

**CITY OF LIBERTY,
SOUTH CAROLINA**

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2023

CITY OF LIBERTY, SOUTH CAROLINA

TABLE OF CONTENTS

YEAR ENDED JUNE 30, 2023

	<u>Page Number</u>
Listing of Principal Officials	iii
<u>FINANCIAL SECTION</u>	
Independent Auditor's Report	1
Basic Financial Statements:	
<i>Government-Wide Financial Statements:</i>	
Statement of Net Position	6
Statement of Activities	7
<i>Fund Financial Statements:</i>	
Balance Sheet - Governmental Funds	8
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	9
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	10
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	11
Statement of Net Position - Proprietary Fund	12
Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Fund	13
Statement of Cash Flows - Proprietary Fund	14
<i>Notes to the Financial Statements</i>	15
Required Supplementary Information:	
<u>Budgetary Comparison Schedule:</u>	
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budgets and Actual - General Fund	43
<u>Pension Plan Schedules:</u>	
Schedule of the City's Proportionate Share of the Net Pension Liability - South Carolina Retirement System	44
Schedule of Contributions - South Carolina Retirement System	45
Schedule of the City's Proportionate Share of the Net Pension Liability - Police Officers Retirement System	46
Schedule of Contributions - Police Officers Retirement System	47
Supplementary Information:	
<u>Budgetary Comparison Schedule:</u>	
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Revised Budget and Actual - General Fund	49

(Continued)

CITY OF LIBERTY, SOUTH CAROLINA

TABLE OF CONTENTS

YEAR ENDED JUNE 30, 2023

FINANCIAL SECTION (CONTINUED)

	<u>Page Number</u>
Supplementary Information (Continued):	
Combining Balance Sheet - Nonmajor Special Revenue Funds	51
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Special Revenue Funds	53
Uniform Schedule of Fines, Assessments, and Surcharges (Per Act 96)	55

COMPLIANCE SECTION

Schedule of Expenditures of Federal Awards	57
Notes to the Schedule of Expenditures of Federal Awards	58
Independent Auditor's Report - Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	60
Independent Auditor's Report - Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance	62
Schedule of Findings and Questioned Costs	65

CITY OF LIBERTY, SOUTH CAROLINA
LISTING OF PRINCIPAL OFFICIALS
AS OF JUNE 30, 2023

Established

1876

MAYOR

Erica Woods

CITY COUNCIL MEMBERS

Rhonda Whitaker

Zachary Arms

Robbie Shoenblen

Lavant Padgett

Daniel Graybeal

Jeffery Massie

CITY ADMINISTRATOR

Michael Calvert



INDEPENDENT AUDITOR'S REPORT

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

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Liberty, South Carolina, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City of Liberty, South Carolina's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Liberty, South Carolina, as of June 30, 2023, 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. 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 of Liberty, South Carolina, 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.

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 of Liberty, South Carolina'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 generally accepted 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 generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City of Liberty, South Carolina'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 of Liberty, South Carolina'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 schedule and the pension plan schedules, as list information 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, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted management’s discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the GASB who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinions on the basic financial statements are 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 of Liberty, South Carolina’s basic financial statements. The combining and individual nonmajor fund financial statements 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 combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor’s report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Love Bailey A Associates, LLC

Laurens, South Carolina

May 1, 2024

(This page intentionally left blank.)

BASIC FINANCIAL STATEMENTS

CITY OF LIBERTY, SOUTH CAROLINA

STATEMENT OF NET POSITION

JUNE 30, 2023

	PRIMARY GOVERNMENT		
	Governmental Activities	Business-Type Activities	Totals
ASSETS			
Cash and Cash Equivalents	\$ 1,697,782	19,060	\$ 1,716,842
Restricted Cash and Cash Equivalents	502,275	148,790	651,065
Receivables, Net			
Taxes	48,343	-	48,343
Accounts and Other	420,555	250,283	670,838
Cell Tower Lease	163,629	-	163,629
Internal Balances	(94,843)	94,843	-
Prepays	21,158	-	21,158
Capital Assets:			
Non-Depreciable	319,904	38,794	358,698
Depreciable, Net	1,508,201	5,390,421	6,898,622
TOTAL ASSETS	4,587,004	5,942,191	10,529,195
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Pension Charges	340,594	47,896	388,490
LIABILITIES			
Accounts Payable	88,848	87,495	176,343
Accrued Salaries and Fringe Benefits	84,536	10,381	94,917
Accrued Interest Payable	3,142	1,605	4,747
Accrued Liabilities	900	-	900
Customer Deposits	-	22,065	22,065
Unearned Revenue	51,521	-	51,521
Non-Current Liabilities:			
Net Pension Liability - Due in More Than One Year	2,181,145	360,136	2,541,281
Long-Term Obligations - Due Within One Year	185,133	77,498	262,631
Long-Term Obligations - Due in More Than One Year	400,264	862,833	1,263,097
TOTAL LIABILITIES	2,995,489	1,422,013	4,417,502
DEFERRED INFLOWS OF RESOURCES			
Deferred Pension Credits	56,149	7,429	63,578
Deferred Revenue - Cell Tower Lease	163,629	-	163,629
TOTAL DEFERRED INFLOWS OF RESOURCES	219,778	7,429	227,207
NET POSITION			
Net Investment in Capital Assets	1,302,230	4,502,735	5,804,965
Restricted For:			
Recreation and Tourism	248,044	-	248,044
Victims' Assistance	26,727	-	26,727
Local Law Enforcement	11,412	-	11,412
Road Maintenance	252,238	-	252,238
Sewer Maintenance Projects	-	148,790	148,790
Unrestricted	(128,320)	(90,880)	(219,200)
TOTAL NET POSITION	\$ 1,712,331	4,560,645	\$ 6,272,976

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

CITY OF LIBERTY, SOUTH CAROLINA

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2023

FUNCTIONS/PROGRAMS	PROGRAM REVENUES				NET (EXPENSE) REVENUE AND CHANGE IN NET POSITION		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
PRIMARY GOVERNMENT:							
Governmental Activities:							
General Government	\$ 694,213	512,133	785,100	-	603,020	-	\$ 603,020
Police	1,330,779	233,346	11,003	-	(1,086,430)	-	(1,086,430)
Public Works	830,386	296,865	13,834	-	(519,687)	-	(519,687)
Recreation	427,222	36,699	37,160	50,000	(303,363)	-	(303,363)
Interest and Other Charges	16,008	-	-	-	(16,008)	-	(16,008)
Total Governmental Activities	3,298,608	1,079,043	847,097	50,000	(1,322,468)	-	(1,322,468)
Business-Type Activities:							
Water	1,048,758	684,298	-	-	-	(364,460)	(364,460)
Sewer	983,761	923,772	-	21,700	-	(38,289)	(38,289)
Total Business-Type Activities	2,032,519	1,608,070	-	21,700	-	(402,749)	(402,749)
TOTAL - PRIMARY GOVERNMENT	\$ 5,331,127	2,687,113	847,097	71,700	(1,322,468)	(402,749)	(1,725,217)
General Revenues and Transfers:							
Taxes:							
Property Taxes					374,608	-	374,608
Hospitality Taxes					143,671	-	143,671
Local Option Sales Tax					534,470	-	534,470
Franchise Fees					341,877	-	341,877
State-Shared Revenues					193,930	-	193,930
Fines					69,510	-	69,510
Miscellaneous Revenue					123,830	5,276	129,106
Gain on Disposal of Capital Assets					55,669	-	55,669
Total General Revenues and Transfers					1,837,565	5,276	1,842,841
CHANGE IN NET POSITION					515,097	(397,473)	117,624
NET POSITION, Beginning of Year					1,197,234	4,958,118	6,155,352
NET POSITION, End of Year					1,712,331	4,560,645	\$ 6,272,976

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

CITY OF LIBERTY, SOUTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2023

	GENERAL FUND	NONMAJOR SPECIAL REVENUE FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS			
Cash and Cash Equivalents	\$ 1,697,782	-	\$ 1,697,782
Restricted Cash and Cash Equivalents	258,697	243,578	502,275
Receivables, Net			
Taxes	48,343	-	48,343
Accounts and Other	409,518	11,037	420,555
Cell Tower Lease	163,629	-	163,629
Due from Other Funds	297,849	9,755	307,604
Prepays	880	20,278	21,158
TOTAL ASSETS	\$ 2,876,698	284,648	\$ 3,161,346
LIABILITIES			
Accounts Payable	\$ 83,924	4,924	\$ 88,848
Accrued Salaries and Fringe Benefits	84,536	-	84,536
Accrued Liabilities	900	-	900
Due to the Water and Sewer Fund	402,447	-	402,447
Unearned Revenue	51,521	-	51,521
TOTAL LIABILITIES	623,328	4,924	628,252
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue - Property Taxes	51,579	-	51,579
Deferred Revenue - Cell Tower Lease	163,629	-	163,629
TOTAL DEFERRED INFLOWS OF RESOURCES	215,208	-	215,208
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	838,536	4,924	843,460
FUND BALANCES			
Nonspendable:			
Prepays	880	20,278	21,158
Restricted for:			
Recreation and Tourism	6,459	221,307	227,766
Victims' Assistance	-	26,727	26,727
Local Law Enforcement	-	11,412	11,412
Road Maintenance	252,238	-	252,238
Committed for:			
Future Purchase of Solid Waste Collection Trucks	83,361	-	83,361
Unassigned	1,695,224	-	1,695,224
TOTAL FUND BALANCES	2,038,162	279,724	2,317,886
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 2,876,698	284,648	\$ 3,161,346

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

CITY OF LIBERTY, SOUTH CAROLINA

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

JUNE 30, 2023

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS	\$ 2,317,886
Amounts reported for the governmental activities in the Statement of Net Position are different because of the following:	
Property taxes due from Pickens County in the Statement of Net Position will be collected but are not available soon enough to pay for the current period's expenditures and therefore are reflected as unavailable in the governmental funds.	51,579
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 \$5,431,980 and the accumulated depreciation was \$3,603,875.	1,828,105
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.	(1,896,700)
Accrued interest on debt in governmental accounting is not due and payable in the current period and therefore has not been reported as a liability in the governmental funds.	(3,142)
Long-term liabilities are not due or payable in the current period and therefore are not reported as liabilities in the governmental funds. Long-term liabilities consisted of the following:	
Long-Term Obligations (Debt Obligations)	(525,875)
Compensated Absences (Annual Leave)	(59,522)
	<u> </u> (585,397)
TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES	\$ <u>1,712,331</u>

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

CITY OF LIBERTY, SOUTH CAROLINA

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

YEAR ENDED JUNE 30, 2023

	GENERAL FUND	NONMAJOR SPECIAL REVENUE FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES			
Taxes	\$ 911,528	143,671	\$ 1,055,199
Licenses and Permits	499,819	-	499,819
Franchise Fees	341,877	-	341,877
Fines and Forfeitures	61,491	8,019	69,510
Charges for Services	579,224	-	579,224
Shared Revenues	193,931	-	193,931
Miscellaneous	123,829	1,000	124,829
Grants	896,097	-	896,097
TOTAL REVENUES	3,607,796	152,690	3,760,486
EXPENDITURES			
Current:			
General Government	615,282	64,188	679,470
Police	1,294,972	23,060	1,318,032
Public Works	686,868	-	686,868
Recreation	325,302	48,810	374,112
Capital Outlay	337,346	-	337,346
Debt Service:			
Principal	383,950	-	383,950
Interest	19,393	-	19,393
TOTAL EXPENDITURES	3,663,113	136,058	3,799,171
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(55,317)	16,632	(38,685)
OTHER FINANCING SOURCES (USES)			
Sale of Capital Assets	253,000	-	253,000
TOTAL OTHER FINANCING SOURCES (USES)	253,000	-	253,000
CHANGES IN FUND BALANCES	197,683	16,632	214,315
FUND BALANCES, Beginning of Year	1,840,479	263,092	2,103,571
FUND BALANCES, End of Year	\$ 2,038,162	279,724	\$ 2,317,886

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

CITY OF LIBERTY, SOUTH CAROLINA

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

YEAR ENDED JUNE 30, 2023

TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS **\$ 214,315**

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

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds. This amount represents the change in unavailable revenues for the year. (2,450)

Repayment of bond and debt principal (including lease and financed purchase obligations) is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. 383,950

Interest on long-term obligations in the Statement of Activities differs from the amount reported in the governmental fund because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. This amount is the net change in accrued interest for the year. 3,385

Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds. This amount represents the change in compensated absences for the year. 2,628

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. 11,589

In the Statement of Activities the gain (loss) on the disposal of capital assets is reported, whereas in the governmental funds, proceeds from the disposal of capital assets increase financial resources. Thus, the change in net position differs from the change in fund balance by the net book value of the assets disposed. (197,331)

The governmental funds report capital asset additions as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital asset additions of \$357,174 exceeded depreciation expense of \$258,163 in the current year. 99,011

TOTAL CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES **\$ 515,097**

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

CITY OF LIBERTY, SOUTH CAROLINA

STATEMENT OF NET POSITION - PROPRIETARY FUND

JUNE 30, 2023

	WATER AND SEWER FUND
ASSETS	
Current Assets	
Cash and Cash Equivalents	\$ 19,060
Restricted Cash and Cash Equivalents	148,790
Accounts Receivables	250,283
Total Current Assets	<u>418,133</u>
Noncurrent Assets	
Due From the General Fund	400,000
Capital Assets:	
Non-Depreciable	38,794
Depreciable Capital Assets, Net	5,390,421
Total Noncurrent Assets	<u>5,829,215</u>
TOTAL ASSETS	<u>6,247,348</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Pension Charges	<u>47,896</u>
LIABILITIES	
Current Liabilities	
Accounts Payable	87,495
Accrued Salaries and Fringe Benefits	10,381
Accrued Interest Payable	1,605
Customer Deposits	22,065
Due to Other Funds	305,157
Compensated Absences - Current Portion	8,701
Bonds Payable - Current Portion	68,797
Total Current Liabilities	<u>504,201</u>
Noncurrent Liabilities	
Net Pension Liability	360,136
Compensated Absences, Less Current Portion	5,150
Bonds Payable, Less Current Portion	857,683
Total Non-Current Liabilities	<u>1,222,969</u>
TOTAL LIABILITIES	<u>1,727,170</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred Pension Credits	<u>7,429</u>
NET POSITION	
Net Investment in Capital Assets	4,502,735
Restricted for Sewer Maintenance Projects	148,790
Unrestricted	(90,880)
TOTAL NET POSITION	<u>\$ 4,560,645</u>

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

CITY OF LIBERTY, SOUTH CAROLINA

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

YEAR ENDED JUNE 30, 2023

	<u>WATER AND SEWER FUND</u>
OPERATING REVENUES	
Charges for Services:	
Water Fees	\$ 684,298
Sewer Fees	923,772
Miscellaneous	5,276
TOTAL OPERATING REVENUES	<u>1,613,346</u>
OPERATING EXPENSES	
Water Department	693,347
Water Purchases	235,030
Sewer Department	222,124
Sewer Treatment Fees	582,058
Depreciation	271,782
TOTAL OPERATING EXPENSES	<u>2,004,341</u>
OPERATING INCOME (LOSS)	<u>(390,995)</u>
NONOPERATING REVENUES (EXPENSES)	
Interest Expense	(28,178)
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(28,178)</u>
INCOME (LOSS) BEFORE TRANSFERS AND CAPITAL GRANTS	(419,173)
Capital Grants	21,700
TOTAL INCOME (LOSS) AFTER TRANSFERS AND CAPITAL GRANTS	<u>21,700</u>
CHANGE IN NET POSITION	(397,473)
NET POSITION, Beginning of Year	<u>4,958,118</u>
NET POSITION, End of Year	<u>\$ 4,560,645</u>

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

CITY OF LIBERTY, SOUTH CAROLINA

STATEMENT OF CASH FLOWS - PROPRIETARY FUND

YEAR ENDED JUNE 30, 2023

	<u>WATER AND SEWER FUND</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Customers	\$ 1,649,182
Cash Payments for Goods and Services	(1,700,947)
Cash Payments for Personnel Services	(299,101)
NET CASH USED BY OPERATING ACTIVITIES	<u>(350,866)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Payments from Other Funds for Noncapital Purposes	305,157
NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES	<u>305,157</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital Grants Received	229,673
Acquisition of Capital Assets	(778,516)
Principal Paid on Debt	(66,964)
Interest Payments on Debt	(28,291)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(644,098)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(689,807)
CASH AND CASH EQUIVALENTS INCLUDING RESTRICTED CASH, Beginning of Year	<u>857,657</u>
CASH AND CASH EQUIVALENTS INCLUDING RESTRICTED CASH, End of Year	<u>\$ 167,850</u>
Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities:	
Operating Income (Loss)	\$ (390,995)
Adjustments to Reconcile Operating Income to Net Cash from Operating Activities:	
Depreciation Expense	271,782
Change in Statement of Net Position Accounts that Impacted Operating Activities:	
Accounts Receivables	36,376
Prepays	21,253
Deferred Pension Charges	28,964
Accounts Payable	(246,533)
Accrued Salaries and Fringe Benefits	2,765
Customer Deposits	(540)
Compensated Absences	481
Net Pension Liability	(22,277)
Deferred Pension Credits	(52,142)
Net Cash Used By Operating Activities	<u><u>\$ (350,866)</u></u>

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

CITY OF LIBERTY, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2023

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. The Reporting Entity

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

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

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

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

Major Operations

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

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

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

CITY OF LIBERTY, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2023

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

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

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

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

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

CITY OF LIBERTY, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2023

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

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

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

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

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

CITY OF LIBERTY, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2023

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

1. Cash, Cash Equivalents, and Investments

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

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

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

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

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

CITY OF LIBERTY, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2023

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

2. *Restricted Assets*

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

3. *Receivables and Payables*

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

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

4. *Prepays*

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

5. *Capital Assets*

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

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

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

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

CITY OF LIBERTY, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2023

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

6. *Compensated Absences*

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

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

7. *Accrued Liabilities and Long-Term Obligations*

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

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

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

8. *Deferred Outflows/Inflows of Resources*

In addition to assets, the Statement of Net Position and the Balance Sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net 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 the South Carolina Police Officers Retirement System (the "Plans"). These *deferred pension charges* are either (a) recognized in the subsequent period as a reduction of the net pension liability (which includes pension contributions made after the measurement date) or (b) amortized in a systematic and rational method as pension expense in future periods in accordance with GAAP.

In addition to liabilities, the Statement of Net Position and the Balance Sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net 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 three types of deferred inflows of resources: (1) The City reports *unavailable revenues* only in the governmental funds Balance Sheet; they are deferred and recognized as inflows of resources (i.e., property tax revenues) in the period the amounts become available.

CITY OF LIBERTY, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2023

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

(2) The City reports *deferred lease revenue* on the governmental funds Balance Sheet and the government-wide Statement of Net Position; it is amortized in a systematic and rational method and recognized as an inflow of resources in future periods. (3) The City also reports *deferred pension credits* in its Statements of Net Position in connection with its participation in the Plans. These *deferred pension credits* are amortized in a systematic and rational method and recognized as a reduction of pension expense in future periods in accordance with GAAP.

9. *Fund Balance*

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

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

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

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

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

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

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

CITY OF LIBERTY, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2023

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

10. Net Position

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

11. Pensions

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

12. Accounting Estimates

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

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY – BUDGETARY INFORMATION

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

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

CITY OF LIBERTY, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2023

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

The Mayor is authorized to transfer budgeted amounts within departments within any fund; however, any revisions that alter the total expenditures of any fund or transfer amounts between departments must be approved by the City Council. The presented budgeted amounts are as originally adopted or as last amended by the City Council. There were no amendments to the budget for the year ended June 30, 2023.

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, 2023, none of the City’s bank balances of approximately \$2,513,000 (with a carrying value of approximately \$2,368,000) were exposed to custodial credit risk.

Investments

As of June 30, 2023, the City did not have any investments.

B. Receivables and Unavailable Revenues

Property Taxes and Unavailable Revenues

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

Property taxes are assessed and collected by Pickens County (the “County”). The County levies its real property taxes each October based upon assessed valuations on January 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 percent to 10.5 percent of the estimated market value. Real property and all personal property taxes other than vehicle property taxes attach as an enforceable lien on property as of January 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 2023 real and business personal property taxes (which was for tax year 2022) were levied in October 2022 based on a millage rate of 86.2 mills (86.2 mills in the prior year) and were due beginning on that date. The City’s assessed value of real and personal property was approximately \$11.8 million. Amounts collected by the County but not yet remitted to the City at year end are included in other receivables in the Balance Sheet and Statement of Net Position.

CITY OF LIBERTY, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2023

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

B. Receivables and Unavailable Revenues (Continued)

Property Taxes and Unavailable Revenues (Continued)

The City has recorded uncollected property taxes of approximately \$48,000 at June 30, 2023, which is net of an allowance for uncollectible taxes of approximately \$35,000. The City recognized outstanding delinquent property taxes of approximately \$1,000 as revenue in the current year because the amount was collected within 60 days after year end. The remaining delinquent property tax receivable of approximately \$52,000 has been recorded as unavailable revenue on the governmental funds balance sheet.

Accounts and Other Receivables

The City has the following accounts and other receivables as of June 30, 2023: (a) franchise fees and hospitality taxes totaling approximately \$58,000; (b) intergovernmental revenues from the State of South Carolina for local option sales taxes of approximately \$45,000; (c) amounts due from Pickens County for dispatch revenues and aid to subdivisions totaling approximately \$45,000; (d) amounts due from the School District of Pickens County for school resource officer fees of approximately \$30,000; (e) recreation grant revenue of approximately \$52,000; (f) amounts due from water and sewer customers of approximately \$221,000; and (g) approximately \$42,000 for other fees and miscellaneous items.

Lease Receivable and Deferred Lease Revenue

The City entered into an agreement with a tenant for the use of the City’s property to operate a cell tower. The lease term is 60 months beginning on March 1, 2008 with five additional 60 month extensions and terminating on February 28, 2038. Monthly lease payments are \$800, and will increase 10% upon each extension.

In accordance with GASB #87 “Leases,” the City’s lease receivable was discounted to a net present value using a 3.25% interest rate, the prime rate at the inception of the lease. At June 30, 2023, the City reported a lease receivable and a corresponding deferred lease revenue of approximately \$164,000.

For the year ended June 30, 2023, the City received \$12,000 from the tenant, consisting of \$6,000 in lease revenue and \$6,000 in lease interest revenue. Future lease payments due to the City under the agreement are as follows:

Year Ended June 30,	Principal	Interest	Total
2024	\$ 7,460	5,318	\$ 12,778
2025	7,702	5,076	12,778
2026	7,952	4,826	12,778
2027	8,211	4,567	12,778
2028	8,478	4,300	12,778
2029-2033	53,523	16,754	70,277
2034-2038	70,304	7,000	77,304
Totals	\$ 163,630	47,841	\$ 211,471

CITY OF LIBERTY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023

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

C. Interfund Receivables and Payables

Interfund balances at June 30, 2023, consisted of the following individual fund receivables and payables:

Fund	Receivables	Payables
<u>Governmental Funds:</u>		
General Fund	\$ 297,849	\$ 402,447
Hospitality Tax Fund	7,308	-
Victims' Assistance Fund	2,447	-
<u>Enterprise Fund:</u>		
Water and Sewer Fund	400,000	305,157
Totals	<u>\$ 707,604</u>	<u>\$ 707,604</u>

Amounts to be paid between funds are accounted for in the interfund receivable/payable accounts. The amount that the General Fund owes to the Water and Sewer Fund is related to the General Fund being unable to pay for all of its operations in prior years, and the City using cash from the Water and Sewer Fund. \$400,000 that the General Fund owed the Water and Sewer Fund will not be repaid within one year and thus is reflected as a noncurrent asset on the Water and Sewer Fund's Balance Sheet as of June 30, 2023. The General Fund did not repay the Water and Sewer Fund in the year ended June 30, 2023 but anticipates being able to repay the remaining balance in the next several years.

The remaining approximately \$308,000 that the Water and Sewer Fund owes the General Fund results from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

CITY OF LIBERTY, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2023

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, 2023, was as follows:

	Beginning Balance	Increases	Decreases	Balance
Governmental Activities:				
Capital Assets, Non-Depreciable:				
Land	\$ 114,669	151,456	-	266,125
Construction In Progress	-	53,779	-	53,779
Total Capital Assets, Non-Depreciable	<u>114,669</u>	<u>205,235</u>	<u>-</u>	<u>319,904</u>
Capital Assets, Depreciable:				
Buildings and Improvements	1,481,315	54,655	-	1,535,970
Infrastructure	2,071,480	-	-	2,071,480
Vehicles, Furniture and Equipment	1,302,105	97,284	(188,342)	1,211,047
Right to Use Asset - Leased Vehicles	335,137	-	(41,558)	293,579
Total Capital Assets, Depreciable	<u>5,190,037</u>	<u>151,939</u>	<u>(229,900)</u>	<u>5,112,076</u>
Less: Accumulated Depreciation for:				
Buildings and Improvements	1,268,023	34,642	-	1,302,665
Infrastructure	1,164,218	92,377	-	1,256,595
Vehicles, Furniture and Equipment	805,293	71,986	(32,569)	844,710
Right to Use Asset - Leased Vehicles	140,747	59,158	-	199,905
Total Accumulated Depreciation	<u>3,378,281</u>	<u>258,163</u>	<u>(32,569)</u>	<u>3,603,875</u>
Total Capital Assets, Depreciable, Net	<u>1,811,756</u>	<u>(106,224)</u>	<u>(197,331)</u>	<u>1,508,201</u>
Governmental Activities Capital Assets, Net	<u>\$ 1,926,425</u>	<u>99,011</u>	<u>(197,331)</u>	<u>\$ 1,828,105</u>

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

Functions/Programs	Expense
General Government	\$ 30,002
Police	71,247
Public Works	115,098
Recreation	41,816
Total - Governmental Activities	<u>\$ 258,163</u>

CITY OF LIBERTY, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2023

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, 2023, was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Business-Type Activities					
Capital Assets, Non-Depreciable:					
Land	\$ 6,414	-	-	-	\$ 6,414
Construction In Progress	549,726	778,516	-	(1,295,862)	32,380
Total Capital Assets, Non-Depreciable	556,140	778,516	-	(1,295,862)	38,794
Capital Assets, Depreciable:					
Vehicles, Furniture and Equipment	602,515	-	-	-	602,515
Water Infrastructure	2,562,399	-	-	200,065	2,762,464
Sewer Infrastructure	4,677,373	-	-	1,095,797	5,773,170
Total Capital Assets, Depreciable	7,842,287	-	-	1,295,862	9,138,149
Less: Accumulated Depreciation for:					
Vehicles, Furniture and Equipment	396,222	55,266	-	-	451,488
Water Infrastructure	985,063	72,000	-	-	1,057,063
Sewer Infrastructure	2,094,661	144,516	-	-	2,239,177
Total Accumulated Depreciation	3,475,946	271,782	-	-	3,747,728
Total Capital Assets, Depreciable, Net	4,366,341	(271,782)	-	1,295,862	5,390,421
Business-Type Activities Capital Assets, Net	\$ 4,922,481	506,734	-	-	\$ 5,429,215

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

Functions/Programs	Expense
Water	\$ 127,266
Sewer	144,516
Total - Business-Type Activities	\$ 271,782

E. Long-Term Obligations

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

CITY OF LIBERTY, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2023

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

E. Long-Term Obligations (Continued)

Details on the City's outstanding debt obligations as of June 30, 2023 are as follows:

	Balance at <u>June 30, 2023</u>
General Obligation Bonds	
\$400,000 General Obligation Bond (GOB – Series 2020) issued in October 2020, due in annual installments of \$64,000 to \$69,000 beginning June 2021 through June 2026, plus interest 1.73% due annually. The proceeds for this issue were used for vehicles in governmental activities (\$330,000) and utility projects in business-type activities (\$70,000).	\$ 204,000
Revenue Bonds	
\$500,000 Water & Sewer System Revenue Bonds, Series 2021A (Series 2021A Water and Sewer RB). Proceeds from the Bonds were used to fund the upgrades to the City's lift station and for new water meters. Bonds are due in annual installments of \$26,903 to \$40,638 beginning June 2022 through June 2036, plus interest at 2.99% due annually. Revenues from the water & sewer system are pledged to repay this indebtedness.	445,390
\$500,000 Water & Sewer System Revenue Bonds, Series 2021B (Series 2021B Water and Sewer RB). Proceeds from the Bonds were used to fund the upgrades to the City's lift station and for new water meters. Bonds are due in annual installments of \$26,903 to \$40,638 beginning June 2022 through June 2036, plus interest at 2.99% due annually. Revenues from the water & sewer system are pledged to repay this indebtedness.	445,390
Financed Purchases	
The City has entered into a financed purchase with local bank to finance the acquisition of a vehicle for its public works. The amount financed was \$145,000. The interest rate on this agreement is 2.20%, with annual payments (including interest) of \$22,577. This agreement matures in 2028.	105,800
The City has entered into a financed purchase with local bank to finance the acquisition of a vehicle for its public works. The amount financed was \$106,578. The interest rate on this agreement is 2.01%, with annual payments (including interest) of \$11,872. This agreement matures in 2032.	96,849
The City has entered into a lease purchase with local bank to finance the acquisition of a vehicle for its public works. The amount financed was \$109,234. The interest rate on this agreement is 1.30%, with annual payments (including interest) of \$22,706. This agreement matures in 2027.	\$ 87,948

CITY OF LIBERTY, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2023

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

E. Long-Term Obligations (Continued)

Leases

The City has entered into an agreement with a company to lease four vehicles in the year ended June 30, 2019, which is being accounted for as a lease. The total cost of the vehicles was approximately \$150,000, with the City paying approximately \$23,000 up front and financing approximately \$127,000, with monthly payments of approximately \$2,500 for 60 months, which includes interest ranging from 5.43% to 6.25%. If the City is late making its required payments, the interest rate will be 18%. In the event the lease term for any vehicle ends prior to the last day of the scheduled term, the lessor will recalculate all fees due in accordance with the Rule of 78's. In addition to specified maintenance and insurance to be maintained on each vehicle through the lease term, the City will have to pay approximately \$3,000 per vehicle at the end of the lease term if they want to keep the vehicle. \$ 20,928

The City has entered into an agreement with a company to lease three vehicles in the year ended June 30, 2020, which is being accounted for as a lease. The total cost of the vehicles was approximately \$103,000, with the City paying approximately \$15,000 up front and financing approximately \$88,000, with monthly payments of approximately \$1,600 for 60 months, which includes interest ranging from 2.91% to 4.14%. If the City is late making its required payments, the interest rate will be 18%. In the event the lease term for any vehicle ends prior to the last day of the scheduled term, the lessor will recalculate all fees due in accordance with the Rule of 78's. In addition to specified maintenance and insurance to be maintained on each vehicle through the lease term, the City will have to pay approximately \$3,000 per vehicle at the end of the lease term if they want to keep the vehicle. 32,569

The City has entered into an agreement with a company to lease a vehicle in the year ended June 30, 2022, which is being accounted for as a lease. The total cost of the vehicle was approximately \$42,000, with the City paying approximately \$25,000 up front and financing approximately \$17,000, with monthly payments of approximately \$400 for 60 months, which includes interest of 5.40%. If the City is late making its required payments, the interest rate will be 18%. In the event the lease term for any vehicle ends prior to the last day of the scheduled term, the lessor will recalculate all fees due in accordance with the Rule of 78's. In addition to specified maintenance and insurance to be maintained on each vehicle through the lease term, the City will have to pay approximately \$2,000 for this vehicle at the end of the lease term if they want to keep the vehicle. \$ 13,481

Article Eight, Section Seven of the South Carolina Constitution of 1895, as amended, provides that no City or Town shall incur any bonded debt which shall exceed eight percent (8%) of the assessed value of the property therein and no such debt shall be created without the electors of such City or Town voting in favor of such further bonded debt. As of June 30, 2023, the City had \$204,000 of outstanding general obligation bonds subject to the 8% limit of approximately \$945,000 resulting in an unused legal debt margin of approximately \$741,000.

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

CITY OF LIBERTY, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2023

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

E. Long-Term Obligations (Continued)

Presented below is a summary of changes in long-term obligations for the City for the year ended June 30, 2023:

Long-Term Obligations	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Direct Borrowing/Placements:					
Financed Purchase - 2020	\$ 125,613	-	19,813	105,800	\$ 20,249
GOB - Series 2020	222,750	-	54,450	168,300	55,275
Financed Purchase - Garbage Truck	230,000	-	230,000	-	-
Financed Purchase - Backhoe	106,578	-	9,729	96,849	9,925
Financed Purchase - Roll Cart	109,234	-	21,286	87,948	21,563
Total Direct Borrowing/Placements	<u>794,175</u>	<u>-</u>	<u>335,278</u>	<u>458,897</u>	<u>107,012</u>
Leases:					
Lease - 2019	48,298	-	27,370	20,928	20,928
Lease - 2020	51,117	-	18,548	32,569	18,321
Lease - 2022	16,235	-	2,754	13,481	3,040
Total Leases:	115,650	-	48,672	66,978	42,289
Compensated Absences	62,150	34,786	37,414	59,522	35,832
Total Governmental Activities	<u>\$ 971,975</u>	<u>34,786</u>	<u>421,364</u>	<u>585,397</u>	<u>\$ 185,133</u>
Business-Type Activities:					
Direct Borrowing/Placements:					
GOB - Series 2020	\$ 47,250	-	11,550	35,700	\$ 11,725
Series 2021A Water & Sewer RB	473,097	-	27,707	445,390	28,536
Series 2021B Water & Sewer RB	473,097	-	27,707	445,390	28,536
Total Direct Borrowing/Placements	<u>993,444</u>	<u>-</u>	<u>66,964</u>	<u>926,480</u>	<u>68,797</u>
Compensated Absences	13,370	8,880	8,399	13,851	8,701
Total Business-Type Activities	<u>\$ 1,006,814</u>	<u>8,880</u>	<u>75,363</u>	<u>940,331</u>	<u>\$ 77,498</u>

Presented below is a summary of debt service requirements to maturity by year as of June 30, 2023:

Year Ended June 30,	Governmental Activities				Business-Type Activities		Total
	Direct Borrowing/Placements		Leases		Direct Borrowing/Placements		
	Principal	Interest	Principal	Interest	Principal	Interest	
2024	\$ 107,102	8,329	42,289	2,568	68,797	27,252	\$ 256,337
2025	108,762	6,447	17,604	1,133	70,678	25,343	229,967
2026	110,530	4,534	3,705	537	72,611	23,379	215,296
2027	54,565	2,589	3,380	156	62,346	21,360	144,396
2028	32,838	1,610	-	-	64,210	19,496	118,154
2029 - 2033	45,190	2,293	-	-	351,020	67,510	466,013
2033 - 2036	-	-	-	-	236,818	14,300	251,118
Totals	<u>\$ 458,987</u>	<u>25,802</u>	<u>66,978</u>	<u>4,394</u>	<u>926,480</u>	<u>198,640</u>	<u>\$ 1,681,281</u>

CITY OF LIBERTY, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2023

IV. OTHER INFORMATION

A. Risk Management

The City is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, and natural disasters. For all of these risks, the City is a member of the South Carolina Municipal Insurance Reserve Fund (“SCMIRF”), a public entity risk pool operating as a common risk management and insurance program for local governments for general risk. The City pays premiums to SCMIRF for this coverage. SCMIRF’s net position from its most recently issued audited financial statements at December 31, 2022 totaled approximately \$6,715,000. The City did not have any significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage in the past three fiscal years.

The City has also joined together with other municipalities in the state to form the South Carolina Municipal Insurance Trust (“SCMIT”), a public entity risk pool operating as a common risk management and insurance program for workers’ compensation. The City pays premiums to SCMIT for this coverage. The Trust uses reinsurance agreements to reduce its exposure to large workers’ compensation losses. SCMIT’s net position from its most recently issued audited financial statements at December 31, 2022, totaled approximately \$44,198,000. The City did not have any significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage in the past three fiscal years.

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

B. State Retirement Plans

The City participates in the State of South Carolina’s retirement plans. The South Carolina Public Employee Benefit Authority (“PEBA”), created July 1, 2012, is the state agency responsible for the administration and management of the 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 System’ 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.

CITY OF LIBERTY, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2023

IV. OTHER INFORMATION (CONTINUED)

B. State Retirement Plans (Continued)

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 first-term individuals elected to the South Carolina General Assembly.

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

Plan Membership

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

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

Plan Benefits

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

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

CITY OF LIBERTY, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2023

IV. OTHER INFORMATION (CONTINUED)

B. State Retirement Plans (Continued)

Plan Benefits (Continued)

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

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

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

Plan Contributions

Actuarial valuations are performed annually by an external consulting actuary to ensure applicable contribution rates satisfy the funding parameters specified in Title 9 of the South Carolina Code of Laws. Under these provisions, SCRS and PORS (“Plans”) contribution requirements must be sufficient to maintain an amortization period for the financing of the unfunded actuarial accrued liability (“UAAL”) over a period that does not exceed the number of years scheduled in state statute. The Retirement Funding and Administration Act of 2017 increased, but also established a ceiling for SCRS and PORS employee contribution rates. Effective July 1, 2017, employee rates were increased to a capped rate of 9.00 percent for SCRS and 9.75 percent for PORS. The legislation also increased employer contribution rates beginning July 1, 2017 for both SCRS and PORS by two percentage points and further scheduled employer contribution rates to increase by a minimum of one percentage point each year in accordance with state statute. The General Assembly postponed the one percent increase in the SCRS and PORS employer contribution rates that was scheduled to go into effect beginning July 1, 2020. In accordance with the legislative funding schedule, employer contribution rates will continue to increase by 1 percentage point each year until reaching 18.56 percent for SCRS and 21.24 percent for PORS but may be increased further, if the scheduled contributions are not sufficient to meet the funding periods set for the applicable year. The PEBA Board shall increase the employer contribution rates as necessary to meet the amortization period set in statute.

Pension reform legislation modified the statute such that the employer contribution rates for SCRS and PORS to 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 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 SCRS and PORS may not be decreased until the Plans are at least 85 percent funded.

CITY OF LIBERTY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023

IV. OTHER INFORMATION (CONTINUED)

B. State Retirement Plans (Continued)

Plan Contributions (Continued)

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
	2023	2023
Employer Contribution Rate: ^		
Retirement	17.41%	19.84%
Incidental Death Benefit	0.15%	0.20%
Accidental Death Contributions	0.00%	0.20%
	<u>17.56%</u>	<u>20.24%</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 \$131,000 and \$125,000 respectively, for the year ended June 30, 2023 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, 2023. 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, 2023 were approximately \$5,000 and \$10,000 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.

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, 2022 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, 2021. The TPL was rolled-forward from the valuation date to the Plans’ fiscal year end, June 30, 2022, using generally accepted actuarial principles. There was no legislation enacted during the 2022 legislative session that had a material change in the benefit provisions for any of the systems.

CITY OF LIBERTY, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2023

IV. OTHER INFORMATION (CONTINUED)

B. State Retirement Plans (Continued)

Actuarial Assumptions and Methods (Continued)

The following table provides a summary of the actuarial assumptions and methods used to calculate the TPL as of June 30, 2022 (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.

The expected returns, along with the expected inflation rate, form the basis for the target asset allocation adopted at the beginning of the 2022 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.

CITY OF LIBERTY, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2023

IV. OTHER INFORMATION (CONTINUED)

B. State Retirement Plans (Continued)

Long-Term Expected Rate of Return (Continued)

Allocation/Exposure	Policy Target	Expected Arithmetic Real Rate of Return	Long-Term Expected Portfolio Real Rate of Return
Public Equity	46.0%	6.79%	3.12%
Bonds	26.0%	-0.35%	-0.09%
Private Equity	9.0%	8.75%	0.79%
Private Debt	7.0%	6.00%	0.42%
Real Assets	12.0%		
Real Estate	9.0%	4.12%	0.37%
Infrastructure	3.0%	5.88%	0.18%
Total Expected Real Rate of Return	<u>100.0%</u>		<u>4.79%</u>
Inflation for Actuarial Purposes			<u>2.25%</u>
Total Expected Nominal Return			<u><u>7.04%</u></u>

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

The NPL is calculated separately for each System and represents that particular System’s TPL determined in accordance with GASB No. 67 less that System’s fiduciary net position. NPL totals, as of the June 30, 2022 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	\$ 56,454,779,872	32,212,626,932	\$ 24,242,152,940	57.1%
PORS	\$ 8,937,686,946	5,938,707,767	\$ 2,998,979,179	66.4%

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, 2023, the City reported liabilities of approximately \$1,512,000 and \$1,029,000 for its proportionate share of the NPL for the SCRS and PORS, respectively. The NPL were measured as of June 30, 2022, and the TPL for the Plans used to calculate the NPL were determined based on the most recent actuarial valuation report of July 1, 2021 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, 2022 measurement date, the City’s SCRS proportion was 0.006237 percent, which was a decrease of 0.000096 from its proportion measured as of June 30, 2021. At the June 30, 2022 measurement date, the City’s PORS proportion was 0.034319 percent, which was a decrease of 0.000071 from its proportion measured as of June 30, 2021.

CITY OF LIBERTY, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2023

IV. OTHER INFORMATION (CONTINUED)

B. State Retirement Plans (Continued)

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

For the year ended June 30, 2023, the City recognized pension expense of approximately \$165,000 and \$35,000 for the SCRS and PORS, respectively. At June 30, 2023, 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	\$ 13,137	\$ 6,590
Change in Assumptions	48,496	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	2,332	-
Changes in Proportion and Differences Between the Employer's Contributions and Proportionate Share of Contributions	10,629	24,602
Employer Contributions Subsequent to the Measurement Date	126,504	-
Total SCRS	201,098	31,192
PORS		
Differences Between Expected and Actual Experience	17,268	20,346
Change in Assumptions	42,858	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	3,108	-
Changes in Proportion and Differences Between the Employer's Contributions and Proportionate Share of Contributions	8,734	12,040
Employer Contributions Subsequent to the Measurement Date	115,424	-
Total PORS	187,392	32,386
Total SCRS and PORS	\$ 388,490	\$ 63,578

Approximately \$127,000 and \$115,000 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, 2024. 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
2023	\$ 34,010	24,352	\$ 58,362
2024	10,264	12,185	22,449
2025	(40,305)	(36,960)	(77,265)
2026	39,433	40,005	79,438
Total	\$ 43,402	39,582	\$ 82,984

CITY OF LIBERTY, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2023

IV. OTHER INFORMATION (CONTINUED)

B. State 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	\$ 1,938,661	1,512,070	\$ 1,157,416
City’s proportionate share of the net pension liability of the PORS	1,435,175	1,029,212	696,894
Total	\$ 3,373,836	2,541,282	\$ 1,854,310

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 \$30,000 to the PEBA as of June 30, 2023, representing required employer and employee contributions for the month of June 2023 for the SCRS and PORS. This amount is included in Accrued Salaries and Fringe Benefits on the financial statements and was paid in July 2023.

C. Contingent Liabilities and Commitments

Litigation

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

Grants

The City receives financial assistance from various federal, state, and local governmental agencies in the form of grants. Disbursements of funds received under these programs generally require compliance with the terms and conditions specified in the grant agreements. The disbursements are also subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements included herein or on the overall financial position of the City at June 30, 2023.

CITY OF LIBERTY, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2023

IV. OTHER INFORMATION (CONTINUED)

C. Contingent Liabilities and Commitments (Continued)

Water and Wastewater Agreements

The City entered into an agreement with Pickens County Water Authority (the “Authority”) in 2006 to purchase water at a base rate of \$3,000 per month plus the cost of water that is purchased from the Greenville Water System. The City incurred a total of approximately \$235,000 for water purchase charges in the year ended June 30, 2023.

The City, along with the Town of Central, South Carolina, entered into a wastewater treatment agreement with Pickens County in 2005, whereas Pickens County will perform all wastewater treatment services for both the City and the Town of Central’s sewer customers. Each participant is required to pay its respective operations and maintenance charges and capital charges on a monthly basis throughout the life of the agreement. These charges are defined and established in the agreement. The agreement shall extend for as long as the system is capable of providing to the participants their reserved capacities, as defined in the agreement. The City incurred a total of approximately \$420,000 for these services and charges in the year ended June 30, 2023.

In September 2021, the City entered into an agreement in the amount of \$50,000 to become a member of the Pickens Regional Joint Water System (“PRJWS”). The City finds that becoming a member of the PRJWS and entering into an agreement to finance and develop a water treatment plant and related infrastructure is a means of obtaining the right to access a safe and abundant source of potable water capacity and is economically analogous to building a water treatment plant to provide the amount of potable water required by the City and its resident, and has the added benefit of obtaining local control over the source of water and will take advantage of economies of scale unavailable to the City acting alone.

Sewer System Issues

In June 2019, the City received notification from the South Carolina Department of Health and Environmental Control (“DHEC”) that the City’s sewer system was rated unsatisfactory after a recent inspection. This unsatisfactory rating was due to several deficiencies noted during the inspection, including the following: all four lift / pump stations were in need of immediate repair / upgrades, there was significant corrosion and deterioration of sewer lines and manholes, and a general lack of maintenance of the sewer system overall. The City does not have the resources to repair and upgrade the lift / pump stations, which is estimated to cost around \$1 million. The City is applying for and has received grants to provide the funds for these repairs along with other needed repairs and upgrades. The City has made progress by completing the upgrading of the Rice’s Creek lift station and a majority of the Odell Street lift station. The City has also begun preliminary work on the Quarry Road and Old Norris Road lift stations. In addition, the City does not presently have a map, reports, or any records of their current system. The City is developing a map. They are working with an engineering consultant on mapping and potential inflow and infiltration issues. The City began submitting quarterly reports to DHEC as required during FY 2019 through FY 2023. The City entered into a consent order agreement with DHEC in December 2020.

D. Concentrations of Credit Risk

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

E. Tax Abatements

The City’s Tax Abatements

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

CITY OF LIBERTY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2023

IV. OTHER INFORMATION (CONTINUED)

E. Tax Abatements (Continued)

Pickens County Tax Abatements

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

(This page intentionally left blank.)

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF LIBERTY, SOUTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE

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

YEAR ENDED JUNE 30, 2023

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH REVISED BUDGET
	ORIGINAL	REVISED		
REVENUES				
Taxes	\$ 832,500	832,500	911,528	\$ 79,028
Licenses and Permits	432,300	432,300	499,819	67,519
Franchise Fees	291,000	291,000	341,877	50,877
Fines and Forfeitures	100,000	100,000	61,491	(38,509)
Charges for Services	689,416	689,416	579,224	(110,192)
Shared Revenues	152,175	152,175	193,931	41,756
Miscellaneous	40,501	40,501	123,829	83,328
Grants	25,000	25,000	896,097	871,097
TOTAL REVENUES	2,562,892	2,562,892	3,607,796	1,044,904
EXPENDITURES				
Current:				
General Government	339,200	339,200	615,282	(276,082)
Police	1,259,064	1,259,064	1,294,972	(35,908)
Public Works	581,730	581,730	686,868	(105,138)
Recreation	255,035	255,035	325,302	(70,267)
Capital Outlay	-	-	337,346	(337,346)
Debt Service				
Principal	183,667	183,667	383,950	(200,283)
Interest and Other Charges	9,382	9,382	19,393	(10,011)
TOTAL EXPENDITURES	2,628,078	2,628,078	3,663,113	(1,035,035)
EXCESS OF REVENUES OVER EXPENDITURES	(65,186)	(65,186)	(55,317)	9,869
OTHER FINANCING SOURCES (USES)				
Sale of Capital Assets	-	-	253,000	253,000
Transfers In	182,166	182,166	-	(182,166)
Transfers Out	(100,000)	(100,000)	-	100,000
TOTAL OTHER FINANCING SOURCES (USES)	82,166	82,166	253,000	170,834
CHANGES IN FUND BALANCE	16,980	16,980	197,683	180,703
FUND BALANCE, Beginning of Year	1,840,479	1,840,479	1,840,479	-
FUND BALANCE, End of Year	\$ 1,857,459	1,857,459	2,038,162	\$ 180,703

Note: The City's original and revised budget reflected a surplus of fund balance of approximately \$17,000.

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

Note: The City's actual expenditures exceeded the budget due to higher capital outlay expenditures which were approved by the Council (but for which the budget was not amended).

CITY OF LIBERTY, SOUTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION - PENSION PLAN SCHEDULES

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

LAST NINE FISCAL YEARS

	Year Ended June 30,								
	2023	2022	2021	2020	2019	2018	2017	2016	2015
City's Proportion of the Net Pension Liability	0.006237%	0.006333%	0.006404%	0.006229%	0.005502%	0.005526%	0.004710%	0.005582%	0.004752%
City's Proportionate Share of the Net Pension Liability	\$ 1,512,070	\$ 1,370,587	\$ 1,636,283	\$ 1,422,322	\$ 1,232,847	\$ 1,243,991	\$ 1,006,049	\$ 1,058,653	\$ 818,137
City's Covered Payroll	\$ 742,723	\$ 715,910	\$ 714,019	\$ 657,339	\$ 564,971	\$ 557,581	\$ 491,645	\$ 522,945	\$ 431,424
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	203.58%	191.45%	229.17%	216.38%	218.21%	223.10%	204.63%	202.44%	189.64%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	57.06%	60.75%	50.71%	54.40%	54.10%	53.34%	52.91%	56.99%	59.92%

Notes to Schedule:

The amounts presented for each fiscal year were determined as of June 30th of the preceding year.

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

The discount rate was lowered from (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 LIBERTY, SOUTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION - PENSION PLAN SCHEDULES

SCHEDULE OF CONTRIBUTIONS
SOUTH CAROLINA RETIREMENT SYSTEM

LAST NINE FISCAL YEARS

	Year Ended June 30,								
	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually Required Contribution	\$ 131,157	122,995	111,396	111,101	95,708	76,610	64,456	54,376	\$ 57,001
Contributions in Relation to the Contractually Required Contribution:									
Contributions from the City	126,504	118,342	106,743	106,448	91,055	71,957	64,456	54,376	57,001
Contributions from the State	4,653	4,653	4,653	4,653	4,653	4,653	-	-	-
Contribution Deficiency (Excess)	\$ -	-	-	-	-	-	-	-	\$ -
City's Covered Payroll	\$ 746,906	742,723	715,910	714,019	657,339	564,971	557,581	491,645	\$ 522,945
Contributions as a Percentage of Covered Payroll:	17.56%	16.56%	15.56%	15.56%	14.56%	13.56%	11.56%	11.06%	10.90%

Notes to Schedule:

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

CITY OF LIBERTY, SOUTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION - PENSION PLAN SCHEDULES

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

LAST NINE FISCAL YEARS

	Year Ended June 30,								
	2023	2022	2021	2020	2019	2018	2017	2016	2015
City's Proportion of the Net Pension Liability	0.03432%	0.03439%	0.03499%	0.03383%	0.03491%	0.06753%	0.07665%	0.06603%	0.06284%
City's Proportionate Share of the Net Pension Liability	\$ 1,029,212	884,830	1,160,305	969,549	989,231	1,850,053	1,944,208	1,439,209	\$ 1,202,930
City's Covered Payroll	\$ 543,127	517,122	528,558	490,691	483,227	830,234	937,292	808,213	\$ 755,749
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	189.50%	171.11%	219.52%	197.59%	204.71%	222.84%	207.43%	178.07%	159.17%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	66.45%	70.37%	58.79%	62.69%	61.73%	60.94%	60.44%	64.57%	67.55%

Notes to Schedule:

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

REQUIRED SUPPLEMENTARY INFORMATION - PENSION PLAN SCHEDULES

SCHEDULE OF CONTRIBUTIONS
POLICE OFFICERS RETIREMENT SYSTEM

LAST NINE FISCAL YEARS

	Year Ended June 30,								
	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually Required Contribution	\$ 125,470	104,498	94,323	96,409	84,595	78,476	118,225	128,784	\$ 109,249
Contributions in Relation to the Contractually Required Contribution:									
Contributions from the City	115,424	94,452	84,277	86,363	74,549	68,430	118,225	128,784	109,249
Contributions from the State	10,046	10,046	10,046	10,046	10,046	10,046	-	-	-
Contribution Deficiency (Excess)	\$ -	-	-	-	-	-	-	-	\$ -
City's Covered Payroll	\$ 619,909	543,128	517,122	528,558	490,691	483,227	830,234	937,292	\$ 800,744
Contributions as a Percentage of Covered Payroll:	20.24%	19.24%	18.24%	18.24%	17.24%	16.24%	14.24%	13.74%	13.64%

Notes to Schedule:

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

SUPPLEMENTARY INFORMATION

CITY OF LIBERTY, SOUTH CAROLINA

SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE

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

YEAR ENDED JUNE 30, 2023

	<u>REVISED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
REVENUES			
Taxes:			
Property Taxes	\$ 381,500	377,058	\$ (4,442)
Local Option Sales Tax	451,000	534,470	83,470
Total Taxes	<u>832,500</u>	<u>911,528</u>	<u>79,028</u>
Licenses and Permits:			
Business Licenses	115,000	124,982	9,982
MASC Insurance Business Licenses	310,000	355,703	45,703
Building and Other Permits	7,300	19,134	11,834
Total Licenses and Permits	<u>432,300</u>	<u>499,819</u>	<u>67,519</u>
Charges for Services:			
Sanitation Fees	280,000	296,805	16,805
Recreation Department	57,800	36,699	(21,101)
School Resource Officer	179,850	119,928	(59,922)
Road Maintenance Fees	64,500	60	(64,440)
Pickens Dispatch	95,650	113,418	17,768
Cell Tower Rent	11,616	12,314	698
Total Charges for Services	<u>689,416</u>	<u>579,224</u>	<u>(110,192)</u>
Franchise Fees:			
Electricity	215,000	220,385	5,385
Fort Hill Natural Gas	65,000	112,640	47,640
Northland	11,000	8,852	(2,148)
Total Franchise Fees	<u>291,000</u>	<u>341,877</u>	<u>50,877</u>
Fines and Forfeitures:			
Court Fines	100,000	61,491	(38,509)
Total Fines and Forfeitures	<u>100,000</u>	<u>61,491</u>	<u>(38,509)</u>
Shared Revenues:			
Homestead Exemption	53,000	51,886	(1,114)
Manufacturer's Tax Exemption	10,000	9,250	(750)
Aid to Subdivisions	79,475	99,705	20,230
Merchant Inventory	4,500	6,648	2,148
Housing Authority in Lieu of Taxes	5,200	971	(4,229)
Total Shared Revenues	<u>152,175</u>	<u>168,460</u>	<u>16,285</u>
Miscellaneous:			
Miscellaneous	40,501	149,300	108,799
Total Miscellaneous	<u>40,501</u>	<u>149,300</u>	<u>108,799</u>
Grants	25,000	896,097	871,097
TOTAL REVENUES	<u>\$ 2,562,892</u>	<u>3,607,796</u>	<u>\$ 1,044,904</u>

(Continued)

CITY OF LIBERTY, SOUTH CAROLINA

SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE

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

YEAR ENDED JUNE 30, 2023

	<u>REVISED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
EXPENDITURES			
General Government:			
Salaries	\$ 131,153	119,842	\$ 11,311
Employee Benefits	43,277	64,735	(21,458)
Operating Expenditures	164,770	430,705	(265,935)
Capital Outlay	-	186,283	(186,283)
	<u>339,200</u>	<u>801,565</u>	<u>(462,365)</u>
Police:			
Salaries	758,161	782,107	(23,946)
Employee Benefits	302,919	288,491	14,428
Operating Expenditures	197,984	224,374	(26,390)
Capital Outlay	-	68,477	(68,477)
	<u>1,259,064</u>	<u>1,363,449</u>	<u>(104,385)</u>
Public Works:			
Salaries	233,987	195,465	38,522
Employee Benefits	95,533	79,634	15,899
Operating Expenditures	252,210	411,769	(159,559)
	<u>581,730</u>	<u>686,868</u>	<u>(105,138)</u>
Recreation:			
Salaries	97,520	111,647	(14,127)
Employee Benefits	40,281	36,804	3,477
Operating Expenditures	117,234	176,851	(59,617)
Capital Outlay	-	82,586	(82,586)
	<u>255,035</u>	<u>407,888</u>	<u>(152,853)</u>
Debt Service:			
Principal	183,667	383,950	(200,283)
Interest and Other Charges	9,382	19,393	(10,011)
	<u>193,049</u>	<u>403,343</u>	<u>(210,294)</u>
TOTAL EXPENDITURES	<u>2,628,078</u>	<u>3,663,113</u>	<u>(1,035,035)</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>(65,186)</u>	<u>(55,317)</u>	<u>9,869</u>
OTHER FINANCING SOURCES (USES)			
Sale of Capital Assets	-	253,000	253,000
Transfers In	182,166	-	(182,166)
Transfers Out	(100,000)	-	100,000
TOTAL OTHER FINANCING SOURCES (USES)	<u>82,166</u>	<u>253,000</u>	<u>170,834</u>
CHANGES IN FUND BALANCE	<u>16,980</u>	<u>197,683</u>	<u>180,703</u>
FUND BALANCE, Beginning of Year	<u>1,840,479</u>	<u>1,840,479</u>	<u>-</u>
FUND BALANCE, End of Year	<u>\$ 1,857,459</u>	<u>2,038,162</u>	<u>\$ 180,703</u>

CITY OF LIBERTY, SOUTH CAROLINA

SUPPLEMENTARY INFORMATION

COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS

JUNE 30, 2023

	HOSPITALITY TAX FUND	VICTIMS' ASSISTANCE FUND
ASSETS		
Restricted Cash and Cash Equivalents	\$ 206,084	24,354
Receivables	11,037	-
Due from Other Funds	7,308	2,447
Prepays	20,278	-
TOTAL ASSETS	\$ 244,707	26,801
LIABILITIES		
Accounts Payable	\$ 4,850	74
TOTAL LIABILITIES	4,850	74
FUND BALANCES		
Nonspendable:		
Prepays	20,278	-
Restricted:		
Recreation and Tourism	219,579	-
Victims' Assistance	-	26,727
Local Law Enforcement	-	-
TOTAL FUND BALANCES	239,857	26,727
TOTAL LIABILITIES AND FUND BALANCES	\$ 244,707	26,801

DRUG SEIZURES FUND	POLICE DEPARTMENT DONATIONS FUND	RECREATION SCHOLARSHIPS FUND	TOTAL NONMAJOR SPECIAL REVENUE FUNDS
3,910	7,502	1,728	\$ 243,578
-	-	-	11,037
-	-	-	9,755
-	-	-	20,278
3,910	7,502	1,728	\$ 284,648
-	-	-	\$ 4,924
-	-	-	4,924
-	-	-	20,278
-	-	1,728	221,307
-	-	-	26,727
3,910	7,502	-	11,412
3,910	7,502	1,728	279,724
3,910	7,502	1,728	\$ 284,648

CITY OF LIBERTY, SOUTH CAROLINA

SUPPLEMENTARY INFORMATION

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

YEAR ENDED JUNE 30, 2023

	HOSPITALITY TAX FUND	VICTIMS' ASSISTANCE FUND
REVENUES		
Hospitality Taxes	\$ 143,671	-
Fines and Forfeitures	-	8,019
Donations	-	-
TOTAL REVENUES	143,671	8,019
EXPENDITURES		
Current:		
General Government	64,188	-
Police	-	8,336
Recreation	48,810	-
TOTAL EXPENDITURES	112,998	8,336
CHANGES IN FUND BALANCES	30,673	(317)
FUND BALANCES, Beginning of Year	209,184	27,044
FUND BALANCES, End of Year	\$ 239,857	26,727

DRUG SEIZURES FUND	POLICE DEPARTMENT DONATIONS FUND	RECREATION SCHOLARSHIPS FUND	TOTAL NONMAJOR SPECIAL REVENUE FUNDS
-	-	-	\$ 143,671
-	-	-	8,019
-	1,000	-	1,000
-	1,000	-	152,690
-	-	-	64,188
14,724	-	-	23,060
-	-	-	48,810
14,724	-	-	136,058
(14,724)	1,000	-	16,632
18,634	6,502	1,728	263,092
3,910	7,502	1,728	\$ 279,724

CITY OF LIBERTY, SOUTH CAROLINA

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

YEAR ENDED JUNE 30, 2023

FOR THE STATE TREASURER'S OFFICE:

COUNTY / MUNICIPAL FUNDS COLLECTED BY CLERK OF COURT	<u>General Sessions</u>	<u>Magistrate Court</u>	<u>Municipal Court</u>	<u>Total</u>
Court Fines and Assessments:				
Court fines and assessments collected			148,901	148,901
Court fines and assessments remitted to State Treasurer			(72,026)	(72,026)
Total Court Fines and Assessments retained			<u>76,875</u>	<u>76,875</u>
Surcharges and Assessments retained for victim services:				
Surcharges collected and retained			1,839	1,839
Assessments retained			6,180	6,180
Total Surcharges and Assessments retained for victim services			<u>8,019</u>	<u>8,019</u>

FOR THE DEPARTMENT OF CRIME VICTIM COMPENSATION (DCVC)

<u>VICTIM SERVICE FUNDS COLLECTED</u>	<u>Municipal</u>	<u>County</u>	<u>Total</u>
Carryforward from Previous Year – Beginning Balance	27,044		27,044
Victim Service Revenue:			
Victim Service Fines Retained by City/County Treasurer			
Victim Service Assessments Retained by City/County Treasurer	6,180		6,180
Victim Service Surcharges Retained by City/County Treasurer	1,839		1,839
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)	<u>35,063</u>		<u>35,063</u>
Expenditures for Victim Service Program:	<u>Municipal</u>	<u>County</u>	<u>Total</u>
Salaries and Benefits	6,428		6,428
Operating Expenditures	1,908		1,908
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)	<u>8,336</u>		<u>8,336</u>
Total Victim Service Funds Retained by Municipal/County Treasurer (A-B)	27,044		27,044
Less: Prior Year Fund Deficit Repayment			
Carryforward Funds – End of Year	<u>26,727</u>		<u>26,727</u>

COMPLIANCE SECTION

CITY OF LIBERTY, SOUTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2023

Federal Grantor/ Pass-Through Grantor/ Program Title	Assistance Listing Number	Grant / Contract Number	Expenditures
US DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Passed Through SC Department of Commerce:			
Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228	4-CI-20-013	\$ 21,700
Total US Department of Housing and Urban Development			<u>21,700</u>
US DEPARTMENT OF TREASURY			
Direct:			
COVID-19 - Coronavirus State and Local Fiscal Recovery Fund	21.027	1505-0271	785,100
Total US Department of Treasury			<u>785,100</u>
US DEPARTMENT OF THE INTERIOR			
Passed Through SC Department of Parks, Recreation, and Tourism			
Land and Water Conservation Fund State and Local Assistance Program	15.916	45-01151	50,000
Total US Department of the Interior			<u>50,000</u>
US ENVIRONMENTAL PROTECTION AGENCY			
Direct:			
Brownfields Multipurpose, Assessment, Revolving Loan Fund, and Cleanup Cooperative Grants	66.818	02D33022	13,834
Total US Environmental Protection Agency			<u>13,834</u>
TOTAL FEDERAL FINANCIAL ASSISTANCE EXPENSED			<u>\$ 870,634</u>

Note: There were no expenditures to subrecipients for the year ended June 30, 2023.

(Continued)

CITY OF LIBERTY, SOUTH CAROLINA

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2023

A. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) presents the activity of all federal award programs of the City of Liberty, South Carolina (the “City”) for the year ended June 30, 2023. Expenditures for federal financial assistance awarded directly from 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 are reported in the City’s financial statements generally as expenditures or expenses in the City’s General Fund and enterprise funds.

D. MATCHING COSTS

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

E. INDIRECT COST RATE

The City has elected not to use the 10-percent de minimus indirect cost rate allowed under the Uniform Guidance.

(This page intentionally left blank.)



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Liberty, South Carolina, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise City of Liberty, South Carolina's basic financial statements, and have issued our report thereon dated May 1, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Liberty, South Carolina'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 City of Liberty, South Carolina's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Liberty, South Carolina's internal control.

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Liberty, South Carolina'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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

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

Love Bailey & Associates, LLC

Laurens, South Carolina

May 1, 2024



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited City of Liberty, South Carolina's 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 City of Liberty, South Carolina's major federal programs for the year ended June 30, 2023. City of Liberty, South Carolina'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, City of Liberty, South Carolina 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, 2023.

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; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; 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 City of Liberty, South Carolina 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 City of Liberty, South Carolina'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 City of Liberty, South Carolina'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 City of Liberty, South Carolina'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 generally accepted auditing standards, *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 City of Liberty, South Carolina's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *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 City of Liberty, South Carolina'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 City of Liberty, South Carolina'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 City of Liberty, South Carolina'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.

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 certain deficiencies in internal control over compliance that we consider to be material weaknesses.

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.

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.

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.

Love Bailey & Associates, LLC

Laurens, South Carolina

May 1, 2024

**CITY OF LIBERTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2023**

Section I - Summary of Auditor's Results

Financial statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

- Material weakness(es) Identified?
- Significant deficiency(ies) Identified?
Noncompliance material to financial statements noted?

_____	Yes	X	No	
			None	
_____	Yes	X	Reported	
_____	Yes	X	No	

Federal awards

Internal control over major programs:

- Material Weakness(es) Identified?
- Significant deficiency(ies) Identified?

_____	Yes	X	No	
			None	
_____	Yes	X	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(a)?

_____	Yes	X	No	
-------	-----	---	----	--

Identification of major programs:

Assistance Listing Number(s)

Name of Federal Program or Cluster

21.027

COVID-19 - Coronavirus State and Local Fiscal Recovery Fund

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 LIBERTY, SOUTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2023**

SECTION II – FINANCIAL STATEMENT FINDINGS AND RESPONSES

None reported.

SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

None reported.

SECTION IV – SCHEDULE OF PRIOR YEAR FINDINGS

2022-001: MATERIAL WEAKNESS IN MAINTAINING AN ACCURATE GENERAL LEDGER IN THE YEAR END CLOSING PROCESS

Condition and Context: The following issues with the City’s general ledger and capital assets were noted during the audit:

- The City’s beginning equity balance did not roll forward in the General Fund due to there being entries that were not recorded and some that were not reversed from the previous year’s audit.
- The City did not record depreciation expense in the Water and Sewer Fund.
- The City does not have a formal, written capital asset policy. Such a policy would normally include the City’s capitalization threshold, how values are arrived at when capital assets are donated, its policy on infrastructure assets, etc.
- Individual capital assets are not always clearly identified in the City’s capital asset system, so there can be confusion as to what exactly these individual capital asset amounts are to represent.
- Capital assets are not being monitored. The listing of capital assets do not get updated on a quarterly or annual basis. Capital assets are expensed in the Water and Sewer Fund as repairs and maintenance. The City also does not update its capital asset listing based on capital items that are purchased during the year. The City should also ensure that construction in progress is being maintained as projects are started.
- The City failed to accrue a significant amount of revenue and expenditures in fiscal year 2022. The City operated on a cash basis during the year and needed assistance with their financial close process.

Criteria: The City should be closely monitoring these areas throughout the year.

Cause: Turnover at the City caused disruptions in the financial operations that impacted the closeout process at year end. The City also has limited staff and resources to consistently track its capital assets. The City is not maintaining awareness of potential capital transactions. Further, they are still learning their accounting software and require help from an external contract accountant for closing their books and some of the more complex accounting areas.

Effect: Due to prior year audit entries not being made and reversed in the next fiscal year, the City’s equity balance did not initially match the financial statements and did not roll forward from prior year to current year. Also, without a formal capital assets policy, the City may not always be consistent in the capitalization of purchased or donated items. If items are not properly capitalized and tracked, the City’s capital asset listing and associated depreciation will be incorrect resulting in the government-wide and

CITY OF LIBERTY, SOUTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2023

Proprietary Fund assets and expenditures being misstated. In the current year, expenditures were initially significantly overstated due to the City not capitalizing any of the water and sewer assets.

Status: The City hired additional staff and the finance department head count has been stable since fiscal year end 2022. The City recorded all entries made during the audit and matched the trial balance to the amounts issued in the audited financial statements. The City's capital asset additions and disposals were recorded, and the capital asset listing was monitored and updated. The City's close-out process was performed to ensure that the City's revenue and expenditures are recorded in the appropriate years.