14,155,842.00

**CITY OF PICKENS,
SOUTH CAROLINA**

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2024

DRAFT

DRAFT

CITY OF PICKENS, SOUTH CAROLINA

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YEAR ENDED JUNE 30, 2024

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**CITY OF PICKENS,
SOUTH CAROLINA**

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2024

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CITY OF PICKENS, SOUTH CAROLINA

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CITY OF PICKENS, SOUTH CAROLINA
LISTING OF PRINCIPAL OFFICIALS
AS OF JUNE 30, 2024

Established

1868

MAYOR

Isaiah Scipio

CITY COUNCIL MEMBERS

Danny Adams

Robert Nealy

Cameron Rivers

Floyd Rogers

Allie Winter

CITY ADMINISTRATOR

Tim O'Briant

CITY ATTORNEY

Daniel R. Hughes

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Pickens, South Carolina (the "City"), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying 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, as of June 30, 2024, 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.

Basis for Opinions

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

Prior Period Adjustments

As discussed in Note IV.D in the notes to the financial statements, in the year ended June 30, 2024 the City discovered several errors relating to the reporting of cash balances and customer deposits that impacted its governmental, proprietary, and government-wide financial statements as of June 30, 2023. As a result, the beginning fund balance and net position have been restated in the current year financial statements to correct these errors. Our opinions are not modified with respect to these matters.

Financial Struggles

As discussed in Note IV.E in the notes to the financial statements, the City has continued to experience recurring losses in fund balance in its General Fund for several years. Management is working to address these issues and conditions as described in Note IV.E. Our opinion is not modified with respect to that matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison schedules and the pension plan schedules, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 the management, discussion, and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the 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, and the schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such 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.

The 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 and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 30, 2026 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Greene Finney Cauley, LLP

Greene Finney Cauley, LLP
Mauldin, South Carolina
April 30, 2026

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Basic Financial Statements

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CITY OF PICKENS, SOUTH CAROLINA

STATEMENT OF NET POSITION

JUNE 30, 2024

	PRIMARY GOVERNMENT		
	Governmental Activities	Business-Type Activities	Totals
ASSETS			
Cash and Cash Equivalents	\$ 4,551,934	520	\$ 4,552,454
Restricted Cash and Cash Equivalents	1,338,285	-	1,338,285
Investments	-	93,180	93,180
Restricted Investments	50,362	153,826	204,188
Receivables, Net			
Property Taxes	20,479	-	20,479
Grants	1,570,315	-	1,570,315
Intergovernmental	177,892	-	177,892
Accounts	308,117	396,031	704,148
Other	11,762	-	11,762
Internal Balances	(5,646,901)	5,646,901	-
Inventory	-	67,876	67,876
Capital Assets:			
Non-Depreciable	1,288,440	5,806,726	7,095,166
Depreciable, Net	6,012,336	20,008,932	26,021,268
TOTAL ASSETS	9,683,021	32,173,992	41,857,013
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Pension Charges	802,682	64,927	867,609
LIABILITIES			
Accounts Payable	176,281	600,223	776,504
Accrued Salaries and Fringe Benefits	231,032	4,441	235,473
Accrued Interest Payable	21,921	19,584	41,505
Retainage Payable	-	513,749	513,749
Customer Deposits	-	54,203	54,203
Unearned Revenue	779,891	-	779,891
Non-Current Liabilities:			
Long-Term Obligations - Due Within One Year	261,104	563,835	824,939
Long-Term Obligations - Due in More Than One Year	585,521	8,960,340	9,545,861
Net Pension Liability - Due in More Than One Year	3,403,538	459,303	3,862,841
TOTAL LIABILITIES	5,459,288	11,175,678	16,634,966
DEFERRED INFLOWS OF RESOURCES			
Deferred Pension Credits	460,933	142,697	603,630
NET POSITION			
Net Investment in Capital Assets	6,606,960	15,471,160	22,078,120
Restricted For:			
Debt Service	28,441	80,039	108,480
Capital Improvement	-	529,642	529,642
Tourism Related Costs (Hospitality Taxes)	810,741	-	810,741
Grants	19,392	-	19,392
Road Maintenance	118,341	-	118,341
Firefighters' 1% Costs	13,565	-	13,565
Other	14,422	-	14,422
Unrestricted	(3,046,380)	4,839,703	1,793,323
TOTAL NET POSITION	\$ 4,565,482	20,920,544	\$ 25,486,026

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

CITY OF PICKENS, SOUTH CAROLINA

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2024

FUNCTIONS/PROGRAMS	PROGRAM REVENUES				NET (EXPENSE) REVENUE AND CHANGE IN NET POSITION		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
PRIMARY GOVERNMENT:					Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
Administrative and General	\$ 826,650	34,478	437,031	-	(355,141)	-	\$ (355,141)
Police	1,838,383	80,964	280,000	-	(1,477,419)	-	(1,477,419)
Fire	712,034	208,470	10,594	13,280	(479,690)	-	(479,690)
Municipal Court	123,408	-	-	-	(123,408)	-	(123,408)
Victims' Assistance	10,079	-	-	-	(10,079)	-	(10,079)
Recreation and Parks	1,115,791	122,778	-	-	(993,013)	-	(993,013)
Streets and Sanitation	1,246,092	351,243	-	-	(894,849)	-	(894,849)
Grounds Maintenance	290,696	-	-	-	(290,696)	-	(290,696)
Interest and Other Charges	24,970	-	-	-	(24,970)	-	(24,970)
Total Governmental Activities	6,188,103	797,933	727,625	13,280	(4,649,265)	-	(4,649,265)
Business-Type Activities:							
Water	1,434,022	2,785,180	-	4,836,873	-	6,188,031	6,188,031
Sewer	2,133,804	738,011	-	-	-	(1,395,793)	(1,395,793)
Stormwater	35,131	93,487	-	-	-	58,356	58,356
Total Business-Type Activities	3,602,957	3,616,678	-	4,836,873	-	4,850,594	4,850,594
TOTAL - PRIMARY GOVERNMENT	\$ 9,791,060	4,414,611	727,625	4,850,153	(4,649,265)	4,850,594	201,329
General Revenues:							
Taxes:							
Property Taxes					573,451	-	573,451
Hospitality Taxes					662,659	-	662,659
Local Option Sales Tax					839,266	-	839,266
Other Taxes					8,092	-	8,092
Business Licenses					878,487	-	878,487
Franchise Fees					281,657	-	281,657
Intergovernmental Revenue					109,215	-	109,215
Miscellaneous Revenue					194,705	-	194,705
Investment Earnings					21,197	46	21,243
Transfers					275,000	(275,000)	-
Total General Revenues and Transfers					3,843,729	(274,954)	3,568,775
CHANGE IN NET POSITION					(805,536)	4,575,640	3,770,104
NET POSITION, Beginning of Year, As Previously Reported					5,234,893	16,143,249	21,378,142
Prior Period Adjustments					136,125	201,655	337,780
NET POSITION, Beginning of Year, As Restated					5,371,018	16,344,904	21,715,922
NET POSITION, End of Year					4,565,482	20,920,544	\$ 25,486,026

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

CITY OF PICKENS, SOUTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2024

	GENERAL FUND	HOSPITALITY TAX FUND	GRANTS FUND	NON MAJOR FIREFIGHTERS' 1% FUND	TOTAL GOVERNMENTAL FUNDS
ASSETS					
Cash and Cash Equivalents	\$ 4,551,934	-	-	-	\$ 4,551,934
Restricted Cash and Cash Equivalents	185,652	1,139,068	-	13,565	1,338,285
Restricted Investments	-	50,362	-	-	50,362
Receivables, Net					
Property Taxes	20,479	-	-	-	20,479
Grants	1,570,315	-	-	-	1,570,315
Intergovernmental	177,892	-	-	-	177,892
Accounts	251,012	57,105	-	-	308,117
Other	11,762	-	-	-	11,762
Due from Other Funds	385,432	-	169,392	-	554,824
TOTAL ASSETS	\$ 7,154,478	1,246,535	169,392	13,565	\$ 8,583,970
LIABILITIES					
Accounts Payable	\$ 176,281	-	-	-	\$ 176,281
Accrued Salaries and Fringe Benefits	231,032	-	-	-	231,032
Due to Other Funds	5,816,293	385,432	-	-	6,201,725
Unearned Revenue	629,891	-	150,000	-	779,891
TOTAL LIABILITIES	6,853,497	385,432	150,000	-	7,388,929
DEFERRED INFLOWS OF RESOURCES					
Unavailable Revenue - Property Taxes	9,329	-	-	-	9,329
TOTAL DEFERRED INFLOWS OF RESOURCES	9,329	-	-	-	9,329
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	6,862,826	385,432	150,000	-	7,398,258
FUND BALANCES					
Restricted for:					
Capital Projects (Unspent Bond Proceeds)	52,889	-	-	-	52,889
Tourism Related Costs (Hospitality Taxes)	-	810,741	-	-	810,741
Grants	-	-	19,392	-	19,392
Debt Service Reserve	-	50,362	-	-	50,362
Road Maintenance	118,341	-	-	-	118,341
Firefighters' 1% Costs	-	-	-	13,565	13,565
Other	14,422	-	-	-	14,422
Assigned for:					
Appropriated for Fiscal Year 2025 Budget	106,000	-	-	-	106,000
Unassigned	-	-	-	-	-
TOTAL FUND BALANCES	291,652	861,103	19,392	13,565	1,185,712
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 7,154,478	1,246,535	169,392	13,565	\$ 8,583,970

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

CITY OF PICKENS, SOUTH CAROLINA

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

JUNE 30, 2024

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS	\$ 1,185,712
Amounts reported for the governmental activities in the Statement of Net Position are different because of the following:	
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds. The cost of the assets was \$15,730,158 and the accumulated depreciation was \$8,429,382	7,300,776
Property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore have been deferred in the governmental funds.	9,329
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.	(3,061,789)
Accrued interest on long-term obligations in governmental accounting is not due and payable in the current period and therefore is not reported as a liability in the governmental funds.	(21,921)
Long-term liabilities are generally not due or payable in the current period and therefore are not reported as liabilities in the governmental funds. Long-term liabilities consisted of the following:	
Long-Term Obligations (Debt)	(788,996)
Compensated Absences (General Leave)	(57,629)
	<u>(846,625)</u>
TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES	<u>\$ 4,565,482</u>

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

CITY OF PICKENS, SOUTH CAROLINA

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

YEAR ENDED JUNE 30, 2024

	GENERAL FUND	HOSPITALITY TAX FUND	GRANTS FUND	NON MAJOR FIREFIGHTERS' 1% FUND	TOTAL GOVERNMENTAL FUNDS
REVENUES					
Taxes	\$ 579,580	662,659	-	-	\$ 1,242,239
Fees, Charges, and Rentals	912,805	-	-	-	912,805
Fines and Forfeitures	80,964	-	-	-	80,964
Licenses, Permits, and Franchise Fees	1,161,925	-	-	-	1,161,925
Intergovernmental Revenues	952,091	-	-	-	952,091
External Service Reimbursements	280,000	-	-	-	280,000
Grants	387,031	-	63,280	-	450,311
One Percent Income	-	-	-	7,681	7,681
Interest Earnings	21,158	39	-	-	21,197
TOTAL REVENUES	4,375,554	662,698	63,280	7,681	5,109,213
EXPENDITURES					
Current:					
Administrative and General	635,732	123,189	-	-	758,921
Police	1,681,791	-	-	-	1,681,791
Fire	610,585	-	-	6,102	616,687
Municipal Court	97,081	-	-	-	97,081
Victims' Assistance	10,079	-	-	-	10,079
Recreation and Parks	686,116	131,486	-	-	817,602
Streets and Sanitation	1,029,236	-	-	-	1,029,236
Grounds Maintenance	81,458	-	-	-	81,458
Capital Outlay	338,635	-	63,280	-	401,915
Debt Service:					
Principal	77,713	242,225	-	-	319,938
Interest	957	31,051	-	-	32,008
TOTAL EXPENDITURES	5,249,383	527,951	63,280	6,102	5,846,716
EXCESS OF REVENUES OVER EXPENDITURES	(873,829)	134,747	-	1,579	(737,503)
OTHER FINANCING SOURCES (USES)					
Transfers In	388,000	-	-	-	388,000
Transfers Out	-	(113,000)	-	-	(113,000)
TOTAL OTHER FINANCING SOURCES (USES)	388,000	(113,000)	-	-	275,000
NET CHANGES IN FUND BALANCES	(485,829)	21,747	-	1,579	(462,503)
FUND BALANCES, Beginning of Year, As Previously Reported	641,356	839,356	19,392	11,986	1,512,090
Prior Period Adjustment	136,125	-	-	-	136,125
FUND BALANCES, Beginning of Year, As Restated	777,481	839,356	19,392	11,986	1,648,215
FUND BALANCES, End of Year	\$ 291,652	861,103	19,392	13,565	\$ 1,185,712

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

CITY OF PICKENS, SOUTH CAROLINA

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

YEAR ENDED JUNE 30, 2024

TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS **\$ (462,503)**

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

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. They are considered revenues in the Statement of Activities. (1,646)

Repayment of bond principal is recognized in the governmental funds, but the repayment generally reduces long-term obligations in the Statement of Net Position. This amount is the total reduction in outstanding principal in the current year. 319,938

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. 7,038

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. (527,010)

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. 6,974

The governmental funds report capital asset additions as expenditures. However, in the Statement of Activities, capital outlay expenditures that qualify as capital assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense of \$591,035 exceeded cash capital asset additions of \$442,708. (148,327)

TOTAL CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES **\$ (805,536)**

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

CITY OF PICKENS, SOUTH CAROLINA

STATEMENT OF NET POSITION - PROPRIETARY FUND

JUNE 30, 2024

	UTILITY FUND
ASSETS	
Current Assets	
Cash and Cash Equivalents	\$ 520
Investments	93,180
Restricted Investments	153,826
Receivables, Net of Allowance for Doubtful Accounts	
Utility Services	396,031
Due From Other Funds	5,646,901
Inventory	67,876
Total Current Assets	<u>6,358,334</u>
Noncurrent Assets	
Non-Depreciable Capital Assets	5,806,726
Depreciable Capital Assets, Net	20,008,932
Total Noncurrent Assets	<u>25,815,658</u>
TOTAL ASSETS	<u>32,173,992</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Pension Charges	<u>64,927</u>
LIABILITIES	
Current Liabilities	
Accounts Payable	600,223
Accrued Salaries and Fringe Benefits	4,441
Accrued Interest Payable	19,584
Retainage Payable	513,749
Customer Deposits	54,203
Current Portion - Compensated Absences	1,835
Current Portion - Debt	562,000
Total Current Liabilities	<u>1,756,035</u>
Noncurrent Liabilities	
Compensated Absences, Less Current Portion	7,340
Debt, Less Current Portion	8,953,000
Net Pension Liability	459,303
Total Non-Current Liabilities	<u>9,419,643</u>
TOTAL LIABILITIES	<u>11,175,678</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred Pension Credits	<u>142,697</u>
NET POSITION	
Net Investment in Capital Assets	15,471,160
Restricted for Debt Service	80,039
Restricted for Capital Improvement	529,642
Unrestricted	4,839,703
TOTAL NET POSITION	<u>\$ 20,920,544</u>

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

CITY OF PICKENS, SOUTH CAROLINA

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

YEAR ENDED JUNE 30, 2024

	UTILITY FUND
OPERATING REVENUES	
Charges for Services	
Water Fees	\$ 2,703,093
Sewer Fees	738,011
Stormwater Fees	93,487
Tap Fees	55,300
TOTAL OPERATING REVENUES	3,589,891
OPERATING EXPENSES	
Personnel Services	(369,255)
Contractual Services	1,722,239
Materials and Supplies	204,921
Other	467,179
Depreciation	1,319,675
TOTAL OPERATING EXPENSES	3,344,759
OPERATING INCOME (LOSS)	245,132
NONOPERATING REVENUES (EXPENSES)	
Interest Income	46
Other Revenues	26,787
Interest Expense	(258,198)
TOTAL NONOPERATING REVENUES (EXPENSES)	(231,365)
INCOME BEFORE TRANSFERS AND CONTRIBUTIONS	13,767
Capital Grants	4,566,344
Capital Improvement Fee	270,529
Transfers Out	(275,000)
CHANGE IN NET POSITION	4,575,640
NET POSITION, Beginning of Year, As Previously Reported	16,143,249
Prior Period Adjustment	201,655
NET POSITION, Beginning of Year, Restated	16,344,904
NET POSITION, End of Year	\$ 20,920,544

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

CITY OF PICKENS, SOUTH CAROLINA

STATEMENT OF CASH FLOWS - PROPRIETARY FUND

YEAR ENDED JUNE 30, 2024

	<u>UTILITY FUND</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Customers	\$ 3,598,261
Cash Payments for Goods and Services	(2,362,109)
Cash Payments to Employees	(443,546)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>792,606</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Advances and Transfers to Other Funds	(4,836,113)
NET CASH USED IN BY NON-CAPITAL FINANCING ACTIVITIES	<u>(4,836,113)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital Grants/Contributions	4,836,873
Acquisition of Capital Assets	(5,145,036)
Principal Payments on Revenue Bonds	(550,000)
Interest Payments on Revenue Bonds	(259,148)
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(1,117,311)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Change in Investments	5,013,455
Interest Income	46
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>5,013,501</u>
NET DECREASE IN RESTRICTED AND UNRESTRICTED CASH AND CASH EQUIVALENTS	(147,317)
RESTRICTED AND UNRESTRICTED CASH AND CASH EQUIVALENTS, Beginning of Year	<u>147,837</u>
RESTRICTED AND UNRESTRICTED CASH AND CASH EQUIVALENTS, End of Year	<u>\$ 520</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating Income	\$ 245,132
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation Expense	1,319,675
Other Nonoperating Income	26,787
Changes in Balance Sheet Accounts Related to Operating Activities:	
Receivables	(11,918)
Inventory	(2)
Deferred Pension Charges	77,919
Accounts Payable	32,232
Accrued Salaries and Fringe Benefits	(6,855)
Compensated Absences	6,895
Customer Deposits	(6,499)
Net Pension Liability	(894,815)
Deferred Pension Credits	4,055
Net Cash Provided by Operating Activities	<u>\$ 792,606</u>
Noncash Investing, Capital and Financing Activities:	
Change in Acquisition of Capital Assets Not Yet Paid For	\$ 829,498

The notes to the financial statements are an integral part of this statement.

See accompanying independent auditor's report.

CITY OF PICKENS, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2024

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. The Reporting Entity

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

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

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

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

Related Organization

Pickens Regional Joint Water System (“Joint System”) was formed in October 2019 as a partnership of rural and municipal water districts to provide a high-quality, clean, safe, reliable, economical flow of treated water to its customers in Pickens County. To that end, the Joint System will undertake a significant investment in utility infrastructure through the application for and acquisition of a source of water on Lake Keowee and construction of a water treatment plan to obtain security in and control access to an abundant source of water in order to provide and enhance water service within the County. The Joint System is currently governed by a ten-member Board of Commissioners (“Board”) for which the City serves as a member and as one of its customers. Currently, there are five member agencies in Pickens County. The City has the responsibility of appointing two board members but this appointment does not represent a majority or controlling interest in the Joint System. The Joint System does not have significant exclusive operational or financial relationships with the City. Therefore, it is not considered to be a component unit as defined by GAAP. Subsequent to June 30, 2024, the City has elected to withdraw as a member of the Joint System (see Note IV.D “Subsequent Events” for more details). See Separate financial statements can be obtained by contacting Pickens Regional Joint Water System, 144 McDaniel Avenue, Pickens, SC 29671.

CITY OF PICKENS, SOUTH CAROLINA
 NOTES TO THE FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 2024

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. The Reporting Entity (Continued)

Major Operations

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

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

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

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

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

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

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

CITY OF PICKENS, SOUTH CAROLINA
 NOTES TO THE FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 2024

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

Governmental Fund Types are those through which most governmental functions of the City are financed. The City's expendable financial resources and related balance sheet items (except for those accounted for in the Proprietary Fund) are accounted for through governmental funds. The City's governmental funds are as follows:

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

Special revenue funds are used to account for the specific revenue sources that are restricted by donor, law, or administrative actions to expenditures for specified purposes. These funds may or may not have a legally adopted budget and any remaining fund balance is generally restricted for the purpose of the specific revenue sources. The City has the following special revenue funds:

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

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

The **Firefighters' 1% Fund, a nonmajor fund** and an unbudgeted fund, is used to account for the City's Firemen's Insurance and Inspection Fund, commonly referred to as 1% money, allocation and expenditures. These resources are to be used for the betterment and maintenance of skilled and efficient fire departments. This is an unbudgeted fund.

Proprietary Fund Types are made up of two classes: enterprise funds and internal service funds. The City does not have any internal service funds but has one enterprise fund.

CITY OF PICKENS, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2024

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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) and money market mutual funds are reported as investments.

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

- (a) Obligations of the United States and its agencies, the principal and interest of which is fully guaranteed by the United States.
- (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.

CITY OF PICKENS, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2024

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

- (e) Certificates of deposit where the certificates are collaterally secured by securities of the type described in (a) and (b) above held by a third party as escrow agent or custodian, of a market value not less than the amount of the certificates of deposit so secured, including interest; provided, however, such collateral shall not be required to the extent the same are insured by an agency of the federal government.
- (f) Repurchase agreements when collateralized by securities as set forth in this section.
- (g) No load open-end or closed-end management type investment companies or investment trusts registered under the Investment Company Act of 1940, as amended, where the investment is made by a bank or trust company or savings and loan association or other financial institution when acting as trustee or agent for a bond or other debt issue of that local government unit, political subdivision, or county treasurer if the particular portfolio of the investment company or investment trust in which the investment is made (i) is limited to obligations described in items (a), (b), (c), and (f) of this subsection, and (ii) has among its objectives the attempt to maintain a constant net asset value of one dollar a share and to that end, value its assets by the amortized cost method.

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

- Certificates of Deposit ("CD") are bond-type investments issued by a bank when a person or company deposits a certain amount of money for a determined amount of time. The maturity can be up to five years, and interest is paid to the holder of the CD at an agreed upon rate. Money removed before maturity is subject to a penalty.
- Money market mutual funds are generally open-ended funds that invest primarily in short term government debt securities that generally have a weighted average maturity of 60 days or less and do not invest more than 5% in any one issuer, except for government securities and repurchase agreements.

2. Receivables and Payables

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

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

3. Inventories and Prepaid Items

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

CITY OF PICKENS, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2024

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

4. Capital Assets

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

The City defines capital assets as assets with an initial, individual cost of more than \$5,000 (amount not rounded) or groupings of similar items with individual costs is less than \$5,000, but when purchased together the total is greater than \$50,000 and an estimated useful life in excess of one year. Renovations/improvements to buildings and improvements to infrastructure over \$50,000 are also defined as capital assets. Such assets are recorded at historical cost or estimated historical cost if not purchased or constructed. Donated capital assets are recorded at estimated acquisition value (as estimated by the City) at the date of donation.

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

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

5. Compensated Absences

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

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

6. Accrued Liabilities and Long-Term Obligations

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

In the governmental fund financial statements, debt premiums, discounts and debt issuance costs are recognized immediately. The face amount of debt, financed purchases, or 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.

CITY OF PICKENS, SOUTH CAROLINA
 NOTES TO THE FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 2024

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

In 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, financed purchases, leases, compensated absences, and other related long-term liabilities that will eventually be paid from the governmental funds are not reported as a liability in the fund financial statements until due and payable.

7. *Deferred Outflows/Inflows of Resources*

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

In addition to liabilities, the Statement of Net Position and the Balance Sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net assets that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The City currently has two types of deferred inflows of resources: (1) The City reports *unavailable revenue – property taxes* only in the governmental funds balance sheet; it is deferred and recognized as an inflow of resources (property tax revenues) in the period the amounts become available. (2) The City also reports *deferred pension credits* in its proprietary fund and government-wide Statements of Net Position in connection with its participation in the South Carolina Retirement System and South Carolina Police Officers Retirement System (“Plans”). These *deferred pension credits* are amortized in a systematic and rational method and recognized as a reduction of pension expense in future periods in accordance with GAAP.

8. *Fund Balance*

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

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

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

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

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

CITY OF PICKENS, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2024

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

8. Fund Balance (Continued)

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

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

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

9. Net Position

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

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

10. Pensions

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

CITY OF PICKENS, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2024

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

11. Fair Value

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

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the City can access at the measurement date.

Level 2 – Inputs to the valuation methodology, other than quoted prices included in Level 1, that are observable for an asset or liability either directly or indirectly and include:

- Quoted prices for similar assets and liabilities in active markets.
- Quoted prices for identical or similar assets or liabilities in inactive markets.
- Inputs other than quoted market prices that are observable for the asset or liability.
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 – Inputs to the valuation methodology that are unobservable for an asset or liability and include:

- Fair value is often based on developed models in which there are few, if any, observable inputs.

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

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

12. Encumbrances

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

13. Accounting Estimates

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

14. Comparative Data

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

CITY OF PICKENS, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2024

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

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

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

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, 2024, none of the City's bank balances of approximately \$6,154,000 (with a carrying value of approximately \$6,088,000) were exposed to custodial credit risk.

Investments

As of June 30, 2024, the City had the following investments:

Investment Type	Fair Value Level (1)	Credit Rating ^	Fair Value	WAM < 1 Year
MMMF	Level 1	AAAm, Aaa-mf, AAAMmf	\$ 99,623	\$ 99,623

(1) See Note 1.C.11 for details of the City's fair value hierarchy.

^ If available, credit ratings are for Standard & Poor's, Moody's Investors Service, and Fitch Ratings.

MMMF - Money Market Mutual Fund.

WAM - Weighted Average Maturity.

CITY OF PICKENS, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2024

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES

A. Deposits and Investments

Investments (Continued)

Interest Rate Risk: The City does not have a formal policy limiting investment maturities that would help manage its exposure to fair value losses from increasing interest rates but they do follow the investment policy statutes of the state of South Carolina.

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

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

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

Certain cash and cash equivalents of the City are legally restricted for specified purposes. The major types of restrictions at June 30, 2024 were those imposed by the revenue source (i.e. hospitality taxes, seized police funds, unspent bond proceeds, debt service reserves, etc.).

Reconciliation to the Financial Statements

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

Description	Amount
Carrying Amount of Deposits	\$ 6,088,484
Fair Value of Investments	99,623
Total Deposits and Investments	\$ 6,188,107
Statement of Net Position:	
Cash and Cash Equivalents	\$ 4,552,454
Cash and Cash Equivalents, Restricted	1,338,285
Investments	93,180
Restricted Investments	204,188
Total Cash, Cash Equivalents, and Investments	\$ 6,188,107

CITY OF PICKENS, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2024

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

B. Receivables and Unavailable/Unearned 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 deferred tax revenue and thus not recognized as revenue until collected in the governmental funds.

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

January 16 th	3%
February 2 nd	an additional 7%
March 17 th	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 2024 real and business personal property taxes (which was for tax year 2023) were levied in October 2023 based on a millage rate of 86.3 mills (83.3 mills in the prior year) and were due beginning on that date. The City's assessed value of real and personal property was approximately \$17.3 million (\$16.1 million in the prior year). Amounts received by the County but not yet remitted to the City at year end (immaterial amounts) are included in "Property Taxes Receivable" in the balance sheet and statement of net position.

The City has recorded uncollected property taxes at June 30, 2024 of approximately \$20,000 (no allowance for uncollectible accounts has been provided as it is not deemed significant). The City recognized outstanding delinquent property taxes of approximately \$11,000 as revenue in the current period because the amount was collected within 60 days after year end. The remaining delinquent property tax receivable of approximately \$9,000 has been recorded as unavailable revenue (component of deferred inflows of resources) on the governmental fund financial statements.

Other Receivables

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

Unearned Revenues

In prior years, the City received American Rescue Plan Act ("ARPA") funding of approximately \$1,578,000. These funds can and have been used in four primary areas: (1) water, sewer, and storm drainage infrastructure, (2) premium pay for essential workers, (3) COVID-19 health related concerns, and (4) funding to help businesses recover from the pandemic. The City has used approximately \$948,000 of these funds through June 30, 2024 which leaves a remaining unused ARPA funds (unearned revenues) of approximately \$630,000 at June 30, 2024.

CITY OF PICKENS, SOUTH CAROLINA
 NOTES TO THE FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 2024

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

C. Interfund Receivables, Payables, and Transfers

Interfund Receivables and Payables

Interfund balances at June 30, 2024, consisted of the following individual fund receivables and payables (all of which are available to be repaid within one year):

Fund	Receivables	Payables
<u>Major Governmental Funds:</u>		
General Fund	\$ 385,432	\$ 5,816,293
Hospitality Tax Fund	-	385,432
Grants Fund	169,392	-
<u>Major Enterprise Fund:</u>		
Utility Fund	5,646,901	-
Totals	\$ 6,201,725	\$ 6,201,725

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

Interfund Transfers

Interfund transfers for the year ended June 30, 2024, consisted of the following:

Fund	Transfers In	Transfers Out
<u>Major Governmental Funds:</u>		
General Fund	\$ 388,000	\$ -
Hospitality Tax Fund	-	113,000
<u>Major Enterprise Fund:</u>		
Utility Fund	-	275,000
Totals	\$ 388,000	\$ 388,000

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

CITY OF PICKENS, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2024

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, 2024, was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental Activities:					
Capital Assets, Non-Depreciable:					
Land	\$ 1,288,440	-	-	-	\$ 1,288,440
Total Capital Assets, Non-Depreciable	1,288,440	-	-	-	1,288,440
Capital Assets, Depreciable:					
Buildings and Improvements	7,662,980	78,361	-	-	7,741,341
Machinery and Equipment	919,543	109,751	-	-	1,029,294
Vehicles	2,819,102	178,920	87,029	-	2,910,993
Infrastructure	2,684,414	75,676	-	-	2,760,090
Total Capital Assets, Depreciable	14,086,039	442,708	87,029	-	14,441,718
Less: Accumulated Depreciation for:					
Buildings and Improvements	3,209,278	263,124	-	-	3,472,402
Machinery and Equipment	742,492	50,840	-	-	793,332
Vehicles	2,091,629	156,733	87,029	-	2,161,333
Infrastructure	1,881,977	120,338	-	-	2,002,315
Total Accumulated Depreciation	7,925,376	591,035	87,029	-	8,429,382
Total Capital Assets, Depreciable, Net	6,160,663	(148,327)	-	-	6,012,336
Governmental Activities Capital Assets, Net	\$ 7,449,103	(148,327)	-	-	\$ 7,300,776

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

Functions/Programs	Capital Asset Additions	Depreciation Expense
Administrative and General	\$ 65,254	\$ 38,622
Police	155,494	56,711
Fire	31,250	41,092
Recreation and Parks	74,634	241,909
Streets and Sanitation	68,365	100,879
Grounds Maintenance	47,711	111,822
Total - Governmental Activities	\$ 442,708	\$ 591,035

CITY OF PICKENS, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2024

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, 2024, was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Business-Type Activities					
Capital Assets, Non-Depreciable:					
Land	\$ 199,331	-	-	-	\$ 199,331
Construction In Progress	-	5,607,395	-	-	5,607,395
Total Capital Assets, Non-Depreciable	199,331	5,607,395	-	-	5,806,726
Capital Assets, Depreciable:					
Buildings and Improvements	1,273,751	-	-	-	1,273,751
Water Utility System	20,983,861	18,407	-	-	21,002,268
Sewer Utility System	14,562,161	73,523	-	-	14,635,684
Machinery and Equipment	993,257	275,209	-	-	1,268,466
Vehicles	504,669	-	-	-	504,669
Total Capital Assets, Depreciable	38,317,699	367,139	-	-	38,684,838
Less: Accumulated Depreciation for:					
Buildings and Improvements	491,627	25,241	-	-	516,868
Water Utility System	9,309,621	822,330	-	-	10,131,951
Sewer Utility System	6,320,309	383,907	-	-	6,704,216
Machinery and Equipment	826,358	54,349	-	-	880,707
Vehicles	408,316	33,848	-	-	442,164
Total Accumulated Depreciation	17,356,231	1,319,675	-	-	18,675,906
Total Capital Assets, Depreciable, Net	20,961,468	(92,536)	-	-	20,008,932
Business-Type Activities Capital Assets, Net	\$ 21,160,799	4,654,859	-	-	\$ 25,815,658

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

Functions/Programs	Capital Asset Additions	Depreciation Expense
Water	\$ 5,901,011	\$ 935,768
Sewer	73,523	383,907
Total - Business-Type Activities	\$ 5,974,534	\$ 1,319,675

CITY OF PICKENS, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2024

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

E. Long-Term Obligations

The City issues bonds to provide funds for the acquisition and construction of major capital facilities. General Obligation Bonds (“GOB”) are direct obligations that pledge the full faith and credit of the City and are subject to the 8% legal debt limit requirement if not issued under a bond referendum. Conserfund Loans (“CL”) are special obligations of the City that are payable from the general revenues of the City. Refunding Revenue Bonds (“RRB”) and Special Obligation Bonds (“SOB”) are obligations of the City that are secured by revenue from a specific source. The full faith, credit, and taxing powers of the City are not pledged for the payment of RRB, CL, or SOB obligations nor the interest thereon.

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

Details on the City’s outstanding debt obligations as of June 30, 2024 are as follows:

	<u>Balance at June 30, 2024</u>
<i>ConserFund Loan</i>	
\$81,550 loan agreement initiated in June 2018 (“ConserFund Loan – 06/18”), due in annual installments of approximately \$9,000 beginning on August 1, 2019 through August 1, 2028 including interest at 1.50%. The proceeds from this loan were used to install LED fixtures at the gymnasium and softball field and to install LED lighting at the new sand volleyball court.	\$ 42,291
<i>Special Obligation Bonds</i>	
\$2,000,000 special obligation bond (hospitality fee pledge) issued in May 2012 (“SOB – 05/12”), due in annual installments of approximately \$107,000 to \$160,000 beginning on August 1, 2012 through August 1, 2026, plus interest at 3.16% due annually. The proceeds from this issue were used to currently refund the recreation center facility lease purchase obligation (LP – 08/03), defray the cost associated with other capital projects, and to pay the cost of issuance. The current refunding resulted in an immaterial deferred loss and thus no deferred loss was capitalized	466,611
\$1,000,000 special obligation bond (hospitality fee pledge) issued in January 2015 (“SOB – 01/15”), due in annual installments of approximately \$72,000 to \$96,000 beginning on August 1, 2015 through August 1, 2026, plus interest at 2.97% due annually. The proceeds from this issue were used to fund the acquisition and construction of certain former railway tracks for use as recreational facilities or as roads or trails providing access to tourist destinations located in the City, pay the costs of issuance, and satisfy the 2015 reserve fund requirement.	280,094
<i>Revenue Bonds</i>	
\$3,273,000 waterworks and sewer system refunding revenue bond, series 2021A issued in July 2021 (“RRBA – 07/21”), due in annual principal installments of \$351,000 to \$383,000 beginning June 1, 2022 through June 1, 2030, plus interest at 1.83%, due semiannually. The proceeds from this issue were used to refund all of the waterworks and sewer system revenue bonds issued in October 2014 (“RB - 10/14”). The original bonds were primarily used to finance the installation of a new water metering system, improvements to the water and wastewater treatment plants, and to pay for the costs of issuance. There was no deferred loss or gain on this current refunding.	\$2,211,000

CITY OF PICKENS, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2024

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

E. Long-Term Obligations (Continued)

Balance at
June 30, 2024

Revenue Bonds (Continued)

\$7,896,000 waterworks and sewer system refunding and improvement revenue bond, series 2021B issued in July 2021 (“RRBB – 07/21”), due in annual installments of approximately \$109,000 to \$680,000 beginning June 1, 2022 through June 1, 2041, plus interest at 2.83% due semiannually. The proceeds from this issue were used to refund all of the waterworks and sewer system refunding revenue bonds issued in April 2016 (“RB - 4/16”) and to provide proceeds of \$5,000,000 for water line replacements, water storage capacity, other capital needs, and to pay for the costs of issuance. The original bonds were used to finance water and sewer system upgrades. There was no deferred loss or gain on this current refunding. \$7,304,000

The order of priority for pledges and security on the capital assets of the City’s water/sewer activities is the revenue bonds. Interest expense on the City’s revenue bonds is charged 40% and 60% to the City’s Water and Sewer departments, respectively, on the statement of activities.

Presented below is a summary of changes in long-term obligations for the City’s governmental activities for the year ended June 30, 2024:

Long-Term Obligations	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Debt:					
SOB – 05/12 - DBP	\$ 612,718	-	146,107	466,611	\$ 150,724
SOB – 01/15 - DBP	368,125	-	88,031	280,094	90,646
ConserFund Loan – 06/18 - DBP	50,378	-	8,087	42,291	8,208
GOB – 8/20 - DBP	77,713	-	77,713	-	-
Total Debt	<u>1,108,934</u>	<u>-</u>	<u>319,938</u>	<u>788,996</u>	<u>249,578</u>
Compensated Absences	64,603	55,085	62,059	57,629	11,526
Total Governmental Activities	<u>\$ 1,173,537</u>	<u>55,085</u>	<u>381,997</u>	<u>846,625</u>	<u>\$ 261,104</u>

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

Presented below is a summary of changes in long-term obligations for the City’s business-type activities for the year ended June 30, 2024:

Long-Term Obligations	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-Type Activities:					
Debt:					
RRBA – 07/21 - DBP	\$ 2,569,000	-	358,000	2,211,000	\$ 364,000
RRBB – 07/21 - DBP	7,496,000	-	192,000	7,304,000	198,000
Total Debt	<u>10,065,000</u>	<u>-</u>	<u>550,000</u>	<u>9,515,000</u>	<u>562,000</u>
Compensated Absences	2,280	13,258	6,363	9,175	1,835
Total Business-Type Activities	<u>\$ 10,067,280</u>	<u>13,258</u>	<u>556,363</u>	<u>9,524,175</u>	<u>\$ 563,835</u>

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

CITY OF PICKENS, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2024

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

E. Long-Term Obligations (Continued)

Presented below is a summary of debt service requirements to maturity by year for the City's governmental activities as of June 30, 2024:

Year Ended June 30,	Debt - DBP		Total
	Principal	Interest	
Governmental Activities:			
2025	\$ 249,578	23,698	\$ 273,276
2026	257,157	16,120	273,277
2027	264,966	8,309	273,275
2028	8,583	260	8,843
2029	8,712	131	8,843
Totals	\$ 788,996	48,518	\$ 837,514

Presented below is a summary of debt service requirements to maturity by year for the City's business-type activities as of June 30, 2024:

Year Ended June 30,	Debt - DBP		Total
	Principal	Interest	
Business-Type Activities			
2025	\$ 562,000	247,165	\$ 809,165
2026	465,000	234,900	699,900
2027	474,000	225,300	699,300
2028	484,000	215,516	699,516
2029	494,000	205,509	699,509
2030-2034	2,651,000	845,651	3,496,651
2035-2039	3,044,000	452,998	3,496,998
2040-2041	1,341,000	57,194	1,398,194
Totals	\$ 9,515,000	2,484,233	\$ 11,999,233

Interest paid on the debt issued by the City is generally exempt from federal income tax. The City sometimes temporarily reinvests the proceeds of such tax-exempt debt in higher-yielding taxable securities, especially during construction projects. The federal tax code refers to this practice as arbitrage. Excess earnings (the difference between the interest on the debt and the investment earnings received) resulting from arbitrage must be rebated to the federal government. The City does not have any arbitrage liability at June 30, 2024.

Article Eight, Section Seven of the South Carolina Constitution of 1895, as amended, provides that no City or Town shall incur any bonded debt which shall exceed eight percent (8%) of the assessed value of the property therein and no such debt shall be created without the electors of such City or Town voting in favor of such further bonded debt. Prior to Home Rule Act of July 1, 1976, the bonded debt exemption was thirty five percent (35%). In 1976, the General Assembly reduced the general obligation debt limit without voter approval to eight percent (8%) of assessed valuation; whereas, with a referendum any amount can be floated. As of June 30, 2024, the City did not have any bond debt subject to the 8% limit of approximately \$1,386,000 resulting in an unused legal debt margin of approximately \$1,386,000.

CITY OF PICKENS, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2024

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

E. Long-Term Obligations (Continued)

The revenue bonds require the City to maintain user rates sufficient to generate net revenues, as defined by the agreements, ranging from 100% to 120% of the annual principal and interest payments on the revenue bonds and junior bonds (as defined). The revenue bonds contain significant requirements for annual debt service, various restrictive covenants which requires the City to maintain various restricted cash and investment accounts and to meet various other general requirements. In addition to the revenue bond requirements, the City is also required by its special obligation hospitality bonds to maintain hospitality fund revenues not less than 120% of the sum of the maximum debt service for any succeeding fiscal year in which the bonds will be outstanding. The City was in compliance with its significant financial covenants for its governmental funds but was not in compliance with its rate covenant on its revenue bonds in its Utility Fund at June 30, 2024.

IV. OTHER INFORMATION

A. Risk Management

Participation in Public Entity Risk Pools for Property and Casualty Insurance

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

The City pays an annual premium to SCMIRF for its general risk insurance. For the year ended June 30, 2024, the City made premium payments totaling approximately \$197,000. SCMIRF is self-sustaining through member premiums and reinsures through commercial companies. SCMIRF’s net position from its most recently issued audited financial statements at December 31, 2023, totaled approximately \$8,550,000. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage in the past three fiscal years.

The City pays an annual premium to SCMIT for its workers compensation insurance. For the year ended June 30, 2024, the City made premium payments totaling approximately \$52,000. The Trust uses reinsurance agreements to reduce its exposure to large workers’ compensation losses. SCMIT’s net position from its most recently issued audited financial statements at December 31, 2023, totaled approximately \$43,867,000. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage in the past three fiscal years.

Health Insurance and Other Postemployment Benefits

The City provides a health insurance program through the State for its eligible employees. The City pays a monthly premium to the State for its health coverage (insured plan) with the insurer being responsible for claims. In 2015, the GASB issued Statement No. 75 “Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions” (“GASB #75”). GASB #75 establishes standards for the measurement, recognition and display of Other Postemployment Benefits (“OPEB”) expenditures and related liabilities, note disclosures, and, if applicable, required supplementary information in the financial reports of state and local governmental employers. The City adopted GASB #75 for the year ended June 30, 2018 and its implementation had no impact, as the City currently does not provide any significant OPEB benefits (i.e. retiree health benefits, etc.) to its retirees.

CITY OF PICKENS, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2024

IV. OTHER INFORMATION (CONTINUED)

B. Retirement Plans

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

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

The PEBA issues an Annual Comprehensive Financial Report ("ACFR") containing financial statements and required supplementary information for the Systems' Pension Trust Funds. The ACFR is publicly available through the PEBA's website at www.peba.sc.gov, or a copy may be obtained by submitting a request to PEBA, 202 Arbor Lake Drive, Columbia, SC 29223. 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 ACFR of the state.

Plan Description

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

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. The 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 first elected to the South Carolina General Assembly at or after the general election in November 2012. A member of the system with an effective date of membership prior to July 1, 2012, is a Class Two member. A member of the system with an effective date of membership on or after July 1, 2012, is a Class Three member.

CITY OF PICKENS, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2024

IV. OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

Plan Membership (Continued)

- 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. A member of the system with an effective date of membership prior to July 1, 2012, is a Class Two member. A 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.

CITY OF PICKENS, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2024

IV. OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

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, the 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. Effective July 1, 2017, employee rates were increased and capped at 9.00 percent for the SCRS and 9.75 percent for the PORS. The legislation also increased employer contribution rates beginning July 1, 2017 for both the SCRS and PORS until reaching 18.56 percent for the SCRS and 21.24 percent for the PORS. The legislation included a further provision that if the scheduled contributions are not sufficient to meet the funding periods set in state statute, the PEBA Board would increase the employer contribution rates as necessary to meet the funding periods set for the applicable year.

Pension reform legislation modified the statute such that the employer contribution rates for the SCRS and PORS can be further increased, not to exceed one-half of one percent in any one year if necessary, in order to improve the funding of the plans. The statute set rates intended to reduce the unfunded liability of the SCRS and PORS to the maximum amortization period of 20 years from 30 years over a ten-year schedule, as determined by the annual actuarial valuations of the Plans. Finally, under the revised statute, the contribution rates for the SCRS and PORS may not be decreased until the Plans are at least 85 percent funded.

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 year are as follows:

	SCRS Rates	PORS Rates
	2024	2024
Employer Contribution Rate: ^		
Retirement	18.41%	20.84%
Incidental Death Benefit	0.15%	0.20%
Accidental Death Contributions	0.00%	0.20%
	<u>18.56%</u>	<u>21.24%</u>
Employee Contribution Rate ^	<u>9.00%</u>	<u>9.75%</u>

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

The actual and required contributions to the SCRS and PORS were approximately \$213,000 and \$273,000, respectively, for the year ended June 30, 2024 and include the nonemployer contributions noted below.

Nonemployer Contributions

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, 2024. 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, 2024 were approximately \$13,000 and \$6,000 for the SCRS and PORS, respectively. These contributions (on-behalf benefits) from the State were recognized as intergovernmental revenues and pension expenditures in the City’s governmental fund financial statements.

CITY OF PICKENS, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2024

IV. OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

Actuarial Assumptions and Methods

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

The June 30, 2023 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, 2022. The TPL was rolled-forward from the valuation date to the Plans’ fiscal year end, June 30, 2023, using generally accepted actuarial principles. There was no legislation enacted during the 2023 legislative session that had a material change in the benefit provisions for any of the systems.

The following tables provide a summary of the actuarial assumptions and methods used to calculate the TPL as of June 30, 2023 (measurement date) for the SCRS and PORS.

	SCRS	PORS
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Actuarial Assumptions:		
Investment Rate of Return*	7.00%	7.00%
Projected Salary Increases*	3.0% to 11.0% (varies by service)	3.5% to 10.5% (varies by service)
Benefit Adjustments	Lesser of 1% or \$500 annually	Lesser of 1% or \$500 annually

* Includes inflation at 2.25%.

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

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

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 represent assumptions developed using an arithmetic building block approach primarily based on consensus expectations and market based inputs. Expected returns are net of investment fees.

CITY OF PICKENS, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2024

IV. OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

Long-Term Expected Rate of Return (Continued)

The expected returns, along with the expected inflation rate, form the basis for the target asset allocation adopted at the beginning of the 2023 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 7.00 percent assumed annual investment rate of return used in the calculation of the TPL includes a 4.75 percent real rate of return and a 2.25 percent inflation component.

Allocation/Exposure	Policy Target	Expected Arithmetic Real Rate of Return	Long-Term Expected Portfolio Real Rate of Return
Public Equity	46.0%	6.62%	3.04%
Bonds	26.0%	0.31%	0.08%
Private Equity	9.0%	10.91%	0.98%
Private Debt	7.0%	6.16%	0.43%
Real Assets	12.0%		
Real Estate	9.0%	6.41%	0.58%
Infrastructure	3.0%	6.62%	0.20%
Total Expected Real Rate of Return	<u>100.0%</u>		<u>5.31%</u>
Inflation for Actuarial Purposes			<u>2.25%</u>
Total Expected Nominal Return			<u><u>7.56%</u></u>

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

The NPL is calculated separately for each System and represents that particular System's TPL determined in accordance with GASB No. 67 less that System's fiduciary net position. NPL totals, as of the June 30, 2023 measurement date, for the SCRS and PORS, are presented in the following table:

System	Total Pension Liability	Plan Fiduciary Net Position	Employers' Net Pension Liability (Asset)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
SCRS	\$ 58,464,402,454	34,286,961,942	\$ 24,177,440,512	58.6%
PORS	\$ 9,450,021,576	6,405,925,370	\$ 3,044,096,206	67.8%

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

At June 30, 2024, the City reported liabilities of approximately \$1,842,000 and \$2,021,000 for its proportionate share of the NPL for the SCRS and PORS, respectively. The NPL were measured as of June 30, 2023, and the TPL for the Plans used to calculate the NPL were determined based on the most recent actuarial valuation report of July 1, 2022 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, 2023 measurement date, the City's SCRS proportion was 0.007620 percent, which was a decrease of 0.002690 from its proportion measured as of June 30, 2022. At the June 30, 2023 measurement date, the City's PORS proportion was 0.066377 percent, which was an increase of 0.004486 from its proportion measured as of June 30, 2022.

CITY OF PICKENS, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2024

IV. OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

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

For the year ended June 30, 2024, the City recognized pension expense (income) of approximately (\$126,000) and \$324,000 for the SCRS and PORS, respectively. At June 30, 2024, 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
SCRS		
Differences Between Expected and Actual Experience	\$ 31,985	\$ 5,109
Change in Assumptions	28,226	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	2,521
Changes in Proportion and Differences Between the Employer's Contributions and Proportionate Share of Contributions	-	564,723
Employer Contributions Subsequent to the Measurement Date	200,210	-
Total SCRS	<u>260,421</u>	<u>572,353</u>
PORS		
Differences Between Expected and Actual Experience	95,091	24,910
Change in Assumptions	43,976	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	3,467
Changes in Proportion and Differences Between the Employer's Contributions and Proportionate Share of Contributions	201,463	2,900
Employer Contributions Subsequent to the Measurement Date	266,658	-
Total PORS	<u>607,188</u>	<u>31,277</u>
Total SCRS and PORS	<u>\$ 867,609</u>	<u>\$ 603,630</u>

Approximately \$200,000 and \$267,000 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, 2025. 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
2025	\$ (217,089)	149,137	\$ (67,952)
2026	(232,407)	37,742	(194,665)
2027	(61,565)	124,488	62,923
2028	(1,081)	(2,114)	(3,195)
Total	<u>\$ (512,142)</u>	<u>309,253</u>	<u>\$ (202,889)</u>

CITY OF PICKENS, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2024

IV. OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

Discount Rate

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

Sensitivity Analysis

The following table presents the sensitivity of the City's proportionate share of the NPL of the Plans to changes in the discount rate, calculated using the discount rate of 7.00 percent, as well as what it would be if it were calculated using a discount rate that is 1% point lower (6.00 percent) or 1% point higher (8.00 percent) than the current rate:

System	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
City's proportionate share of the net pension liability of the SCRS	\$ 2,380,365	1,842,252	\$ 1,394,991
City's proportionate share of the net pension liability of the PORS	2,850,346	2,020,589	1,340,914
Total	\$ 5,230,711	3,862,841	\$ 2,735,905

Plans Fiduciary Net Position

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

Payable to Plans

The City reported a payable of approximately \$110,000 to the PEBA as of June 30, 2024, representing required employer and employee contributions for the months of May 2024 of approximately \$56,000 and June 2024 of approximately \$54,000 for the SCRS and PORS. These amount are included in Accrued Salaries and Fringe Benefits on the financial statements and was paid in July 2024 and August 2024, respectively.

C. Contingent Liabilities and Commitments

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, 2024.

CITY OF PICKENS, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2024

IV. OTHER INFORMATION (CONTINUED)

C. Contingent Liabilities and Commitments (Continued)

Litigation

The City is periodically the subject of litigation by a variety of plaintiffs. The City's management believes that such amounts claimed by these plaintiffs, net of the applicable insurance coverage, will not have a material effect on any of the financial statements included herein or on the overall financial position of the City at June 30, 2024.

Pickens Regional Joint Water System

As of June 30, 2024, the City is a member of the Joint System (see Note I.A for more details) and has entered into a Project Participation Agreement whereby each participant will be required to pay its pro-rata portion of the Joint System's costs. The Joint System is in the early startup stages but will incur significant debt in building a water treatment plant and related facilities ("Plant") together with certain transmission mains to transport treated water from the Plant to various areas in Pickens County. As of the most recent available statements, the City has approximately 27.8% of the allocated capacity of the Plant. Subsequent to June 30, 2024, the City has elected to withdraw as a member of the Joint System (see Note IV.F "Subsequent Events" for more details).

Service Agreement for the City's Wastewater Treatment Facility

In August 2022, the City entered into a five year agreement with Clearwater Solutions, LLC ("Service Provider") for management, operations, and maintenance services for its sewer collection system, wastewater treatment and water treatment facilities. Under the terms of the agreement, the City will make annual payments starting at approximately \$1,788,000 and increasing by a minimum of the current consumer price index annually. Both the City and Service Provider have the right to terminate the agreement with giving 120 days notice. Subsequent to June 30, 2024, the City amended its contract with the Service Provider (see Note IV.F "Subsequent Events" for more details).

Tank Service Agreements

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

Construction Commitments

At June 30, 2024, the City had ongoing construction projects related to water system improvements. The total remaining constructions commitments totaled approximately \$438,000.

D. Prior Period Adjustments

In connection with the City's review of its account balances (as they prepared for the fiscal year 2024 audit), the City became aware of several misstatements in its prior year balances in both its governmental fund, proprietary fund, and government-wide financial statements. The City recorded several prior period adjustments to correct these errors. These errors primarily relate to (a) removing a voided outstanding check and expenditure that related to a prior year and (b) reducing the customer deposit liability for amounts that had been refunded or applied to outstanding balances (as these had been inadvertently excluded in prior years). The total impact of the above adjustments that affected beginning fund balance/net position for the year ended June 30, 2024 was as follows:

CITY OF PICKENS, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2024

IV. OTHER INFORMATION (CONTINUED)

D. Prior Period Adjustments (Continued)

Description	Increase (Decrease) in Beginning Fund Balance/Net Position		
	General Fund	Proprietary Fund	Government-wide Financial Statements
Removing a Voided Outstanding Check	\$ 136,125	-	\$ 136,125
Reducing Over Accrued Customer Deposit Liability	-	201,655	201,655
	<u>\$ 136,125</u>	<u>201,655</u>	<u>\$ 337,780</u>

In addition, the City elected to claim reimbursements in the current year for past Utility Fund improvement costs by drawing down bond proceeds from the 2021B Refunding and Improvement Bonds. These reimbursements should have been drawn down and reflected in the years the costs were incurred. The City's Utility Fund and Business-Type Activities ("BTA") net position in total would not have changed, but these reimbursements would have changed the components of net position for the year ended June 30, 2023 as follows:

Description	Government-wide BTA and Proprietary Fund Financial Statements		
	As Previously Reported June 30, 2023	Prior Period Adjustments	As Restated June 30, 2023
Net Investment in Capital Assets	\$ 16,240,177	(3,581,511)	\$ 12,658,666
Restricted for Debt Service	95,549		95,549
Restricted for Capital Improvement	-	259,113	259,113
Unrestricted Net Position	(192,477)	3,322,398	3,129,921
	<u>\$ 16,143,249</u>	<u>-</u>	<u>\$ 16,143,249</u>

E. Financial Struggles

The City has continued to experience significant decreases in its fund balance in the General Fund for the years ended June 30, 2022, 2023, and 2024 of approximately (\$254,000), (\$767,000), and (\$486,000), respectively. These decreases have resulted in the City depleting its unassigned fund balance at June 30, 2024. In addition, the City was unable to file its annual audit/financial statements ("Annual Report") with the State within 13 months of its fiscal year end. The State has begun to withhold state allocations until such Annual Report has been received. The City is currently borrowing funds from the City's Utility Fund to pay current General Fund costs in excess of General Fund revenues – and will repay the Utility Fund once its financial position in the General Fund has improved. City Council and management have worked to begin addressing these shortfalls by increasing revenues and decreasing expenditures – and believe that these future changes will begin to improve the City's financial position for the General Fund in the coming years.

F. Subsequent Events

In July 2024, the City elected to close its water plant.

In July 2024, the City elected to withdraw as a member of the Joint System as this membership appears to no longer be in the best interest of the City, citizens or its customers.

In July 2024, the City received an unsatisfactory rating on its stormwater management program from the South Carolina Department of Environmental Services (no fines or monetary damages were assessed). In February 2025, the City responded to this report and plans to address the findings noted in the coming year(s).

In August 2024, the City used its remaining ARPA funds along with other available funds to pay off the remaining balances of the SOB – 05/12 and SOB – 01/15, along with accrued interest, for approximately \$485,000 and \$291,000, respectively.

CITY OF PICKENS, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2024

IV. OTHER INFORMATION (CONTINUED)

F. Subsequent Events (Continued)

In August 2024, the City entered into an interim agreement to purchase capacity from Greenville Water. In this agreement, the City will be allocated two million gallons of water daily and will be charged \$372.36 per month plus \$0.92 per thousand gallons of water supplied to the City's system and \$1.83 per thousand for any supply over the allocated capacity within a 24-hour period. Under the terms of this interim agreement, the City has the ability to voluntarily elect to rejoin the System or any other water agency and the City will only have to pay Greenville Water according to the termination terms of \$1.51 per thousand gallons of water supplied through the interim contract unless the City is prevented from executing the buy-in-agreement with Greenville Water due to litigation or court order.

In September 2024, the City suffered significant storm damage from Hurricane Helene ("Helene"). Through April 2026, the City has been obligated approximately \$291,000 in federal and nonfederal funding from FEMA for repair and other costs related to storm damage.

In September 2024, the City updated its agreement with Service Provider to a three year contract with fees of approximately \$17,000 per month or approximately \$204,000 per year (this was to reflect the reduced services necessary due to the closure of the water plant). The fees increase annually by a minimum of the consumer price index or 3% whichever is greater.

In May 2025, the City entered into a lease agreement with Enterprise Fleet Management to lease 12 vehicles. The terms of this agreement is for 60 months with a total cost of \$10,668 per month or approximately \$640,000 over the life of the lease. This lease has initial charges of approximately \$149,000 at the beginning of the lease. At the end of this lease, the City has the option to continue the lease on a month-to-month basis.

In July 2025, the City purchased property valued at \$170,000 for \$125,000 with a charitable contribution from the seller of \$45,000 for the difference.

In February 2026, the City entered into a finance purchase obligation for approximately \$341,000 which is due in 84 monthly payments of approximately \$5,062 per month, beginning in April 2026 through March 2033, including interest at 6.317%. The proceeds were primarily used to purchase a new garbage truck.

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Required Supplementary Information

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

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

CITY OF PICKENS, SOUTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULES

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

YEAR ENDED JUNE 30, 2024

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH REVISED BUDGET
	ORIGINAL	REVISED		
REVENUES				
Taxes	\$ 591,208	591,208	579,580	\$ (11,628)
Fees, Charges, and Rentals	832,031	826,031	912,805	86,774
Fines and Forfeitures	96,000	96,000	80,964	(15,036)
Licenses, Permits, and Franchise Fees	1,058,000	1,058,000	1,161,925	103,925
Intergovernmental Revenues	843,690	843,690	952,091	108,401
External Service Reimbursements	280,000	280,000	280,000	-
Grants	470,000	470,000	387,031	(82,969)
Interest Earnings	-	-	21,158	21,158
TOTAL REVENUES	4,170,929	4,164,929	4,375,554	210,625
EXPENDITURES				
Current:				
Administrative and General	440,921	485,293	635,732	(150,439)
Police	1,581,217	1,579,157	1,681,791	(102,634)
Fire	557,596	567,536	610,585	(43,049)
Municipal Court	121,981	121,981	97,081	24,900
Victims Services	16,000	16,000	10,079	5,921
Recreation and Parks	614,860	657,247	686,116	(28,869)
Streets and Sanitation	828,354	921,703	1,029,236	(107,533)
Grounds Maintenance	69,000	69,000	81,458	(12,458)
Capital Outlay	331,000	331,000	338,635	(7,635)
Debt Service				
Principal	-	-	77,713	(77,713)
Interest and Other Charges	-	-	957	(957)
TOTAL EXPENDITURES	4,560,929	4,748,917	5,249,383	(500,466)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(390,000)	(583,988)	(873,829)	(289,841)
OTHER FINANCING SOURCES (USES)				
Transfers In	390,000	583,988	388,000	(195,988)
TOTAL OTHER FINANCING SOURCES (USES)	390,000	583,988	388,000	(195,988)
NET CHANGES IN FUND BALANCES	-	-	(485,829)	(485,829)
FUND BALANCE, Beginning of Year, As Previously Reported	641,356	641,356	641,356	-
Prior Period Adjustment	136,125	136,125	136,125	-
FUND BALANCES, Beginning of Year, As Restated	<u>777,481</u>	<u>777,481</u>	<u>777,481</u>	<u>-</u>
FUND BALANCES, End of Year	\$ 777,481	777,481	291,652	\$ (485,829)

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 and includes the Victim's Advocate and Special Police Force subfunds.

Note: The City's expenditures were over budget primarily due to debt service not being budgeted and due to higher salaries, benefits, and operating costs in the (a) administrative and general, (b) police, (c) fire, (d) recreation and parks, (e) streets and sanitation, and (f) grounds maintenance departments for which the City chose not to amend the budget.

CITY OF PICKENS, SOUTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULES

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

YEAR ENDED JUNE 30, 2024

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH REVISED BUDGET
	ORIGINAL	REVISED		
REVENUES				
Hospitality Taxes	\$ 590,000	590,000	662,659	\$ 72,659
Interest Earnings	-	-	39	39
TOTAL REVENUES	590,000	590,000	662,698	72,698
EXPENDITURES				
Current:				
Administrative and General	112,224	112,224	123,189	(10,965)
Recreation and Parks	89,500	89,500	131,486	(41,986)
Debt Service				
Principal	246,489	246,489	242,225	4,264
Interest and Other Charges	26,787	26,787	31,051	(4,264)
TOTAL EXPENDITURES	475,000	475,000	527,951	(52,951)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	115,000	115,000	134,747	19,747
OTHER FINANCING SOURCES (USES)				
Transfers Out	(115,000)	(115,000)	(113,000)	2,000
TOTAL OTHER FINANCING SOURCES (USES)	(115,000)	(115,000)	(113,000)	2,000
NET CHANGES IN FUND BALANCES	-	-	21,747	21,747
FUND BALANCES, Beginning of Year	839,356	839,356	839,356	-
FUND BALANCES, End of Year	\$ 839,356	839,356	861,103	\$ 21,747

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

Note: The City's expenditures were over budget primarily due to more events and higher maintenance costs for which the City chose not to amend the budget.

CITY OF PICKENS, SOUTH CAROLINA
REQUIRED SUPPLEMENTARY INFORMATION - PENSION PLAN SCHEDULES
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
SOUTH CAROLINA RETIREMENT SYSTEM
LAST TEN FISCAL YEARS/PERIODS *

	Year/Period Ended June 30th*										Year Ended April 30th *		
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015	2016	2017	2018
City's Proportion of the Net Pension Liability (Asset)	0.007620%	0.010310%	0.010888%	0.011704%	0.012642%	0.013319%	0.014102%	0.013167%	0.011347%	0.011329%			
City's Proportionate Share of the Net Pension Liability (Asset)	\$ 1,842,252	2,499,478	2,356,364	2,990,598	2,886,591	2,984,467	3,174,587	2,812,452	2,152,013	\$ 1,950,478			
City's Covered Payroll	\$ 973,469	1,226,063	1,232,596	1,293,996	1,573,310	1,380,266	1,422,834	1,267,320	1,044,902	\$ 1,028,511			
City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	189.2%	203.9%	191.17%	231.11%	183.47%	216.22%	223.12%	221.92%	205.95%	189.64%			
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	58.6%	57.1%	60.75%	50.71%	54.40%	54.10%	53.34%	52.91%	56.99%	59.92%			

Notes to Schedule:

* The City changed its fiscal year end from April 30 to June 30 beginning in 2019. The period ending June 30, 2019 was a 14 month period. The amounts presented for each fiscal year/period were determined as of June 30th of the preceding year. The discount rate was lowered from (a) 7.25% to 7.00% beginning with the year ended June 30, 2021 measurement date and (b) 7.50% to 7.25% beginning with the year ended June 30, 2017 measurement date.

CITY OF PICKENS, SOUTH CAROLINA
 REQUIRED SUPPLEMENTARY INFORMATION - PENSION PLAN SCHEDULES
 SCHEDULE OF CONTRIBUTIONS
 SOUTH CAROLINA RETIREMENT SYSTEM
 LAST TEN FISCAL YEARS/PERIODS *

	Year/Period Ended June 30th*										Year Ended April 30th *	
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015		
Contractually Required Contribution	\$ 213,216	170,941	203,036	191,792	201,346	226,713	186,712	152,640	135,459	\$ 111,316		
Contributions in Relation to the Contractually Required Contribution												
Contributions from the City	200,210	157,935	190,030	178,823	189,382	213,707	173,706	152,640	135,459	111,316		
Contributions from the State	13,006	13,006	13,006	12,969	11,964	13,006	13,006	-	-	-		
Contribution Deficiency (Excess)	\$ -	-	-	-	-	-	-	-	-	-	\$ -	
City's Covered Payroll	\$ 1,148,793	973,469	1,226,063	1,232,596	1,293,996	1,573,310	1,433,515	1,333,125	1,228,458	\$ 1,027,792		
Contributions as a Percentage of Covered Payroll	18.56%	17.56%	16.56%	15.56%	15.56%	14.41%	13.02%	11.45%	11.03%	10.83%		

Notes to Schedule:

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

CITY OF PICKENS, SOUTH CAROLINA
REQUIRED SUPPLEMENTARY INFORMATION - PENSION PLAN SCHEDULES
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
POLICE OFFICERS RETIREMENT SYSTEM
LAST TEN FISCAL YEARS/PERIODS *

	Year/Period Ended June 30th*										Year Ended April 30th *		
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015	2016	2017	2018
City's Proportion of the Net Pension Liability (Asset)	0.06638%	0.06189%	0.05476%	0.05372%	0.05629%	0.04983%	0.04811%	0.04606%	0.04802%	0.05627%	0.04802%	0.04606%	0.04802%
City's Proportionate Share of the Net Pension Liability (Asset)	\$ 2,020,589	1,856,087	1,408,953	1,781,425	1,613,132	1,411,922	1,317,948	1,168,199	1,046,572	\$ 1,077,325	1,046,572	1,168,199	1,046,572
City's Covered Payroll	\$ 1,163,358	985,849	821,660	808,276	961,720	689,706	647,865	591,780	619,485	\$ 676,837	619,485	591,780	619,485
City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	173.7%	188.3%	171.48%	220.40%	167.73%	204.71%	203.43%	197.40%	168.94%	159.17%	168.94%	197.40%	168.94%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	67.8%	66.4%	70.37%	58.79%	62.69%	61.73%	60.94%	60.44%	64.57%	67.55%	64.57%	60.44%	64.57%

Notes to Schedule:

* The City changed its fiscal year end from April 30 to June 30 beginning in 2019. The period ending June 30, 2019 was a 14 month period. The amounts presented for each fiscal year/period were determined as of June 30th of the preceding year. The discount rate was lowered from (a) 7.25% to 7.00% beginning with the year ended June 30, 2021 measurement date and (b) 7.50% to 7.25% beginning with the year ended June 30, 2017 measurement date.

CITY OF PICKENS, SOUTH CAROLINA
REQUIRED SUPPLEMENTARY INFORMATION - PENSION PLAN SCHEDULES
SCHEDULE OF CONTRIBUTIONS
POLICE OFFICERS RETIREMENT SYSTEM
LAST TEN FISCAL YEARS/PERIODS *

	Year/Period Ended June 30th*									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually Required Contribution	\$ 272,695	235,464	189,677	149,871	147,430	164,325	102,119	89,371	78,671	\$ 83,972
Contributions in Relation to the Contractually Required Contribution										
Contributions from the City	266,658	229,427	183,641	143,865	142,120	158,288	96,082	89,371	78,671	83,972
Contributions from the State	6,037	6,037	6,036	6,006	5,310	6,037	6,037	-	-	-
Contribution Deficiency (Excess)	\$ -	-	-	-	-	-	-	-	-	\$ -
City's Covered Payroll	\$ 1,283,873	1,163,358	985,849	821,660	808,276	961,720	648,919	632,807	575,743	\$ 632,355
Contributions as a Percentage of Covered Payroll	21.24%	20.24%	19.24%	18.24%	18.24%	17.09%	15.74%	14.12%	13.66%	13.28%

Notes to Schedule:

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

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Supplementary Information

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CITY OF PICKENS, SOUTH CAROLINA

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

YEAR ENDED JUNE 30, 2024

	REVISED BUDGET	ACTUAL	VARIANCE
REVENUES			
Taxes:			
Property Taxes	\$ 589,208	575,097	\$ (14,111)
Accommodations Taxes	2,000	4,483	2,483
Total Taxes	<u>591,208</u>	<u>579,580</u>	<u>(11,628)</u>
Fees, Charges, and Rentals:			
Fire Protection Fees	206,731	211,382	4,651
Recreation Fees	102,000	122,778	20,778
Sanitation Charges	356,400	351,243	(5,157)
Rentals	28,400	32,697	4,297
Miscellaneous	132,500	194,705	62,205
Total Fees, Charges, and Rentals	<u>826,031</u>	<u>912,805</u>	<u>86,774</u>
Fines and Forfeitures:			
Court Fines	96,000	80,964	(15,036)
Total Fines and Forfeitures	<u>96,000</u>	<u>80,964</u>	<u>(15,036)</u>
Licenses, Permits, and Franchise Fees:			
Business Licenses	705,000	878,487	173,487
Permits	3,000	1,781	(1,219)
Franchise Fees	350,000	281,657	(68,343)
Total Licenses, Permits, and Franchise Fees	<u>1,058,000</u>	<u>1,161,925</u>	<u>103,925</u>
Intergovernmental Revenues			
Local Option Sales Tax	712,620	839,266	126,646
Aid to Subdivisions	118,370	95,222	(23,148)
Merchants Inventory Tax	12,500	3,609	(8,891)
State Aid	-	13,722	13,722
Manufacturing Reimbursement	200	272	72
Total Intergovernmental Revenues	<u>843,690</u>	<u>952,091</u>	<u>108,401</u>
External Service Reimbursements:			
School Resource Officers	280,000	280,000	-
Total External Service Reimbursements	<u>280,000</u>	<u>280,000</u>	<u>-</u>
Grants:			
Grants	470,000	387,031	(82,969)
Total Grants	<u>470,000</u>	<u>387,031</u>	<u>(82,969)</u>
Interest Earnings:			
Interest Earnings	-	21,158	21,158
Total Interest Earnings	<u>-</u>	<u>21,158</u>	<u>21,158</u>
TOTAL REVENUES	<u>\$ 4,164,929</u>	<u>4,375,554</u>	<u>\$ 210,625</u>

(Continued)

CITY OF PICKENS, SOUTH CAROLINA

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

YEAR ENDED JUNE 30, 2024

	REVISED BUDGET	ACTUAL	VARIANCE
EXPENDITURES			
Administrative and General:			
Personnel Services	\$ 274,193	237,116	\$ 37,077
Operating Expenditures	211,100	398,616	(187,516)
Capital Outlay	25,000	13,182	11,818
Total Administrative and General	<u>510,293</u>	<u>648,914</u>	<u>(138,621)</u>
Police:			
Personnel Services	1,317,157	1,377,934	(60,777)
Operating Expenditures	262,000	303,857	(41,857)
Capital Outlay	225,000	210,934	14,066
Total Police	<u>1,804,157</u>	<u>1,892,725</u>	<u>(88,568)</u>
Fire:			
Personnel Services	472,536	522,982	(50,446)
Operating Expenditures	95,000	87,603	7,397
Capital Outlay	36,000	22,567	13,433
Total Fire	<u>603,536</u>	<u>633,152</u>	<u>(29,616)</u>
Municipal Court:			
Personnel Services	103,981	90,573	13,408
Operating Expenditures	18,000	6,508	11,492
Total Municipal Court	<u>121,981</u>	<u>97,081</u>	<u>24,900</u>
Victims Services:			
Personnel Services	13,000	9,514	3,486
Operating Expenditures	3,000	565	2,435
Total Victims Services	<u>16,000</u>	<u>10,079</u>	<u>5,921</u>
Recreation and Parks:			
Personnel Services	332,697	333,343	(646)
Operating Expenditures	324,550	352,773	(28,223)
Capital Outlay	-	42,805	(42,805)
Total Recreation and Parks	<u>657,247</u>	<u>728,921</u>	<u>(71,674)</u>
Streets and Sanitation:			
Personnel Services	680,603	706,428	(25,825)
Operating Expenditures	241,100	322,808	(81,708)
Capital Outlay	40,000	44,744	(4,744)
Total Streets and Sanitation	<u>961,703</u>	<u>1,073,980</u>	<u>(112,277)</u>
Grounds Maintenance:			
Operating Expenditures	69,000	81,458	(12,458)
Capital Outlay	5,000	4,403	597
Total Grounds Maintenance	<u>\$ 74,000</u>	<u>85,861</u>	<u>\$ (11,861)</u>

(Continued)

CITY OF PICKENS, SOUTH CAROLINA

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

YEAR ENDED JUNE 30, 2024

	<u>REVISED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
EXPENDITURES (CONTINUED)			
Debt Service:			
Principal	\$ -	77,713	\$ (77,713)
Interest and Other Charges	-	957	(957)
Total Debt Service	<u>-</u>	<u>78,670</u>	<u>(78,670)</u>
TOTAL EXPENDITURES	<u>4,748,917</u>	<u>5,249,383</u>	<u>(500,466)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(583,988)</u>	<u>(873,829)</u>	<u>(289,841)</u>
OTHER FINANCING SOURCES (USES)			
Transfers In	583,988	388,000	(195,988)
TOTAL OTHER FINANCING SOURCES (USES)	<u>583,988</u>	<u>388,000</u>	<u>(195,988)</u>
NET CHANGES IN FUND BALANCES	-	(485,829)	(485,829)
FUND BALANCE, Beginning of Year, As Previously Reported	641,356	641,356	-
Prior Period Adjustment	136,125	136,125	-
FUND BALANCES, Beginning of Year, As Restated	<u>777,481</u>	<u>777,481</u>	<u>-</u>
FUND BALANCES, End of Year	<u>\$ 777,481</u>	<u>291,652</u>	<u>\$ (485,829)</u>

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 and includes the Victim's Advocate and Special Police subfunds.

CITY OF PICKENS, SOUTH CAROLINA

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

YEAR ENDED JUNE 30, 2024

FOR THE STATE TREASURER'S OFFICE:

COUNTY / MUNICIPAL FUNDS COLLECTED BY CLERK OF COURT	General Sessions	Magistrate Court	Municipal Court	Total
Court Fines and Assessments:				
Court fines and assessments collected			\$ 169,476	\$ 169,476
Court fines and assessments remitted to State Treasurer			(91,912)	(91,912)
Total Court Fines and Assessments retained			77,564	77,564
Surcharges and Assessments retained for victim services:				
Surcharges collected and retained			3,400	3,400
Assessments retained			6,420	6,420
Total Surcharges and Assessments retained for victim services			\$ 9,820	\$ 9,820

FOR THE DEPARTMENT OF CRIME VICTIM COMPENSATION (DCVC):

VICTIM SERVICE FUNDS COLLECTED	Municipal	County	Total
Carryforward from Previous Year – Beginning Balance	\$ (9,999)		\$ (9,999)
Victim Service Revenue:			
Victim Service Fines Retained by City/County Treasurer			
Victim Service Assessments Retained by City/County Treasurer	6,420		6,420
Victim Service Surcharges Retained by City/County Treasurer	3,400		3,400
Interest Earned			
Grant Funds Received	-		-
Grant from:			
General Funds Transferred to Victim Service Fund			
Contribution Received from Victim Service Contracts:			
(1) Town of			
(2) Town of			
(3) City of			
Total Funds Allocated to Victim Service Fund + Beginning Balance (A)	\$ (179)		\$ (179)
Expenditures for Victim Service Program:			
Salaries and Benefits	\$ 9,514		\$ 9,514
Operating Expenditures	565		565
Victim Service Contract(s):			
(1) Entity's Name			
(2) Entity's Name			
Victim Service Donation(s):			
(1) Domestic Violence Shelter:			
(2) Rape Crisis Center:			
(3) Other local direct crime victims service agency:			
Transferred to General Fund			
Total Expenditures from Victim Service Fund/Program (B)	10,079		10,079
Total Victim Service Funds Retained by Municipal/County Treasurer (A-B)			
Less: Prior Year Fund Deficit Repayment			
Carryforward Funds – End of Year	\$ (10,258)		\$ (10,258)

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CITY OF PICKENS, SOUTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2024

Program	Assistance Listing Number	Grant / Contract Number	Expenditures
US DEPARTMENT OF THE TREASURY			
Direct Program:			
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds (American Rescue Plan)	21.027	N/A	\$ 430,270
Pass Through SC Rural Infrastructure Authority:			
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds (American Rescue Plan)	21.027	A-23-C161	4,509,508
TOTAL US DEPARTMENT OF THE TREASURY			<u>4,939,778</u>
GRAND TOTALS			<u>\$ 4,939,778</u>

Note: There were no expenditures to subrecipients for the year ended June 30, 2024.

See accompanying notes to the schedule of expenditures of federal awards.

CITY OF PICKENS SOUTH CAROLINA**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS****YEAR ENDED JUNE 30, 2024**

A. GENERAL

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") presents the activity of all federal award programs of the City of Pickens, South Carolina (the "City") for the year ended June 30, 2024. Expenditures for federal financial assistance awarded directly from the federal agencies, as well as those passed through other government agencies, are included on the Schedule.

B. BASIS OF ACCOUNTING

The accompanying Schedule is presented using the modified accrual basis of accounting, which is described in the notes to the City's financial statements.

C. RELATIONSHIP TO THE FINANCIAL STATEMENTS

Federal award expenditures for all programs are reported in the City's financial statements primarily as expenditures in the General Fund and Special Revenue Funds and as capital asset additions in the Proprietary Fund.

D. MATCHING COSTS

Matching costs, i.e., the non-federal share of certain program costs, are not included in the accompanying Schedule.

E. SUB-RECIPIENTS

There were no federal expenditures provided to sub-recipients presented in the accompanying Schedule.

F. INDIRECT COST RATE

The City has elected not to use the de minimis indirect cost rate allowed under the Uniform Guidance.

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

INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and Members of City Council
City of Pickens, 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 ("*Government Auditing Standards*"), the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Pickens, South Carolina (the "City") as of and for the year ended June 30, 2024, 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 30, 2026.

Report on 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) as a basis for designing 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 certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2024-001 that we consider to be a material weakness.

Report on 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 financial statements. 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 an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2024-002.

City's Responses to the Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City's responses to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The City's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

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 30, 2026

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

INDEPENDENT AUDITOR'S REPORT

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City of Pickens, South Carolina's (the "City") compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2024. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2024.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America ("GAAS"); the standards applicable to financial audits contained in *Government Auditing Standard* issued by the Comptroller General of the United States ("*Government Auditing Standards*"); and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the City's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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CITY OF PICKENS, SOUTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2024

Program	Assistance Listing Number	Grant / Contract Number	Expenditures
US DEPARTMENT OF THE TREASURY			
Direct Program:			
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds (American Rescue Plan)	21.027	N/A	\$ 430,270
Pass Through SC Rural Infrastructure Authority:			
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds (American Rescue Plan)	21.027	A-23-C161	4,509,508
TOTAL US DEPARTMENT OF THE TREASURY			<u>4,939,778</u>
GRAND TOTALS			<u>\$ 4,939,778</u>

Note: There were no expenditures to subrecipients for the year ended June 30, 2024.

See accompanying notes to the schedule of expenditures of federal awards.

CITY OF PICKENS SOUTH CAROLINA**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS****YEAR ENDED JUNE 30, 2024**

A. GENERAL

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") presents the activity of all federal award programs of the City of Pickens, South Carolina (the "City") for the year ended June 30, 2024. Expenditures for federal financial assistance awarded directly from the federal agencies, as well as those passed through other government agencies, are included on the Schedule.

B. BASIS OF ACCOUNTING

The accompanying Schedule is presented using the modified accrual basis of accounting, which is described in the notes to the City's financial statements.

C. RELATIONSHIP TO THE FINANCIAL STATEMENTS

Federal award expenditures for all programs are reported in the City's financial statements primarily as expenditures in the General Fund and Special Revenue Funds and as capital asset additions in the Proprietary Fund.

D. MATCHING COSTS

Matching costs, i.e., the non-federal share of certain program costs, are not included in the accompanying Schedule.

E. SUB-RECIPIENTS

There were no federal expenditures provided to sub-recipients presented in the accompanying Schedule.

F. INDIRECT COST RATE

The City has elected not to use the de minimis indirect cost rate allowed under the Uniform Guidance.

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

INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and Members of City Council
City of Pickens, 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 ("*Government Auditing Standards*"), the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Pickens, South Carolina (the "City") as of and for the year ended June 30, 2024, 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 30, 2026.

Report on 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) as a basis for designing 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 certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2024-001 that we consider to be a material weakness.

Report on 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 financial statements. 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 an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2024-002.

City's Responses to the Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City's responses to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The City's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

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 30, 2026

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

INDEPENDENT AUDITOR'S REPORT

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City of Pickens, South Carolina's (the "City") compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2024. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2024.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America ("GAAS"); the standards applicable to financial audits contained in *Government Auditing Standard* issued by the Comptroller General of the United States ("*Government Auditing Standards*"); and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the City's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2024-003. Our opinion on each major federal program is not modified with respect to this matter.

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the noncompliance finding identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify a certain deficiency in internal control over compliance that we consider to be a material weakness.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2024-003 to be a material weakness.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the internal control over compliance finding identified in our audit described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Greene Finney Cauley, LLP

Greene Finney Cauley, LLP
Mauldin, South Carolina
April 30, 2026

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CITY OF PICKENS, SOUTH CAROLINA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

YEAR ENDED JUNE 30, 2024

2023-001: ACCOUNTING CUTOFF

Condition:	The City inadvertently failed to accrue business license and tax revenue, recognize grant revenue, and correctly classify expenditures associated with reconciling the City's operating bank account. These items were appropriately recorded when brought to the City's attention.
Criteria:	The City should have adequate internal controls in place to ensure that all receivables, payables, revenues, and expenditures are recognized in the appropriate accounting period.
Context, Cause, and Effect:	The City has undergone significant staffing changes and has not always been able to record its financial activities on a timely basis. The City inadvertently deferred grant revenue in fiscal year 2023 but the related grant expenditures were spent in previous years. The City inadvertently failed to record business license revenue and local option sales tax revenue for June 2023. The City also did not prepare its bank reconciliation timely which resulted in unclassified expenditures in fiscal year 2023 that were not able to be identified. Due to the limited staff at the City, the City requested and received outside accounting assistance to help close out the year, reconcile their bank statements, update capital assets, etc.
Status:	The City is still in the process of addressing accounting cutoff concerns and this is still a finding in the fiscal year 2024 audit.

2023-002: NONCOMPLIANCE WITH LAWS AND REGULATIONS – RATE COVENANT

Condition:	In connection with the City's water and sewer revenue bond, the City failed to meet its rate covenant as required in their revenue bond agreement. The City is required to have net revenues of 120% of next year's debt service principal and interest. The City's rate for fiscal year 2023 was approximately 111%.
Criteria:	The City's water and sewer revenue bonds require that the City maintain net revenues of 120% of next year's debt service principal and interest.
Context, Cause, and Effect:	The City had significant turnover in administration and the finance department in fiscal year 2023 and thus did not monitor its rate covenant which resulted in a failure to comply with its rate covenant.
Status:	The City has addressed this comment in the fiscal year 2024 audit.

CITY OF PICKENS, SOUTH CAROLINA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

YEAR ENDED JUNE 30, 2024

Federal Agency: U.S. Department of Treasury
Assistance Listing Number: 21.027
Federal Program Name: COVID-19: Coronavirus State and Local Fiscal Recovery Funds
Federal Award Number: N/A
Federal Award Date - 2021

2023-003: REPORTING – PERFORMANCE REPORTING

Questioned Costs

Repeat Comment from Prior Year? No

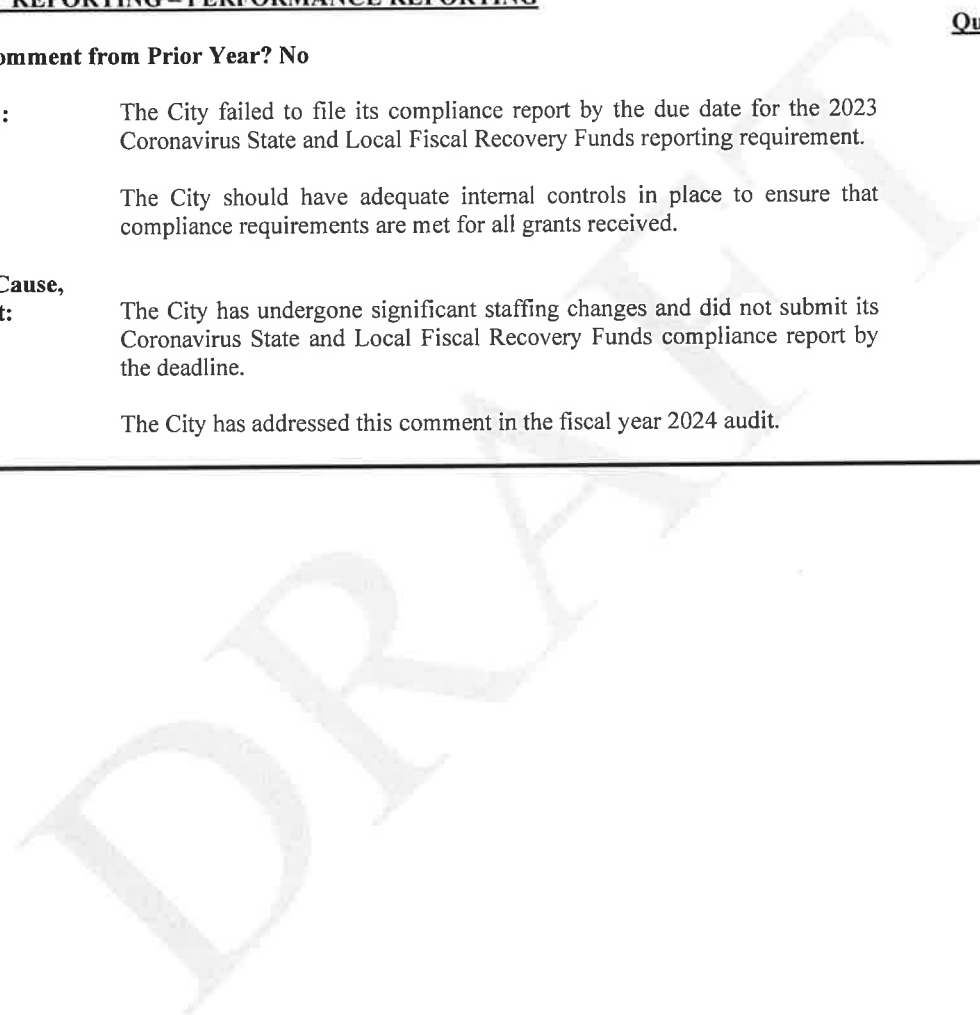
N/A

Condition: The City failed to file its compliance report by the due date for the 2023 Coronavirus State and Local Fiscal Recovery Funds reporting requirement.

Criteria: The City should have adequate internal controls in place to ensure that compliance requirements are met for all grants received.

Context, Cause, and Effect: The City has undergone significant staffing changes and did not submit its Coronavirus State and Local Fiscal Recovery Funds compliance report by the deadline.

Status: The City has addressed this comment in the fiscal year 2024 audit.



CITY OF PICKENS, SOUTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2024

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? X Yes No

Significant deficiencies identified that are not considered to be material weaknesses? Yes X None Reported

Noncompliance material to financial statements noted? X Yes No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? X Yes No

Significant deficiencies identified that are not considered to be material weaknesses? Yes X None Reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516 (Uniform Guidance)? X Yes No

Identification of major programs:

<i>Assistance Listing Number(s)</i>	<i>Name of Federal Program or Cluster</i>
21.027	COVID-19 - Coronavirus State and Local Fiscal Recovery Funds (American Rescue Plan)

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? Yes X No

CITY OF PICKENS, SOUTH CAROLINA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2024

Section II – Current Year Financial Statement Findings

2024-001: PRIOR PERIOD ADJUSTMENTS AND ACCOUNTING CUTOFF

Condition:	<p>In connection with the City’s review of its account balances (as they prepared for the fiscal year 2024 audit), the City became aware of several misstatements in its prior year balances in both its governmental fund, proprietary fund, and government-wide financial statements. The City recorded several prior period adjustments to correct these errors.</p> <p>The City also inadvertently failed to adjust various receivables (i.e. hospitality tax, local option sales tax, etc.), liabilities (i.e. retirement payables, customer deposit liability, etc.), and grant revenue and correctly classify expenditures associated with reconciling the City’s operating bank account. These items were appropriately recorded when brought to the City’s attention.</p>
Criteria:	<p>The City should have adequate internal controls in place to ensure that all receivables, payables, revenues, and expenditures/expenses are recognized in the appropriate accounting period.</p>
Context, Cause, and Effect:	<p>The City has undergone significant staffing changes over the past few years and has not always been able to record its financial activities on a timely basis.</p> <p>The City recorded several prior period adjustments to correct the errors noted above. These errors primarily relate to (a) removing a voided outstanding check and expenditure that related to a prior year, (b) reducing the customer deposit liability for amounts that had been refunded or applied to outstanding balances (as these had been inadvertently excluded in prior years), and (c) the City electing to claim reimbursement in the current year for past Utility Fund improvement costs by drawing down bond proceeds from the 2021B Refunding and Improvement Bonds (these reimbursements should have been drawn down and reflected in the years the costs were incurred).</p> <p>The City also failed to properly update and adjust various receivables and payable balances to the correct balance for fiscal year 2024. The City also initially recognized grant revenue in fiscal year 2024 for an expenditure-driven grant – for which the grant expenditures were not incurred until the subsequent year. The City also did not prepare monthly bank reconciliations and the year-end bank reconciliation for the main operating account was not prepared on a timely basis. This resulted in unclassified expenditures in fiscal year 2024 that were difficult to be identified. Due to the small staff at the City, the City has requested and received some limited outside accounting assistance to help close out the year, reconcile their bank statements, update capital assets, etc.</p>
Recommendation:	<p>We would recommend that the City (a) look at strengthening the overall accounting staff at the City and/or (b) increase its use of outside accounting assistance to help close out the trial balance and reconcile bank statements on a periodic basis (preferably monthly – but at least quarterly).</p>
Response:	<p>The City agrees with this finding and will adhere to the corrective action plan on page 71 in this audit report.</p>

CITY OF PICKENS, SOUTH CAROLINA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2024

Section II – Current Year Financial Statement Findings (Continued)

2024-002: NONCOMPLIANCE WITH LAWS AND REGULATIONS – ANNUAL REPORT SUBMISSION

Condition:	The City was unable to file its year ended June 30, 2024 (“2024”) audit/financial statements (“Annual Report”) to the State Treasurer within the 13 month fiscal year deadline. In light of this, the State has begun to withhold State funds until such Annual Report has been received.
Criteria:	South Carolina Code Section § 5-7-240 requires municipalities to prepare and submit an Annual Report to the State Treasurer within 13 month after the close of the fiscal year.
Context, Cause, and Effect:	The City has had significant turnover over the past few years and needed assistance from an outside accountant to help close out 2024 before it could be audited. Both the outside accountant and external auditors had significant staffing, scheduling, and timing constraints and thus their work was significantly delayed.
Recommendation:	We recommend that the City take the necessary steps to get assistance with closing its books on a periodic basis (at least quarterly) as this will help expedite the year-end close out process and the subsequent financial statement audit.
Response:	The City agrees with this finding and will adhere to the corrective action plan on page 71 in this audit report.

Section III – Current Year Federal Award Findings and Questioned Costs

Federal Agency: U.S. Department of Treasury

Assistance Listing Number: 21.027

Federal Program Name: COVID-19: Coronavirus State and Local Fiscal Recovery Funds

Federal Award Number: N/A

Federal Award Date - 2021

2024-003: REPORTING – PERFORMANCE REPORTING

Repeat Comment from Prior Year? No

Questioned CostsN/A

Condition:	The City filed its compliance report by the due date for the 2024 Coronavirus State and Local Fiscal Recovery Funds reporting requirement but the information provided did not agree to the City’s financial records.
Criteria:	The City should have adequate internal controls in place to ensure that compliance requirements are met for all grants received and the amounts reported reconcile to the City’s general ledger.
Context, Cause, and Effect:	The City has undergone significant staffing changes and submitted its Coronavirus State and Local Fiscal Recovery Funds compliance report without reconciling the amount to the City’s general ledger.
Recommendation:	We would recommend that the City strengthen its internal controls related to grants to ensure all grant compliance requirements have been met for each grant received and that grant reporting documents are reconciled to the City’s general ledger.
Response:	The City agrees with this finding and will adhere to the corrective action plan on page 71 in this audit report.



CITY OF PICKENS, SOUTH CAROLINA

CORRECTIVE ACTION PLAN

YEAR ENDED JUNE 30, 2024

Section II – Financial Statement Findings

Finding: 2024-001

Contact Person: Mandy Hess, Finance Director, mhess@pickenscity.com

Corrective Action: The City is in the process of getting additional assistance from an external accounting firm to review and assist in monthly close outs. The City also intends to continue to use this external accounting firm to help close out the year and prepare for its annual audit.

Proposed Completion Date: December 31, 2026

Finding: 2024-002

Contact Person: Mandy Hess, Finance Director, mhess@pickenscity.com

Corrective Action: The City is in the process of getting additional assistance from an external accounting firm to help close out the books on a timely basis so that the annual audit can be completed and the resulting Annual Report can be submitted to the State Treasurer by the reporting deadline.

Proposed Completion Date: December 31, 2026

Section III – Federal Award Findings and Questioned Costs

Finding: 2024-003

Contact Person: Mandy Hess, Finance Director, mhess@pickenscity.com

Corrective Action: The City has implemented procedures to ensure that amounts reported for grant reporting amounts are accurate and are consistent with the City's general ledger.

Proposed Completion Date: December 31, 2026



Mayor
ISAIAH SCIPIO

City Council
ALLIE WINTER, Mayor Pro-Tem
DANNY ADAMS
JONATHAN BAKER
CAMERON RIVERS
FLOYD ROGERS
RAY WILSON

Administrator
TIM O'BRIANT
City Clerk
DONNA F. OWEN

Date: May 2, 2026

To: Mayor and Members of City Council

From: Tim O'Briant, City Administrator

Subject: Accountability Memorandum – Financial Management Deficiencies and Recommended Corrective Actions

This memorandum is submitted to provide a clear accounting of the financial management deficiencies identified in the Fiscal Year 2024 audit and subsequent internal review, to acknowledge the continued impact of those deficiencies through the present day, and to present strong recommendations for corrective action to restore financial integrity, audit readiness, and public trust.

All items contained herein are presented as recommendations for Council consideration and action, recognizing the governing authority of City Council.

Summary of Findings

The Fiscal Year 2024 audit management letter identified significant deficiencies in internal financial processes, particularly in:

- Bank and balance sheet reconciliations
- Fund accounting, including interfund balances
- Cash management and segregation of funds
- Budgetary oversight and control
- Financial reporting accuracy and timeliness

While the audit opinion was unmodified, the number and nature of audit adjustments required indicate

that core accounting functions were not operating effectively during the period under review.

Continuation of Deficiencies (Five-Year Trend)

Although the audit reflects conditions as of June 30, 2024, management's review of the City's five-year financial trend data confirms that:

- Deficiencies in account reconciliations and financial reporting were not isolated to FY2024
- Weaknesses in revenue and expenditure estimating have persisted across multiple fiscal years
- Delays in audit completion and financial reporting have become systemic rather than situational

These conditions have continued into the current fiscal period and remain unresolved as of the date of this memorandum.

Current Financial Impact

The cumulative effect of these deficiencies has resulted in a material decline in the General Fund balance, including the depletion of unassigned fund balance.

As of present:

- The City has reduced financial flexibility to respond to emergencies or unforeseen costs
- There is continued reliance on interfund borrowing, particularly from the Utility Fund
- Cash flow management has become increasingly constrained
- The City faces elevated risk related to State compliance and funding interruptions

This trajectory is not sustainable without corrective action.

Accounting System Limitations (SmartFusion)

Management further notes a longstanding issue with the SmartFusion accounting system, which has been identified by finance staff as limiting or preventing reliable automated reconciliations.

- Automated processes are not functioning as intended
- Manual workarounds have become necessary and increase risk of error
- No comprehensive corrective action has been taken to date by Finance staff

Recommendation:

Council should consider directing an evaluation of system remediation options, including upgrades,

vendor correction, or replacement, to ensure the accounting system supports efficient and accurate financial operations rather than hindering them.

Governance and Reporting Structure

A contributing factor to the persistence of these issues is the City's current reporting structure under existing interpretations of City Code, which limits the ability of the City Administrator to effectively oversee finance operations.

At present:

- The Finance Director operates as an officer appointed by Council
- The Administrator does not have authority to direct, supervise, or assign day-to-day financial management tasks
- This separation has created gaps in operational accountability and execution

Recommendation:

Strongly recommend that Council consider amending/clarifying the City Code to:

- Continue the practice of Council appointing, evaluating, and disciplining the Finance Director as an officer of the City
- Modify the day-to-day reporting structure so that the Finance Director reports operationally to the City Administrator for:
 - Daily oversight
 - Task assignment
 - Implementation of financial controls and procedures
- Maintain a structure where:
 - The Administrator is accountable to Council for budget accuracy, financial condition, and service delivery
 - The Finance Director retains independence sufficient to serve as a check and balance on administrative actions

This balanced structure would improve operational effectiveness while preserving appropriate governance safeguards.

Accountability and Responsibility

Management acknowledges that prior financial processes did not meet the level of rigor required for municipal financial stewardship. Contributing factors include:

- Inconsistent internal controls
- Incomplete reconciliation practices
- Lack of formalized policies
- Organizational turnover
- System limitations
- Structural limitations in oversight authority

Responsibility for improving these conditions rests with current leadership, subject to Council's policy direction.

Recommended Immediate Actions (0–90 Days)

Management strongly recommends the following actions:

1. Full Reconciliation of Financial Records

- Complete reconciliation of all accounts through present date within 90 days
- Require documented preparation and independent review

2. Audit Readiness

- Establish accurate opening balances for FY2025 and FY2026 audits

3. Cash and Fund Segregation

- Separate General Fund and Utility Fund cash
- Establish accounts for restricted funds

4. Interfund Balance Management

- Formalize tracking and repayment of interfund obligations

Critical Requirement for Budget Adoption (FY 2026–2027)

Management strongly recommends that Council ensure accurate, reconciled, and current financial data is available prior to adoption of the FY 2026–2027 budget on July 1, 2026.

It is imperative that:

- Prior inaccuracies and incomplete reporting are corrected through present day
- Council and the Administrator have a clear and reliable understanding of the City's actual financial position

Without this:

- Financial capacity cannot be accurately determined
- Budget decisions may be based on incorrect assumptions
- Risks of structural imbalance increase

Short-Term Structural Improvements (90–180 Days)

Management recommends:

- Adoption of formal financial policies and procedures
- Implementation of standardized monthly closing processes
- Regular budget-to-actual reporting
- Evaluation of the SmartFusion system
- Consideration of additional and ongoing external financial expertise

Long-Term Financial Stabilization

Management recommends that Council:

- Support development of a multi-year financial recovery plan
- Prioritize rebuilding fund balance reserves
- Align revenues and expenditures for long-term sustainability

Commitment to Transparency

Finance staff moving forward will provide regular updates to Council regarding:

- Reconciliation progress
- Financial condition
- Audit readiness
- Implementation of recommended improvements

The issues identified are significant but correctable. Addressing them will require coordinated action between Council and administration, including potential adjustments to governance structure, operational practices, and financial systems. These recommendations are provided to assist Council in making informed decisions to restore sound financial management and ensure the City's long-term stability.

Tim O'Briant

Pickens City Administrator



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To: Mayor and City Council
From: Tim O'Briant, City Administrator
Date: May 4, 2026
Re: Resolution Endorsing SCDOT Engineered Road Diet for Main Stre

The purpose of this memorandum is to introduce for Council's consideration a resolution endorsing a proposed "road diet" for Main Street, as engineered and recommended by the South Carolina Department of Transportation (SCDOT). This item reflects a collaborative effort between state transportation officials and the City to address safety, mobility, and long-term economic vitality within our downtown corridor.

SCDOT has completed a comprehensive engineering and traffic analysis of Main Street in Pickens. Based on this study, the agency has proposed a roadway reconfiguration—commonly referred to as a "road diet"—which generally involves reducing the number of vehicular travel lanes and reallocating space to improve safety and multimodal access.

Key objectives of the proposed design include:

- Reducing vehicle speeds to improve overall roadway safety
- Minimizing conflict points and accident risk
- Enhancing pedestrian crossings and accessibility
- Improving accommodations for cyclists
- Supporting downtown economic activity through a more user-friendly streetscape

The proposed concept is consistent with best practices in roadway design and reflects a growing emphasis on safety and place-making in small downtown environments.

This proposal has been informed by:

- Traffic and engineering data compiled by SCDOT
- Input received from residents, business owners, and stakeholders
- Observed safety concerns and operational challenges along the corridor

While feedback has varied—as is typical with any change to a primary roadway—the overall direction aligns with long-term goals of improving safety and enhancing the usability of Main Street for all users.

The attached resolution does not authorize construction or commit City funding at this time. Rather, it serves to:

- Formally express Council’s support for the SCDOT-engineered concept
- Position the project for potential state and federal funding opportunities
- Affirm the City’s willingness to partner with SCDOT in advancing the project
- Provide a clear policy direction to staff for continued coordination and public communication

Should Council adopt the resolution, staff will:

- Continue coordination with SCDOT on design refinement and implementation planning
- Assist with public outreach and stakeholder engagement efforts
- Provide updates to Council as the project advances, including funding, scheduling, and final design details

A RESOLUTION OF THE PICKENS CITY COUNCIL ENDORSING THE SOUTH CAROLINA DEPARTMENT OF TRANSPORTATION ENGINEERED ROAD DIET FOR MAIN STREET

WHEREAS, the South Carolina Department of Transportation (SCDOT) has conducted a comprehensive engineering study of Main Street in Pickens, South Carolina;

WHEREAS, the SCDOT has proposed a road diet for Main Street, including the reconfiguration of lanes to improve safety, reduce vehicle speeds, and enhance pedestrian and cyclist access;

WHEREAS, the safety and efficiency of Main Street are vital to the economic vitality of Pickens, as well as the well-being of its residents and visitors;

WHEREAS, the City Council has considered public input, traffic analysis, and expert recommendations in support of this project;

NOW, THEREFORE, BE IT RESOLVED by the Pickens City Council that:

1. The City Council endorses the SCDOT’s engineered road diet plan for Main Street.
2. The City Council supports the SCDOT in seeking funding, permits, and further community engagement to implement the project.
3. The City Council directs the City Administrator to work with SCDOT staff to ensure a smooth transition and to communicate updates to the public.

ADOPTED this ___ day of _____, 2026, by the Pickens City Council.



Mayor
ISAIAH SCIPIO

City Council
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Administrator
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City Clerk
DONNA F. OWEN

To: Mayor and Members of City Council

From: Tim O'Briant, City Administrator

Date: May 4, 2026

Re: Request from Rex Rice for Use of Pickens Amphitheater Property – Charters of Freedom Display

This memorandum is provided to inform City Council of a request received from Senator Rex Rice regarding the use of City-owned property at the Pickens Amphitheater for the installation of a permanent historical display associated with the Charters of Freedom organization.

The Charters of Freedom initiative is a national effort aimed at installing monument displays of the nation's founding documents—including the Declaration of Independence, the United States Constitution, and the Bill of Rights—in public spaces to promote civic education and historical awareness. Senator Rice has approached the City with a proposal to locate such a display within the Pickens Amphitheater property, citing the site's visibility, accessibility, and role as a central community gathering space.

While specific design and siting details are still preliminary, the general elements of the request include:

- Installation of a permanent monument-style display featuring the founding documents
- Placement within or adjacent to the Pickens Amphitheater grounds
- Coordination with the Charters of Freedom organization for design, fabrication, and installation
- The project is to be privately funded or supported through external fundraising efforts

At this stage, no formal agreement has been executed, and the request is being presented for Council awareness and guidance.

Please advise how you would like staff to proceed.