

**CITY OF LAKE CITY,
SOUTH CAROLINA
FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020**

CITY OF LAKE CITY, SOUTH CAROLINA

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Greene Finney, LLP

CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lake City, South Carolina (the "City"), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lake City, South Carolina as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Other Matters

Required Supplementary Information

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

Supplementary Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 3, 2021 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Greene Finney, LLP
Mauldin, South Carolina
February 3, 2021

CITY OF LAKE CITY, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2020

As management of the City of Lake City (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2020. The intent of this discussion and analysis is to look at the City's financial performance as a whole. We would encourage readers to not only consider the information presented here, but also the information provided in the financial statements and notes to the financial statements to enhance their understanding of the City's overall financial performance.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by approximately \$23,623,000 (*net position*). Of this amount, approximately \$4,988,000 and \$18,635,000 were related to the City's governmental and business-type activities, respectively. In addition, the City's unrestricted net position (may be used to meet the government's ongoing obligations to citizens and creditors) was a deficit of approximately \$2,793,000 for its governmental activities (primarily due to the net pension and OPEB liabilities) and a surplus of approximately \$3,381,000 for its business-type activities.
- The City's total net position decreased by approximately \$349,000 for its governmental activities and increased by approximately \$428,000 for its business-type activities from the reported prior year net position. Total revenues of approximately \$11,650,000 exceed total expenses of approximately \$11,572,000 for the primary government.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of approximately \$2,632,000, an increase of approximately \$253,000 from the prior year's reported ending fund balance. Of this amount, \$361,000 is available for spending at the government's discretion (*unassigned fund balance*).

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of two parts –The *Financial Section* (which includes management's discussion and analysis, the financial statements, required supplementary information, and supplementary information) and the *Compliance Section*.

Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's financial statements. The City's financial statements comprise three components; 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The financial statements present two different views of the City through the use of government-wide statements and fund financial statements. In addition to the financial statements, this report contains required and other supplementary information that will enhance the reader's understanding of the financial condition of the City.

CITY OF LAKE CITY, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2020

OVERVIEW OF FINANCIAL STATEMENTS (CONTINUED)

Financial Statements (Continued)

Figure A-1 summarizes the major features of the City's financial statements, including the portion of the City's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

Figure A-1 Major Features of the City's Government-Wide and Fund Financial Statements			
	Government-Wide Financial Statements	Governmental Funds	Proprietary Funds
Scope	Entire City government	The activities of the City that are not proprietary	Activities the City operates similar to private businesses, in the City's case, the water and sewer operations
Required Financial Statements	<ul style="list-style-type: none"> Statement of Net Position Statement of Activities 	<ul style="list-style-type: none"> Balance Sheet Statement of Revenues, Expenditures, and Changes in Fund Balances 	<ul style="list-style-type: none"> Statement of Net Position Statement of Revenues, Expenses, and Changes in Net Position Statement of Cash Flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of balance sheet information	All balance sheet types – both financial and capital, and short-term and long-term	Only assets and deferred outflows of resources (if any) expected to be used and liabilities and deferred inflows of resources that come due during the year or soon, thereafter; no capital assets included	All balance sheet types – both financial and capital, and short-term and long-term
Type of inflow/outflow Information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid

Government-Wide Financial Statements. The financial statements include two kinds of statements that present different views of the City. The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances in a manner similar to a private-sector business.

The *Statement of Net Position* presents information on all of the City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference between them reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

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

CITY OF LAKE CITY, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2020

OVERVIEW OF FINANCIAL STATEMENTS (CONTINUED)

Financial Statements (Continued)

The government-wide financial statements are divided into two categories: governmental activities and business-type activities. The governmental activities include general government, public safety, streets and sanitation, economic and community development, and culture and recreation. Taxes, business licenses, building permits, and state and federal grant revenues finance most of these activities. The business-type activities are the City's water and sewer operations for which it charges its customers to provide.

The government-wide financial statements can be found as listed in the table of contents.

Fund Financial Statements. The fund financial statements provide a more detailed look at the City's most significant activities. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like all other governmental entities in South Carolina, uses fund accounting to ensure and reflect compliance with finance-related legal requirements, such as the General Statutes or the City's budget ordinance. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds – *Governmental funds* are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the City's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow (in and out), and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting* which provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the City's programs. The relationship between *governmental activities* (reported in the Statement of Net Position and the Statement of Activities) and *governmental funds* is described in a reconciliation that is a part of the fund financial statements.

The City maintains three (3) individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and the other nonmajor governmental funds. Information from the other nonmajor governmental funds is combined into aggregate presentations. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining schedules in the supplementary information section of this report.

Proprietary Funds – The City maintains one type of proprietary fund. *Enterprise Funds* are used to account for operations that (a) 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 uses two enterprise funds to account for both its water and sewer operations. The proprietary fund financial statements can be found as listed in the table of contents.

Fiduciary Fund – The City is the trustee, or *fiduciary*, for assets that belong to others, such as the 1% funds retained in the fireman's fund. The City is responsible for ensuring that the assets reported in this fund are used only for their intended purposes and by those to whom the assets belong. The City excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations. The City's fireman's fund is the only fiduciary fund.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found as listed in the table of contents.

CITY OF LAKE CITY, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2020

OVERVIEW OF FINANCIAL STATEMENTS (CONTINUED)

Financial Statements (Continued)

Required Supplementary Information – In addition to the financial statements and accompanying notes, this report includes certain required supplementary information. Regarding the City's major governmental fund, the City adopts an annual budget for its General Fund, as required by General Statutes. The City also presents required supplementary information related to its participation in the cost-sharing multiple-employer State pension plans and the other postemployment benefit plan. Required supplementary information can be found as listed in the table of contents.

Supplementary Information – Supplementary information is presented immediately following the required supplementary information. These schedules can be found as listed in the table of contents.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The following table provides a summary of the City's net position for 2020 compared to 2019:

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Assets:						
Current and Other Assets	\$ 3,115,568	2,899,729	6,368,560	6,218,546	9,484,128	\$ 9,118,275
Capital Assets, Net	8,570,801	9,126,213	23,998,741	23,880,275	32,569,542	33,006,488
Total Assets	<u>11,686,369</u>	<u>12,025,942</u>	<u>30,367,301</u>	<u>30,098,821</u>	<u>42,053,670</u>	<u>42,124,763</u>
Deferred Outflows of Resources:						
Deferred OPEB Charges	33,069	40,482	7,746	10,111	40,815	50,593
Deferred Pension Charges	1,331,029	1,968,842	355,549	502,053	1,686,578	2,470,895
Total Deferred Outflows of Resources	<u>1,364,098</u>	<u>2,009,324</u>	<u>363,295</u>	<u>512,164</u>	<u>1,727,393</u>	<u>2,521,488</u>
Liabilities:						
Net Pension Liability	5,214,502	5,070,906	1,543,298	1,542,083	6,757,800	6,612,989
Net OPEB Liability	269,258	274,359	63,069	68,527	332,327	342,886
Long-Term Obligations	997,882	1,265,737	9,346,554	9,646,145	10,344,436	10,911,882
Other Liabilities	808,846	952,743	898,277	716,636	1,707,123	1,669,379
Total Liabilities	<u>7,290,488</u>	<u>7,563,745</u>	<u>11,851,198</u>	<u>11,973,391</u>	<u>19,141,686</u>	<u>19,537,136</u>
Deferred Inflows of Resources:						
Deferred OPEB Credits	42,426	47,485	9,937	11,860	52,363	59,345
Deferred Pension Credits	729,575	1,086,654	234,056	418,527	963,631	1,505,181
Total Deferred Inflows of Resources	<u>772,001</u>	<u>1,134,139</u>	<u>243,993</u>	<u>430,387</u>	<u>1,015,994</u>	<u>1,564,526</u>
Net Position:						
Net Investment in Capital Assets	7,305,064	7,503,114	14,525,330	14,319,623	21,830,394	21,822,737
Restricted	476,074	513,854	729,283	1,026,913	1,205,357	1,540,767
Unrestricted	(2,793,160)	(2,679,586)	3,380,792	2,860,671	587,632	181,085
Total Net Position	<u>\$ 4,987,978</u>	<u>5,337,382</u>	<u>18,635,405</u>	<u>18,207,207</u>	<u>23,623,383</u>	<u>\$ 23,544,589</u>

The City's total assets of approximately \$42,054,000 decreased by approximately \$71,000 from the prior year. The decrease is primarily due to a decrease in capital assets of approximately \$437,000 partially offset by an increase in current and other assets of approximately \$365,000.

CITY OF LAKE CITY, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2020

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

The City's total deferred outflows of resources of approximately \$1,728,000 decreased approximately \$794,000 primarily due to changes in the components of the City's proportionate share of the State's pension plans.

The City's total liabilities of approximately \$19,142,000 decreased approximately \$395,000 primarily due to a decrease in the City's long-term obligations of approximately \$567,000 partially offset by an increase in other liabilities of \$38,000.

The City's total deferred inflows of resources of approximately \$1,016,000 decreased approximately \$549,000 primarily due to changes in the components of the City's proportionate share of the State's pension plans.

The City's total net position of approximately \$23,623,000 increased by approximately \$79,000 during the current fiscal year due to total revenues of approximately \$11,620,000 exceeding total expenses of approximately \$11,541,000.

The City's assets exceeded liabilities (net position) by approximately \$23,623,000 as of June 30, 2020. The largest portion of the City's net position of approximately \$21,830,000 (approximately 92% of total net position) reflects its investment in capital assets (i.e., land, buildings, furniture and equipment, infrastructure, etc.) less any related outstanding debt (including capital lease obligations) used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt generally must be provided from other sources, since generally the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position of approximately \$1,205,000 (approximately 5% of total net position) represents resources that are subject to external restrictions on how they may be used. This portion of net position is restricted primarily for debt service and other programs which are restricted by the revenue source.

The remaining portion of the City's net position is unrestricted net position of approximately \$588,000 (approximately 2% of total net position), which may be used to meet the government's ongoing obligations to citizens and creditors.

CITY OF LAKE CITY, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2020

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

The following table shows the changes in the City's net position for fiscal year 2020 compared to 2019.

	Governmental Activities		Business-Type Activities		Totals	
	2020	2019	2020	2019	2020	2019
Revenues:						
Program Revenues:						
Charges for Services	\$ 1,960,963	2,031,599	4,056,954	3,851,607	6,017,917	\$ 5,883,206
Operating Grants and Contributions	461,161	829,435	-	-	461,161	829,435
Capital Grants and Contributions	-	418,876	982,431	574,619	982,431	993,495
General Revenues:						
Taxes	4,018,520	3,829,584	-	-	4,018,520	3,829,584
Other	75,524	75,199	94,923	28,344	170,447	103,543
Total Revenues	<u>6,516,168</u>	<u>7,184,693</u>	<u>5,134,308</u>	<u>4,454,570</u>	<u>11,650,476</u>	<u>11,639,263</u>
Expenses:						
General Government	517,262	202,776	-	-	517,262	202,776
Public Safety	3,298,298	3,141,649	-	-	3,298,298	3,141,649
Streets and Sanitation	1,845,263	1,780,540	-	-	1,845,263	1,780,540
Economic Development	71,250	48,350	-	-	71,250	48,350
Culture and Recreation	647,060	1,129,351	-	-	647,060	1,129,351
Nondepartmental	466,866	439,635	-	-	466,866	439,635
Interest on Long-Term Obligations	69,573	82,822	-	-	69,573	82,822
Water and Sewer	-	-	4,656,110	4,397,865	4,656,110	4,397,865
Total Expenses	<u>6,915,572</u>	<u>6,825,123</u>	<u>4,656,110</u>	<u>4,397,865</u>	<u>11,571,682</u>	<u>11,222,988</u>
Increase in Net Position Before Transfers	(399,404)	359,570	478,198	56,705	78,794	416,275
Transfers	50,000	50,000	(50,000)	(50,000)	-	-
Change in Net Position	(349,404)	409,570	428,198	6,705	78,794	416,275
Net Position - Beginning of Year	<u>5,337,382</u>	<u>4,927,812</u>	<u>18,207,207</u>	<u>18,200,502</u>	<u>23,544,589</u>	<u>23,128,314</u>
Net Position - End of Year	<u>\$ 4,987,978</u>	<u>5,337,382</u>	<u>18,635,405</u>	<u>18,207,207</u>	<u>23,623,383</u>	<u>\$ 23,544,589</u>

Governmental Activities

Net position for governmental activities decreased by approximately \$349,000 in the current year. Key changes in governmental activities revenues and expenses compared to the prior year were as follows:

Total governmental activities revenues decreased by approximately \$669,000 from the prior year. Key changes in governmental revenues as compared to the prior year were as follows:

- Taxes increased approximately \$189,000 or 5% primarily due to increases in assessed values and millage rates compared to prior year.

CITY OF LAKE CITY, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2020

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Governmental Activities (Continued)

- Capital grants and contributions decreased by approximately \$419,000 or 100% due to decreased reimbursements from Florence County for projects which are being funded with the County's one percent sales and use tax.
- Operating grants and contributions decreased by approximately \$357,000 or 43% as a result of local donations received during the prior year.

Total governmental activities expenses increased by approximately \$90,000 or 1% from the prior year. Key changes in governmental expenses were primarily due to changes in the City's proportionate share of the State's pension plans and additional expenses related to the Covid-19 pandemic.

Business-Type Activities

Net position for business-type activities (water and sewer services) increased by approximately \$428,000 in the current year. Key changes in business-type activities revenues and expenses compared to the prior year were as follows:

Total business-type activities revenues increased by approximately \$680,000 or 15%. Key changes in business-type revenues as compared to the prior year were as follows:

- Capital grants and contributions increased approximately \$408,000 primarily due to the addition of the several capital projects funded by Florence County's one percent sales and use tax.
- Charges for services increased approximately \$205,000 primarily due to a rate increase for sewer services.

Total business-type activities expenses increased by approximately \$258,000 or 6% primarily due to an increase in payroll expense and depreciation.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

Governmental Funds

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

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balance of approximately \$2,632,000, an increase of approximately \$252,000 from the prior year fund balance. The increase in fund balance was the result of expenditures of approximately \$6,281,000 being exceeded by revenues and net other financing sources of approximately \$6,534,000. The changes in revenues, expenditures, and other financing sources/uses are explained in further detail below.

CITY OF LAKE CITY, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2020

FINANCIAL ANALYSIS OF THE CITY'S FUNDS (CONTINUED)

Governmental Funds (Continued)

At June 30, 2020 the City had \$361,000 in unassigned fund balance, which is available for spending at the government's discretion. The remainder of the fund balance is nonspendable, restricted, committed, or assigned to indicate that it is not available for new spending as it is legally restricted by an outside agency or has been committed or assigned by City Council as follows:

- Restricted for (1) Victims' Services of approximately \$14,000 is legally restricted by the revenue source, (2) Tourism Related Expenditures of approximately \$111,000 is legally restricted by the revenue source, and (3) for Public Safety of approximately \$93,000 is legally restricted by the revenue source.
- Committed for (1) Sanitation Operations of approximately \$203,000, (2) Insurance Deductibles of approximately \$2,000, (3) Unemployment of approximately \$37,000, (4) Litigation of approximately \$28,000, (5) Contingencies of approximately \$47,000, (6) Cart Replacement of approximately \$123,000, (7) Future Capital Outlay of approximately \$253,000, and (8) future OPEB payments of approximately \$524,000.
- Assigned for FY 2020 budget appropriations of approximately \$471,000.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the total fund balance was approximately \$2,280,000. As a measure of the General Fund's liquidity, it may be useful to compare total unassigned fund balance to total General Fund expenditures. Total unassigned fund balance of the General Fund was \$361,000 or 5.8% of operating expenditures for the year ended June 30, 2020.

Highlights for the General Fund were as follows:

- Total fund balance increased by approximately \$301,000 due to expenditures of approximately \$6,173,000 being exceeded by revenues and other financing sources of approximately \$6,474,000.
- Revenues decreased approximately \$737,000 or 11% due primarily from a decrease in grants of \$802,000 or 64%.
- Expenditures decreased approximately \$1,275,000 or 17%, due primarily from a decrease in capital outlay of \$1,003,000 or 94%.

Proprietary Funds

The City's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Net position of the Water and Sewer Enterprise Funds at the end of the fiscal year was approximately \$18,635,000, an increase of approximately \$428,000. Details of the activity in the Water and Sewer Enterprise Funds are provided above.

General Fund Budgetary Highlights

If budget amendments are made, they generally fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and 3) increases in appropriations that become necessary to maintain services. There were no budget amendments during the year.

CITY OF LAKE CITY, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2020

FINANCIAL ANALYSIS OF THE CITY'S FUNDS (CONTINUED)

General Fund Budgetary Highlights (Continued)

Overall, the City's General Fund revenues and expenditures were consistent with the final budget. No significant budget amendments were made during the current year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City's investment in capital assets as of June 30, 2020 and 2019 amounted to approximately \$32,570,000 and \$33,006,000 (net of accumulated depreciation), respectively. This investment in capital assets includes land, buildings, improvements, park improvements, motor vehicles, machinery and equipment, and water/sewer systems.

The City's capital assets (net of depreciation) as of June 30, 2020 and 2019 were as follows:

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Land	\$ 3,717,627	3,713,427	122,427	122,427	3,840,054	\$ 3,835,854
Construction in Progress	-	-	352,646	121,026	352,646	121,026
Building and Improvements	819,161	917,893	2,614,753	2,696,012	3,433,914	3,613,905
Infrastructure	2,267,494	2,417,049	-	-	2,267,494	2,417,049
Utility Systems and Improvements	-	-	20,108,983	20,287,667	20,108,983	20,287,667
Machinery and Equipment	1,766,519	2,077,844	799,932	653,143	2,566,451	2,730,987
Total	<u>\$ 8,570,801</u>	<u>9,126,213</u>	<u>23,998,741</u>	<u>23,880,275</u>	<u>32,569,542</u>	<u>\$ 33,006,488</u>

The total decrease in the City's investment in capital assets for the current fiscal year was approximately \$437,000. The decrease in the City's total capital assets is due to capital asset additions of approximately \$1,517,000 being exceeded by depreciation expense of approximately \$1,952,000 and disposals of approximately \$0 net of depreciation.

Additional information on the City's capital assets can be found in Notes I.B and III.E in the notes to the financial statements.

CITY OF LAKE CITY, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2020

CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)

Debt and Capital Leases

As of June 30, 2020 and 2019, the City had total outstanding debt (including capital leases) of approximately \$11,121,000 and \$11,629,000, respectively. Of the City's total debt, approximately \$450,000 was general obligation debt, which is backed by the full faith and credit of the City. The City's water and sewer revenues have been pledged for payment of the outstanding revenue bonds which totaled approximately \$9,646,000 as of June 30, 2020. The City's total debt and capital leases as of June 30, 2020 and 2019 were as follows:

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Debt:						
GOB - Landfill	\$ 450,000	580,000	-	-	450,000	\$ 580,000
Revenue Bond - January 2013	-	-	3,642,841	3,715,577	3,642,841	3,715,577
Revenue Bond - March 2013	-	-	258,300	264,031	258,300	264,031
Revenue Bond - December 2016	-	-	5,745,000	6,026,000	5,745,000	6,026,000
Total Debt	450,000	580,000	9,646,141	10,005,608	10,096,141	10,585,608
Capital Leases:						
Street Sweeper	21,368	42,157	-	-	21,368	42,157
Two Fire Trucks	680,863	766,959	-	-	680,863	766,959
Four Police Cars	-	16,379	-	-	-	16,379
One Car and 30 Body Cameras	-	48,936	-	-	-	48,936
Equipment	113,506	168,668	-	-	113,506	168,668
Diesel Pumps	-	-	209,075	-	209,075	-
Total Lease Purchase	815,737	1,043,099	209,075	-	1,024,812	1,043,099
Total	\$ 1,265,737	1,623,099	9,855,216	10,005,608	11,120,953	\$ 11,628,707

The total decrease in the City's debt and capital lease obligations for the current fiscal year was approximately \$508,000 due to regularly scheduled payments, partially offset by the addition of a capital lease in business-type activities of \$275,000.

Additional information regarding the City's long-term obligations can be found in Note III.F in the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES FOR THE CITY

The City of Lake City's Mayor and Council, appointed officials and all Department Heads took many factors into consideration when establishing the fiscal 2020-2021 budget. The City continues to experience significant growth in new businesses and expansions for existing business throughout the City. Lake City's economy has remained steady due to private investment and the work of public-private partnerships in the community. Even though State aid to political subdivisions is still not being funded adequately, City Administration is still committed to improving the efficiency and effectiveness of City services.

The General Fund budget for fiscal year 2020-2021 is \$7,199,000 or a 1% decrease from the prior year. The Water Fund budget is \$1,550,000 and the Sewer Fund budget is \$2,758,000 for a total Water/Sewer Enterprise Fund budget of \$4,308,000. The combined budget appropriation for fiscal year 2020-2021 is \$11,507,000.

CITY OF LAKE CITY, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2020

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES FOR THE CITY (CONTINUED)

Property and sales taxes represent the largest source of revenue for the City's General Fund. Water and sewer fees represent the largest revenue source for the Water/Sewer Fund. The combined General Fund and Debt Service millage rate is 184.1, which is no increase and thus within the State requirement for annual millage adjustments.

REQUESTS FOR CITY INFORMATION

This financial report is designed to provide a general overview of the finances of the City of Lake City for all those with an interest in the government's financing. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Mayor Lovith Anderson, Jr. at P.O. Box 1329, 202 Kelley Street, Lake City, South Carolina 29560.

Basic Financial Statements

CITY OF LAKE CITY, SOUTH CAROLINA

STATEMENT OF NET POSITION

JUNE 30, 2020

	PRIMARY GOVERNMENT		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 1,806,193	4,942,770	\$ 6,748,963
Cash and Cash Equivalents - Restricted	437,958	568,400	1,006,358
Investments	-	88,582	88,582
Taxes Receivable, Net	213,592	-	213,592
Accounts Receivables, Net	187,355	676,422	863,777
Due from Other Governments	362,851	-	362,851
Inventory	-	11,002	11,002
Prepaid Expenses	107,619	46,384	154,003
Assets Held for Sale	-	35,000	35,000
Total Current Assets	3,115,568	6,368,560	9,484,128
Non-Current Assets:			
Capital Assets:			
Non-Depreciable	3,717,627	475,073	4,192,700
Depreciable, Net	4,853,174	23,523,668	28,376,842
Total Non-Current Assets	8,570,801	23,998,741	32,569,542
TOTAL ASSETS	11,686,369	30,367,301	42,053,670
DEFERRED OUTFLOWS OF RESOURCES			
Deferred OPEB Charges	33,069	7,746	40,815
Deferred Pension Charges	1,331,029	355,549	1,686,578
TOTAL DEFERRED OUTFLOWS OF RESOURCES	1,364,098	363,295	1,727,393
LIABILITIES			
Current Liabilities:			
Accounts Payable	182,615	187,155	369,770
Accrued Interest	28,264	6,840	35,104
Other Accrued Liabilities	194,464	71,869	266,333
Unearned Revenue	-	77,318	77,318
Current Portion of Compensated Absences	97,197	46,433	143,630
Current Portion of Debt	306,306	508,662	814,968
Total Current Liabilities	808,846	898,277	1,707,123
Non-Current Liabilities:			
Net Pension Liability	5,214,502	1,543,298	6,757,800
Net OPEB Liability	269,258	63,069	332,327
Compensated Absences, Net of Current Portion	38,451	-	38,451
Debt, Less Current Portion	959,431	9,346,554	10,305,985
Total Non-Current Liabilities	6,481,642	10,952,921	17,434,563
TOTAL LIABILITIES	7,290,488	11,851,198	19,141,686
DEFERRED INFLOWS OF RESOURCES			
Deferred Other Postemployment Benefit ("OPEB") Credits	42,426	9,937	52,363
Deferred Pension Credits	729,575	234,056	963,631
TOTAL DEFERRED INFLOWS OF RESOURCES	772,001	243,993	1,015,994
NET POSITION			
Net Investment in Capital Assets	7,305,064	14,525,330	21,830,394
Restricted For:			
Debt Service	-	186,595	186,595
Victims' Services	13,879	-	13,879
Tourism Related Expenditures	369,257	-	369,257
Public Safety	92,938	-	92,938
Unrestricted	(2,793,160)	3,923,480	1,130,320
TOTAL NET POSITION	\$ 4,987,978	18,635,405	\$ 23,623,383

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

See accompanying independent auditor's report.

CITY OF LAKE CITY, SOUTH CAROLINA

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2020

FUNCTIONS/PROGRAMS	PROGRAM REVENUES				NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION		
	Expenses	Charges For Services	Operating Grants And Contributions	Capital Contributions	Governmental Activities	Business-Type Activities	Total
PRIMARY GOVERNMENT:							
Governmental Activities:							
General Government	\$ 517,262	1,107,444	161,311	-	751,493	-	\$ 751,493
Public Safety	3,298,298	60,914	149,350	-	(3,088,034)	-	(3,088,034)
Streets and Sanitation	1,845,263	772,059	-	-	(1,073,204)	-	(1,073,204)
Economic and Community Development	71,250	-	-	-	(71,250)	-	(71,250)
Culture and Recreation	647,060	20,546	150,500	-	(476,014)	-	(476,014)
Nondepartmental	466,866	-	-	-	(466,866)	-	(466,866)
Interest Expense	69,573	-	-	-	(69,573)	-	(69,573)
TOTAL GOVERNMENTAL ACTIVITIES	6,915,572	1,960,963	461,161	-	(4,493,448)	-	(4,493,448)
Business-Type Activities:							
Water	1,771,033	1,284,031	-	-	-	(487,002)	(487,002)
Sewer	2,885,077	2,772,923	-	982,431	-	870,277	870,277
TOTAL BUSINESS-TYPE ACTIVITIES	4,656,110	4,056,954	-	982,431	-	383,275	383,275
TOTAL - PRIMARY GOVERNMENT	\$ 11,571,682	6,017,917	461,161	982,431	(4,493,448)	383,275	\$ (4,110,173)
General Revenues:							
Taxes:							
Property Taxes Levied for General Purposes					\$ 1,843,950	-	\$ 1,843,950
Local Option Sales Taxes					1,148,351	-	1,148,351
Hospitality Taxes					217,021	-	217,021
Accommodation Taxes					37,256	-	37,256
Franchise Taxes					564,196	-	564,196
Other Taxes					207,746	-	207,746
Investment Income					4,250	94,923	99,173
Gain on Disposal of Capital Assets					12,114	-	12,114
Miscellaneous					59,160	-	59,160
Transfers In (Out)					50,000	(50,000)	-
Total General Revenues					4,144,044	44,923	4,188,967
CHANGE IN NET POSITION					(349,404)	428,198	78,794
NET POSITION, Beginning of Year					5,337,382	18,207,207	23,544,589
NET POSITION, End of Year					\$ 4,987,978	18,635,405	\$ 23,623,383

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

CITY OF LAKE CITY, SOUTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2020

	GENERAL FUND	OTHER NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS			
Cash and Cash Equivalents	\$ 1,805,693	500	\$ 1,806,193
Cash and Cash Equivalents, Restricted	124,575	313,383	437,958
Taxes Receivable, Net	174,334	39,258	213,592
Accounts Receivable, Net	187,355	-	187,355
Due From:			
County Treasurer	99,231	-	99,231
Other Governments	263,620	-	263,620
Other Funds	481	-	481
Prepays	107,619	-	107,619
TOTAL ASSETS	\$ 2,762,908	353,141	\$ 3,116,049
LIABILITIES			
Accounts Payable	\$ 181,454	1,161	\$ 182,615
Other Accrued Liabilities	194,464	-	194,464
Due To Other Funds	-	481	481
TOTAL LIABILITIES	375,918	1,642	377,560
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue - Property Taxes	106,576	-	106,576
TOTAL DEFERRED INFLOWS OF RESOURCES	106,576	-	106,576
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	482,494	1,642	484,136
FUND BALANCES			
Nonspendable:			
Prepays	107,619	-	107,619
Restricted:			
Victims' Services	13,879	-	13,879
Tourism Related Expenditures	110,696	258,561	369,257
Public Safety	-	92,938	92,938
Committed:			
Sanitation Operations	202,938	-	202,938
Insurance Deductibles	2,139	-	2,139
Unemployment	37,255	-	37,255
Litigation	27,893	-	27,893
Contingencies	46,589	-	46,589
Cart Replacement	123,291	-	123,291
Future Capital Outlay	252,369	-	252,369
OPEB	523,964	-	523,964
Assigned:			
FY 2021 Budget Appropriation	470,741	-	470,741
Unassigned	361,041	-	361,041
TOTAL FUND BALANCES	2,280,414	351,499	2,631,913
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 2,762,908	353,141	\$ 3,116,049

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

CITY OF LAKE CITY, SOUTH CAROLINA

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO NET POSITION
OF GOVERNMENTAL ACTIVITIES

JUNE 30, 2020

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS	\$	2,631,913
Amounts reported for the governmental activities in the Statement of Net Position are different because of the following:		
Property taxes receivable will be collected but are not available soon enough to pay for the current period's expenditures and; therefore, are considered unavailable in the governmental funds.		106,576
Capital assets used in governmental activities are not financial resources and; therefore, are not reported as assets in governmental funds. The cost of the assets was \$16,607,126 and the accumulated depreciation was \$8,036,325.		8,570,801
Accrued interest payable is reported for governmental activities, but it is not due and payable in the current period and therefore is not reported as a liability in the governmental funds.		(28,264)
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 pension plans are not recorded in the governmental funds but are recorded in the Statement of Net Position.		(4,613,048)
The City's net OPEB liability and deferred outflows of resources related to its OPEB Plan are not recorded in the governmental funds but are recorded in the Statement of Net Position.		(278,615)
Long-term obligations, including debt, capital leases and compensated absences, are not due or payable in the current period and therefore are not reported in the governmental funds. Long-term obligations consisted of:		
Long-Term Debt (including Capital Leases)		(1,265,737)
Compensated Absences		(135,648)
TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES	\$	4,987,978

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

CITY OF LAKE CITY, SOUTH CAROLINA

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

YEAR ENDED JUNE 30, 2020

	GENERAL FUND	OTHER NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES			
Property Taxes	\$ 1,811,727	-	\$ 1,811,727
Other Taxes	-	217,021	217,021
Franchise Fees	564,196	-	564,196
Licenses and Permits	1,107,444	-	1,107,444
Intergovernmental	1,393,354	-	1,393,354
Sanitation Fees	772,059	-	772,059
Fines and Forfeitures	48,500	12,415	60,915
Investment Earnings	4,019	231	4,250
Recreation Fees	20,546	-	20,546
Grants	445,788	-	445,788
Miscellaneous	74,532	-	74,532
TOTAL REVENUES ALL SOURCES	6,242,165	229,667	6,471,832
EXPENDITURES			
Current:			
General Government	331,452	-	331,452
Public Safety	2,657,359	104,667	2,762,026
Streets and Sanitation	1,723,313	-	1,723,313
Economic and Community Development	71,250	-	71,250
Culture and Recreation	427,769	3,521	431,290
Nondepartmental	466,866	-	466,866
Capital Outlay	62,182	-	62,182
Debt Service:			
Principal	357,362	-	357,362
Interest	75,704	-	75,704
TOTAL EXPENDITURES	6,173,257	108,188	6,281,445
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	68,908	121,479	190,387
OTHER FINANCING SOURCES (USES)			
Proceeds from the Sale of Assets	12,114	-	12,114
Transfers In	220,000	-	220,000
Transfers Out	-	(170,000)	(170,000)
TOTAL OTHER FINANCING SOURCES (USES)	232,114	(170,000)	62,114
NET CHANGES IN FUND BALANCES	301,022	(48,521)	252,501
FUND BALANCES, Beginning of Year - As Previously Reported	2,164,578	214,834	2,379,412
Reclassification of Fund Balance - See Note IV.E	(185,186)	185,186	-
FUND BALANCE, Beginning of Year - Reclassified	1,979,392	400,020	2,379,412
FUND BALANCES, End of Year	\$ 2,280,414	351,499	\$ 2,631,913

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

CITY OF LAKE CITY, SOUTH CAROLINA

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

YEAR ENDED JUNE 30, 2020

TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS	\$	252,501
Amounts reported for the governmental activities in the Statement of Activities are different because of the following:		
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. This amount represents the change in unavailable revenues related to property taxes for the year.		32,223
Bond principal payments and capital lease payments are expenditures in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.		357,362
Interest on long-term obligations in the Statement of Activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due and payable 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 and payable. This amount represents the change in accrued interest from the prior year.		6,131
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.		(20,626)
Changes in the City's proportionate share of the net pension liability, deferred outflows of resources, and deferred inflows of resources for the current year are not reported in the governmental funds but are reported in the Statement of Activities.		(424,330)
Changes in the City's net OPEB liability and deferred outflows of resources for the current year are not reported in the governmental funds but are reported in the Statement of Activities.		2,747
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 current year capital asset additions of \$81,756 exceeded depreciation expense of \$637,168.		(555,412)
TOTAL CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$	(349,404)

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

CITY OF LAKE CITY, SOUTH CAROLINA

STATEMENT OF NET POSITION - PROPRIETARY FUNDS
WATER AND SEWER FUNDS

JUNE 30, 2020

	WATER	SEWER	TOTAL
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 1,596,381	3,346,389	\$ 4,942,770
Cash and Cash Equivalents, Restricted	557,233	11,167	568,400
Investments	55,562	33,020	88,582
Accounts Receivable	119,377	557,045	676,422
Inventory	5,501	5,501	11,002
Prepaid Expenses	15,442	30,942	46,384
Assets Held for Sale	-	35,000	35,000
Total Current Assets	2,349,496	4,019,064	6,368,560
Noncurrent Assets:			
Capital Assets:			
Non-Depreciable	120,427	354,646	475,073
Depreciable, Net	13,988,510	9,535,158	23,523,668
Total Noncurrent Assets	14,108,937	9,889,804	23,998,741
TOTAL ASSETS	16,458,433	13,908,868	30,367,301
DEFERRED OUTFLOWS OF RESOURCES			
Deferred OPEB Charges	2,441	5,305	7,746
Deferred Pension Charges	110,468	245,081	355,549
TOTAL DEFERRED OUTFLOWS OF RESOURCES	112,909	250,386	363,295
LIABILITIES			
Current Liabilities:			
Accounts Payable	57,426	129,729	187,155
Accrued Interest	4,868	1,972	6,840
Accrued Liabilities	30,156	41,713	71,869
Unearned Revenue	77,318	-	77,318
Accrued Compensated Absences, Due Within One Year	14,863	31,570	46,433
Long-Term Obligations, Due Within One Year	277,572	231,090	508,662
Total Current Liabilities	462,203	436,074	898,277
Noncurrent Liabilities:			
Net Pension Liability	486,024	1,057,274	1,543,298
Net OPEB Liability	19,874	43,195	63,069
Long-Term Obligations, Net of Current Portion	7,452,537	1,894,017	9,346,554
Total Noncurrent Liabilities	7,958,435	2,994,486	10,952,921
TOTAL LIABILITIES	8,420,638	3,430,560	11,851,198
DEFERRED INFLOWS OF RESOURCES			
Deferred OPEB Credits	3,131	6,806	9,937
Deferred Pension Credits	73,710	160,346	234,056
TOTAL DEFERRED INFLOWS OF RESOURCES	76,841	167,152	243,993
NET POSITION			
Net Investment in Capital Assets	6,760,633	7,764,697	14,525,330
Restricted for Debt Service	175,428	11,167	186,595
Unrestricted	1,137,802	2,785,678	3,923,480
TOTAL NET POSITION	\$ 8,073,863	10,561,542	\$ 18,635,405

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

CITY OF LAKE CITY, SOUTH CAROLINA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - PROPRIETARY FUNDS
WATER AND SEWER FUNDS

YEAR ENDED JUNE 30, 2020

	WATER	SEWER	TOTAL
OPERATING REVENUES			
Water and Sewer Charges	\$ 1,129,839	2,701,830	\$ 3,831,669
Water and Sewer Tap Fees	21,690	10,177	31,867
Penalties and Other Revenue	132,502	60,916	193,418
TOTAL OPERATING REVENUES	1,284,031	2,772,923	4,056,954
OPERATING EXPENSES			
Salaries	442,678	859,935	1,302,613
Benefits	113,539	249,460	362,999
Non-Cash Pension Expense (Benefit)	(16,760)	(19,992)	(36,752)
Depreciation	608,971	706,522	1,315,493
Insurance	20,033	37,218	57,251
Other Operating Expenses	126,845	450,393	577,238
Professional Fees	22,291	21,973	44,264
Repairs and Maintenance	82,798	229,071	311,869
Supplies and Materials	31,752	26,317	58,069
Utilities	127,193	262,439	389,632
TOTAL OPERATING EXPENSES	1,559,340	2,823,336	4,382,676
OPERATING INCOME (LOSS)	(275,309)	(50,413)	(325,722)
NON-OPERATING REVENUE (EXPENSES)			
Grant Income	-	982,431	982,431
Investment Income	46,553	48,370	94,923
Interest Expense	(211,693)	(61,741)	(273,434)
TOTAL NON-OPERATING REVENUE (EXPENSES)	(165,140)	969,060	803,920
INCOME (LOSS) BEFORE TRANSFERS	(440,449)	918,647	478,198
Transfers Out	(20,000)	(30,000)	(50,000)
CHANGE IN NET POSITION	(460,449)	888,647	428,198
NET POSITION, Beginning of Year	8,534,312	9,672,895	18,207,207
NET POSITION, End of Year	\$ 8,073,863	10,561,542	\$ 18,635,405

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

CITY OF LAKE CITY, SOUTH CAROLINA

**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
WATER AND SEWER FUNDS**

YEAR ENDED JUNE 30, 2020

	WATER	SEWER	TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Received from Customers	\$ 1,492,132	2,712,994	\$ 4,205,126
Cash Payments to Suppliers for Goods and Services	(414,209)	(1,092,028)	(1,506,237)
Cash Payments to Employees for Services	(556,421)	(1,096,230)	(1,652,651)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>521,502</u>	<u>524,736</u>	<u>1,046,238</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Transfers and Advances Between Funds	(256,590)	(11,252)	(267,842)
NET CASH PROVIDED BY (USED IN) NON-CAPITAL FINANCING ACTIVITIES	<u>(256,590)</u>	<u>(11,252)</u>	<u>(267,842)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Capital Grants and Contributions	-	982,431	982,431
Proceeds from the Issuance of Debt	-	275,050	275,050
Acquisition and Construction of Capital Assets	(103,202)	(1,330,757)	(1,433,959)
Principal Paid on Bonds and Notes Payable	(269,436)	(156,006)	(425,442)
Interest Paid on Bonds and Notes Payable	(211,920)	(61,790)	(273,710)
NET CASH PROVIDED BY (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(584,558)</u>	<u>(291,072)</u>	<u>(875,630)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase and Sale of Investments	319,629	342,171	661,800
Investment Earnings	46,553	48,370	94,923
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>366,182</u>	<u>390,541</u>	<u>756,723</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS INCLUDING RESTRICTED CASH	46,536	612,953	659,489
CASH AND CASH EQUIVALENTS, Including Restricted Cash, Beginning of Year	<u>2,107,078</u>	<u>2,744,603</u>	<u>4,851,681</u>
CASH AND CASH EQUIVALENTS, Including Restricted Cash, End of Year	<u>\$ 2,153,614</u>	<u>3,357,556</u>	<u>\$ 5,511,170</u>
Reconciliation of Operating Income to Net Cash from Operating Activities:			
Operating Income (Loss)	\$ (275,309)	(50,413)	\$ (325,722)
Adjustments to Reconcile Operating Income (Loss) to Net Cash from Operating Activities:			
Depreciation Expense	608,971	706,522	1,315,493
Non-Cash Pension Expense	(16,760)	(19,992)	(36,752)
Non-Cash OPEB Expense	(1,870)	(3,146)	(5,016)
Change Due to (Increase) Decrease in Operating Assets:			
Accounts Receivable	168,378	(59,929)	108,449
Prepaid Expenses	(13,716)	(29,216)	(42,932)
Change Due to Increase (Decrease) in Operating Liabilities:			
Accounts Payable	25,203	(35,401)	(10,198)
Accrued Liabilities	(14,784)	11,000	(3,784)
Unearned Revenue	39,723	-	39,723
Accrued Compensated Absences	1,666	5,311	6,977
Net Cash Provided By (Used In) Operating Activities	<u>\$ 521,502</u>	<u>524,736</u>	<u>\$ 1,046,238</u>

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

CITY OF LAKE CITY, SOUTH CAROLINA

STATEMENT OF ASSETS AND LIABILITIES - FIDUCIARY FUND

JUNE 30, 2020

	AGENCY FUND
ASSETS	
Cash and Cash Equivalents	\$ 20,692
TOTAL ASSETS	\$ 20,692
LIABILITIES	
Held for the Benefit of Firemen	\$ 20,417
Accounts Payable	275
TOTAL LIABILITIES	\$ 20,692

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

CITY OF LAKE CITY, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

The City of Lake City, South Carolina (the “City”) embraces an area of approximately 15 miles. The City operates under a Mayor-Council form of government. The mayor and six members of council (the “Council”) establish policy for the City. The City’s major operations, as provided by its charter, include public safety (police and fire), streets and sanitation, economic and community development, culture and recreation, water and sewer services, and general administrative services.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. The Reporting Entity

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

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

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. Discretely presented component units, on the other hand, are reported in a separate column in the financial statements to emphasize they are legally separate from the City. Based on the criteria above, the City does not have any component units.

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 non-fiduciary activities of the City (the “Primary Government”). The effect of interfund activity has been removed from these 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.

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.

CITY OF LAKE CITY, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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 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 statements and the statements for governmental funds.

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. All revenues (including property taxes, franchise fees, intergovernmental revenues, licenses, etc.) are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers all revenues, with the exception of grants, to be available if they are collected within sixty (60) days of the end of the current fiscal period. Grant revenues are considered to be available if they are collected by the end of the subsequent fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payments are due and payable. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt 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 as an aid to 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 major funds and fund types are used by the City:

Governmental fund types are those through which most governmental functions of the City are financed. The City's expendable financial resources and related assets and liabilities (except for those accounted for in the Proprietary Funds) are accounted for through governmental funds. Governmental funds are accounted for using the current financial resources measurement focus and the modified accrual basis of accounting.

CITY OF LAKE CITY, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Special Revenue Funds are used to account for 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 or committed to expenditures for specified purposes other than debt service or capital projects. The City has the following Special Revenue Funds:

The **Local Hospitality Tax Fund, a non-major fund** and an unbudgeted fund, is used to account for and report the financial resources received and disbursed related to the tax imposed on food and beverage sales within the City that is restricted exclusively for (1) tourism-related buildings; (2) tourism-related cultural, recreational or historical facilities; (3) beach access and renourishment; (4) highways, roads, streets, and bridges providing access to tourist destinations; (5) advertisements and promotions related to tourism development; or (6) water and sewer infrastructure to serve tourism-related demand.

The **Drug Forfeiture Fund, a non-major fund** and an unbudgeted fund, is used to account for funds received directly from the enforcement of laws associated with illegal drug activity. Funds are restricted to be used for the enforcement of drug laws and certain law enforcement activities.

Proprietary Fund Types are accounted for based on the flow of economic resources measurement focus and use 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 does not have any internal service funds and has two enterprise funds.

Proprietary funds distinguish 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 proprietary 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 this definition are reported as non-operating items. Proprietary Fund types include the following funds:

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 two major Enterprise Funds:

The **Water Enterprise Fund** is used to account for water services provided to the residents of the City, including some surrounding areas. This is a budgeted fund.

The **Sewer Enterprise Fund** is used to account for sewer services provided to the residents of the City, including some surrounding areas. This is a budgeted fund.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Fiduciary Fund types are accounted for based on the flow of economic resources measurement focus and use of the accrual basis of accounting and are used to account for expendable assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds and include Trust Funds and Agency Funds. Fiduciary Fund Types include the following:

The Agency Fund, an unbudgeted fund, accounts for the receipt and disbursement of monies to and from the fire department related to 1% funds received from the State Firefighter's Association. These funds have no equity (assets are equal to liabilities) and do not include revenues and expenditures for general operation of the City. This accounting reflects the agency relationship of the City with the 1% funds received by the fire department.

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

1. Cash, Cash Equivalents, and Investments

Cash and Cash Equivalents

The City considers all highly liquid investments (including restricted assets) with original maturities of three months or less when purchased and investments in the South Carolina Local Government Investment Pool ("SCLGIP") to be cash equivalents. Securities with an initial maturity of more than three months (from when initially purchased) that are not purchased from the SCLGIP are reported as investments.

Investments

The City's investment policies are designed to operate within existing statutes (which are identical for all funds, fund types, and component units within the State of South Carolina) that authorize the City to invest in the following:

- (a) Obligations of the United States and its agencies, the principal and interest of which is fully guaranteed by the United States.
- (b) Obligations issued by the Federal Financing Bank, Federal Farm Credit Bank, the Bank of Cooperatives, the Federal Intermediate Credit Bank, the Federal Land Banks, the Federal Home Loan Banks, the Federal Home Loan Mortgage Corporation, the Federal National Mortgage Association, the Government National Mortgage Association, the Federal Housing Administration, and the Farmers Home Administration, if, at the time of investment, the obligor has a long-term, unenhanced, unsecured debt rating in one of the top two ratings categories, without regard to a refinement or gradation of rating category by numerical modifier or otherwise, issued by at least two nationally recognized credit rating organizations.
- (c) (i) General obligations of the State of South Carolina or any of its political units; or (ii) revenue obligations of the State of South Carolina or its political units, if at the time of investment, the obligor has a long-term, unenhanced, unsecured debt rating in one of the top two ratings categories, without regard to a refinement or gradation of rating category by numerical modifier or otherwise, issued by at least two nationally recognized credit rating organizations.
- (d) Savings and Loan Associations to the extent that the same are insured by an agency of the federal government.

CITY OF LAKE CITY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Investments (Continued)

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

The City's cash and investment objectives are preservation of capital, liquidity, and yield. The City reports cash and investments at fair value, which is discussed in Note I.C.10 below, with the exception of amounts invested in the SCLGIP.

SCLGIP investments are invested with the South Carolina State Treasurer's Office, which established the South Carolina Pool pursuant to Section 6-6-10 of the South Carolina Code. The Pool is an investment trust fund, in which public monies in excess of current needs, which are under the custody of any city treasurer or any governing body of a political subdivision of the State, may be deposited. In accordance with GASB Statement No. 31 "Accounting and Financial Reporting for Certain Investments and for External Investment Pools" and GASB Statement No. 72 "Fair Value Measurement and Application", investments are carried at fair value determined annually based upon (a) quoted market prices for identical or similar investments or (b) observable inputs other than quoted market prices. The total fair value of the Pool is apportioned to the entities with funds invested on an equal basis for each share owned, which are acquired at a cost of \$1.00. Funds may be deposited by Pool participants at any time and may be withdrawn upon 24 hours' notice. Financial statements for the Pool may be obtained by writing the Office of State Treasurer, Local Government Investment Pool, P.O. Box 11778, Columbia, SC 29211-1960.

Restricted cash and cash equivalents include amounts legally restricted by bond covenants and funding sources. The City's investments during the past year consisted of SCLGIP investments and securities as described in (b) above.

CITY OF LAKE CITY, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

2. *Receivables and Payables*

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

All trade and property tax receivables are shown net of an allowance for uncollectibles (if any).

3. *Inventories and Prepaid Items*

Inventories and prepaid items are reported under the consumption method (if material) as they are recorded as expenditures as they are used (consumed). Inventories (if any) are valued at cost (first-in, first-out). Inventories and prepaid items in the governmental funds are offset by non-spendable fund balance to reflect that portion of fund balance that is not spendable in form.

4. *Capital Assets*

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

All capital assets are valued at historical cost or estimated historical cost, if actual historical cost is not available. Donated capital assets are recorded at estimated acquisition value (as estimated by the City) at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. The City maintains a minimum capitalization threshold of an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years for all capital assets.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

CITY OF LAKE CITY, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

4. Capital Assets (Continued)

Capital assets of the City are depreciated using the straight-line method over the following estimated useful lives:

Description	City	Corporation
Computer Equipment	3 Years	N/A
Vehicles	3-5 Years	N/A
Equipment	5-15 Years	5-7 Years
System Infrastructure	7-15 Years	N/A
Public Domain Infrastructure	10-25 Years	N/A
Buildings and Improvements	25-40 Years	15 Years
Utility System	40-50 Years	N/A
Rental Buildings	N/A	27.5 Years

5. Compensated Absences

Individuals accumulate general leave, which constitutes vacation, at various rates depending on their years of service. Employees terminated or retiring are paid for accumulated general leave based on the hourly rate of pay earned at the time of termination or retirement. The employees are allowed to accumulate the number of hours earned based on the number of years the employee has been employed with the City. Any accumulation above that amount as of June 30th of any fiscal year shall be transferred to sick leave. Individuals accumulate sick leave at a rate of eight hours per month of service with no limit on the maximum number of days accumulated. Sick leave may be used in the event of sickness, injury, or medical appointments of the employee or his/her immediate family. Employees terminated or retiring are not paid for accumulated sick leave.

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 are reported in the government-wide financial statements. The portion of the liability that is applicable to the City's water and sewer activities is also reported in the City's Proprietary Funds. The governmental funds will also recognize compensated absences for terminations and retirements (matured liabilities) that occurred prior to year end that are expected to be paid within a short time subsequent to year end, if they are material.

6. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements. The portion applicable to the Proprietary Funds is also recorded in the Proprietary Fund financial statements. All current payables and accrued liabilities from governmental funds are reported in the governmental fund financial statements.

In the government-wide financial statements, long-term debt, and other long-term obligations are reported as liabilities on the Statement of Net Position. When applicable, bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method that approximates the effective interest method. Bond issuance costs are recorded as expenses in the period the debt is issued. Bonds payable are reported net of the applicable bond premiums or discounts, if applicable.

CITY OF LAKE CITY, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

7. *Deferred Outflows and Inflows of Resources*

In addition to assets, the Statement of Net Position and the Balance Sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City currently has two types of deferred outflows of resources: (1) The City reports deferred pension charges in its Statement(s) of Net Position in connection with its participation in the South Carolina Retirement System and the South Carolina Police Officers Retirement System. (2) The City reports deferred other postemployment benefits ("OPEB") charges in its Statement(s) of Net Position in connection with the City's OPEB plan. The deferred pension and OPEB charges are either (a) recognized in the subsequent period as a reduction of the net pension/OPEB liability (which includes contributions made after the measurement date) or (b) amortized in a systematic and rational method as pension/OPEB expense in future periods in accordance with GAAP.

In addition to liabilities, the Statement of Net Position and the Balance Sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City currently has three types of deferred inflows of resources: (1) The City reports unavailable revenue for property taxes only in the governmental funds Balance Sheet; it is deferred and recognized as an inflow of resources (revenues) in the period the amounts become available. (2) The City also reports deferred pension credits in its Statements of Net Position in connection with its participation in the South Carolina Retirement System and South Carolina Police Officers Retirement System. (3) The City reports deferred OPEB credits in its Statements of Net Position in connection with its OPEB plan. The deferred pension credits are amortized in a systematic and rational method and recognized as a reduction of pension expense in future periods in accordance with GAAP.

8. *Fund Balance*

The City implemented GASB Statement No. 54 "*Fund Balance Reporting and Governmental Fund Type Definitions*" ("GASB #54") in fiscal year 2011. The objective of GASB #54 was to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and clarify the existing governmental fund type definitions. GASB #54 establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in the governmental funds. The City classifies governmental fund balances as follows:

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

8. Fund Balance (Continued)

Nonspendable – includes amounts that inherently cannot be spent either because they are 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. Committed amounts for the City consist of amounts approved by a majority vote of the City Council.

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. The City Council is the only party that has the authority to assign fund balance.

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 of restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

The City generally requires 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.

9. Net Position

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

10. Fair Value

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

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

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

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

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

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

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

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

11. 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 (if any) and liabilities and deferred inflows of resources (if any) 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.

12. Pensions and Other Postemployment Benefits

In government-wide financial statements, pensions and other postemployment benefits ("OPEB") are required to be recognized and disclosed using the accrual basis of accounting (see Note IV.B and Note IV.C and the required supplementary information immediately following the notes to the financial statements for more information), regardless of the amounts recognized as pension and OPEB expenditures on the modified accrual basis of accounting.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

12. Pensions and Other Postemployment Benefits (Continued)

The City recognizes net pension and net OPEB liabilities (assets) for each plan for which it participates, which represents the excess of the total pension and OPEB liabilities over the fiduciary net position of the qualified 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 and OPEB liabilities during the period are recorded as pension and OPEB expenses, or as deferred outflows or inflows of resources depending on the nature of the change, in the period incurred. Those changes in net pension and OPEB liabilities 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 plan and recorded as a component of pension and OPEB expense beginning with the period in which they are incurred. Any projected earnings on qualified pension and OPEB plan investments are recognized as a component of pension and OPEB expense. Differences between projected and actual investment earnings are reported as deferred outflows or inflows of resources and amortized as a component of pension and OPEB expense on a closed basis over a five-year period beginning with the period in which the difference occurred.

13. Comparative Data

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

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

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

Budgets are adopted on a GAAP basis. During the spring, the City's Administration, with other department input, develops a preliminary budget model for operational and capital expenditures, and develops revenue projections as a proposed means of financing the proposed expenditures.

Upon receipt of the budget estimates, the Council holds a first reading of the budget ordinance. Information about the budget ordinance is then published in the local newspaper. The ordinance sets the limit at the fund level, for which expenditures may not exceed appropriations. After two readings of the budget, the City Council legally adopts the budget through the passage of the ordinance.

Budget accountability rests primarily with the operating departments of the City. In accomplishing the programs and objectives for which the budget was authorized, department directors are responsible for ensuring that their respective expenditures do not exceed the prescribed funding levels.

For each assigned function, a department is obligated to stay within budget for its area. The City Mayor has the authority to transfer funds across departments. Such transfers are entered on the City's records. A contingent amount equal to five percent of all departmental budgeted expenditures is placed under the control of the City Manager to be used at his discretion if necessary. If a department requires a change to the budget of more than ten percent of its original budget the Council must approve the adjustment. All unused expenditure appropriations lapse at year-end. However, City Council must approve any revisions that alter the total expenditures of any fund.

Budgeted amounts are as originally adopted, or as amended by City Council.

CITY OF LAKE CITY, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

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 policy for custodial credit risk, but follows the investment policy statutes of the State of South Carolina. As of June 30, 2020, none of the City's bank balances of approximately \$5,843,000 (with a carrying value of approximately \$5,662,000) were subject to custodial credit risk.

Investments

As of June 30, 2020, the City had the following investments:

Investment Type	Fair Value Level ⁽¹⁾	Credit Rating [^]	Fair Value	Investment Maturity in Years < 1 yr
SC Local Government Investment Pool	N/A ⁽²⁾	NR, NR	\$ 1,419,081	\$ 1,419,081
US Treasury Securities	Level 1	AAAm, Aaa-mf	783,952	783,952
Total			<u>\$ 2,203,033</u>	<u>\$ 2,203,033</u>

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

⁽¹⁾ See Note I.C.10 for details of the City's fair value hierarchy.

⁽²⁾ Investments that have a net asset value are not subject to the fair value hierarchy.

NR – Not rated.

Interest Rate Risk: The City does not have a formal policy limiting investment maturities that would help manage its exposure to fair value losses from increasing interest rates.

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

Credit Risk for Investments: Credit risk for investments is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City does not have a have formal investment policy that limits its exposure to credit risk for investments.

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

CITY OF LAKE CITY, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

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

A. Deposits and Investments (Continued)

Reconciliation to the Financial Statements

The following table reconciles deposits and investments within the notes to the financial statements to the amounts in the financial statements:

	Financial Statements
Statement of Net Position:	
Cash and Cash Equivalents	\$ 6,748,963
Cash and Cash Equivalents - Restricted	1,006,358
Investments	88,582
Statement of Assets and Liabilities - Agency Fund:	
Cash and Cash Equivalents	20,692
Total	<u>\$ 7,864,595</u>
	Notes to the Financial Statements
Deposits	\$ 5,661,562
Investments	2,203,033
Total	<u>\$ 7,864,595</u>

B. Property Taxes and Other Receivables

Receivables as of June 30, 2020 for the City's individual major funds, including the applicable allowance for uncollectible amounts, are as follows:

	General Fund	Water Fund	Sewer Fund	Total
Receivables:				
Taxes Receivable	\$ 190,494	-	-	\$ 190,494
Accounts Receivable	192,567	126,822	581,615	901,004
Due From:				
County Treasurer	99,231	-	-	99,231
Other Governments	263,620	-	-	263,620
Gross Receivables	<u>745,912</u>	<u>126,822</u>	<u>581,615</u>	<u>1,454,349</u>
Less Allowance For:				
Taxes Receivable	(16,160)	-	-	(16,160)
Accounts Receivable	(5,212)	(7,445)	(24,570)	(37,227)
Net Receivables	<u>\$ 724,540</u>	<u>119,377</u>	<u>557,045</u>	<u>\$ 1,400,962</u>

CITY OF LAKE CITY, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

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

B. Property Taxes and Other Receivables (Continued)

Property Taxes

The City's fiscal year 2020 real and business personal property taxes (which were for tax year 2019) were levied on October 1, 2019 and were due beginning on this date based on the assessed valuation as of January 1, 2019. Property taxes were considered late on January 16, 2020. Motor vehicle property tax is levied and collected on a portion of taxable vehicles monthly. Penalties and charges are assessed if taxes are not paid by the following dates:

January 16 through February 1	- 3% penalty for tax due
February 2 through March 15	- 10% penalty for tax due
March 16 - Lien Date	- 15% penalty for tax due plus \$15 for a delinquent execution charge
Unpaid Taxes After One Year	- Property is sold by the County Tax Collector at the annual tax sale held the first Monday in November each year.

Assessed values are established by the Florence County Tax Assessor and the South Carolina Tax Commission. The City's operating tax rate for the 2019 property tax year was 174.2 mills. City property taxes are billed and collected by Florence County under a joint billing and collection agreement.

C. Unearned and Unavailable Revenue

Governmental funds report unavailable revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned (unearned revenue).

At June 30, 2020, the General Fund had approximately \$107,000 in revenue related to property taxes that was not available (unavailable revenue – property taxes). Unearned revenues of approximately \$77,000 in the Water Fund represent customer prepayments for services to be provided.

D. Interfund Receivables, Payables, and Transfers

Interfund balances at June 30, 2020, consisted of the following:

Fund	Receivables	Payables
General Fund	\$ 481	\$ -
Other Nonmajor Governmental Funds	-	481
Total	<u>\$ 481</u>	<u>\$ 481</u>

Interfund balances generally result from the time lag between the dates that interfund goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made. The General Fund receivable is the result of expenditures that were initially paid for by the General Fund on behalf of other funds. This balance was repaid subsequent to June 30, 2020.

CITY OF LAKE CITY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020

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

D. Interfund Receivables, Payables, and Transfers (Continued)

Transfers between funds for the year ended June 30, 2020, consisted of the following:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 220,000	\$ -
Other Nonmajor Governmental Funds	-	170,000
Water Fund	-	20,000
Sewer Fund	-	30,000
Total	<u>\$ 220,000</u>	<u>\$ 220,000</u>

The Hospitality Tax Fund transferred funds to the General Fund to partially offset tourism related expenditures. The Water and Sewer Funds transferred funds to the General Fund to partially offset administrative expenditures.

E. Capital Assets

Capital asset activity for the City's governmental activities for the year ended June 30, 2020 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balance</u>
Governmental Activities:					
Capital Assets, Non-Depreciable:					
Land	\$ 3,713,427	4,200	-	-	\$ 3,717,627
Total Capital Assets, Non-Depreciable	<u>3,713,427</u>	<u>4,200</u>	<u>-</u>	<u>-</u>	<u>3,717,627</u>
Capital Assets, Depreciable:					
Buildings	2,992,687	-	-	-	2,992,687
Infrastructure	3,507,421	-	-	-	3,507,421
Machinery	6,110,218	77,556	(201,617)	-	6,389,391
Total Capital Assets, Depreciable	<u>12,610,326</u>	<u>77,556</u>	<u>(201,617)</u>	<u>-</u>	<u>12,889,499</u>
Less: Accumulated Depreciation for:					
Buildings	2,074,794	98,732	-	-	2,173,526
Infrastructure	1,090,372	149,555	-	-	1,239,927
Machinery	4,032,374	388,881	(201,617)	-	4,622,872
Total Accumulated Depreciation	<u>7,197,540</u>	<u>637,168</u>	<u>(201,617)</u>	<u>-</u>	<u>8,036,325</u>
Total Capital Assets, Depreciable, Net	<u>5,412,786</u>	<u>(559,612)</u>	<u>-</u>	<u>-</u>	<u>4,853,174</u>
Governmental Activities Capital Assets, Net	<u>\$ 9,126,213</u>	<u>(555,412)</u>	<u>-</u>	<u>-</u>	<u>\$ 8,570,801</u>

CITY OF LAKE CITY, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

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

E. Capital Assets (Continued)

Depreciation expense for the City's governmental activities was charged to functions/programs as follows:

Functions/Programs	Depreciation Expense
Governmental Activities:	
General Government	\$ 160,131
Public Safety	224,072
Streets and Sanitation	80,659
Cululture and Recreation	172,306
Total - Governmental Activities	<u>\$ 637,168</u>

Capital asset activity for the City's business-type activities for the year ended June 30, 2020 was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Business-Type Activities:					
Capital Assets, Non-Depreciable					
Land	\$ 122,427	-	-	-	\$ 122,427
Construction in Progress	121,026	1,001,632	(900)	(769,112)	352,646
Total Capital Assets, Non-Depreciable	<u>243,453</u>	<u>1,001,632</u>	<u>(900)</u>	<u>(769,112)</u>	<u>475,073</u>
Capital Assets, Depreciable					
Buildings	3,406,593	-	-	-	3,406,593
Utility Systems and Improvements	39,117,299	77,541	-	769,112	39,963,952
Machinery and Equipment	2,901,936	355,686	(44,634)	-	3,212,988
Total Capital Assets, Depreciable	<u>45,425,828</u>	<u>433,227</u>	<u>(44,634)</u>	<u>769,112</u>	<u>46,583,533</u>
Less: Accumulated Depreciation for:					
Buildings	710,581	81,259	-	-	791,840
Utility Systems and Improvements	18,829,632	1,025,337	-	-	19,854,969
Machinery and Equipment	2,248,793	208,897	(44,634)	-	2,413,056
Total Accumulated Depreciation	<u>21,789,006</u>	<u>1,315,493</u>	<u>(44,634)</u>	<u>-</u>	<u>23,059,865</u>
Total Capital Assets, Depreciable, Net	<u>23,636,822</u>	<u>(882,266)</u>	<u>-</u>	<u>769,112</u>	<u>23,523,668</u>
Business-Type Activities Capital Assets, Net	<u>\$ 23,880,275</u>	<u>119,366</u>	<u>(900)</u>	<u>-</u>	<u>\$ 23,998,741</u>

CITY OF LAKE CITY, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

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

E. Capital Assets (Continued)

Depreciation expense for the City's business-type activities was charged to functions/programs as follows:

Functions/Programs	Depreciation Expense
Business-Type Activities:	
Water	\$ 608,971
Sewer	706,522
Total - Business-Type Activities	<u>\$ 1,315,493</u>

F. Long-Term Obligations

The City issues bonds to provide funds for the acquisition and construction of major capital facilities as well as the acquisition of machinery, equipment, and vehicles. General Obligation Bonds ("GOB") are direct obligations and pledge the full faith and credit of the City. Revenue Bonds ("RB") are obligations of the City that are secured by revenue from a specific source. Capital Lease ("CL") obligations are special obligations of the City payable from the general revenues of the City. All of the City's debt issuances are direct placement ("DB"). The full faith, credit and taxing powers of the City are not pledged for the payment of revenue bonds, bank loans, or capital lease obligations nor the interest thereon.

Details on the City's outstanding debt issues and capital lease obligations as of June 30, 2020 are as follows:

	Principal Outstanding at Year End
<u>General Obligation Bonds - DB</u>	
The City issued a general obligation bond on October 4, 2007. The proceeds were used to construct a landfill. The bond was issued as a single written bond in fully registered form. The bond bears interest at the rate of 3.73% per annum calculated on the basis of a 360 day year. Payments are due annually on October 4th beginning on October 4, 2008 and ending on October 4, 2022.	<u>\$ 450,000</u>

CITY OF LAKE CITY, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

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

F. Long-Term Obligations (Continued)

	Principal Outstanding at Year End
<u>Revenue Bonds - DB</u>	
The City issued \$3,521,597 in Waterworks and Sewer System Improvement Bonds on January 1, 2013 and made additional draws in subsequent years, including \$118,699 during the current year. Payments in the amount of \$13,733, including interest at a rate of 2.5%, are due monthly through January 1, 2053.	\$ 3,642,841
The City issued \$281,314 in Waterworks and Sewer System Improvement Bonds on March 21, 2013. Payments in the amount of \$886, including interest at a rate of 1.875%, are due monthly through March 21, 2053.	258,300
The City issued \$6,487,000 in Waterworks and Sewer System Refunding and Improvement Revenue Bonds on December 15, 2016. Principal payments including interest payments at a rate of 2.80%, are due monthly through June 1, 2036.	5,745,000
Total Revenue Bonds	\$ 9,646,141
<u>Capital Leases - DB</u>	
On August 25, 2010, the City entered into a lease/purchase agreement for the acquisition of a street sweeper. Annual installments in the amount of \$21,961 began on August 25, 2011 and end on August 25, 2020. Interest is being charged at approximately 2.78%. The asset is being depreciated and is included in the depreciation expense for the governmental activities.	\$ 21,368
On October 6, 2014, the City entered into a lease/purchase agreement in the amount of \$1,200,000 for the acquisition of two fire trucks. The first payment was due September 9, 2014 in the amount of \$113,395. Annual payments in the amount of \$109,488 began September 9, 2015 with the final payment being made September 9, 2027. Interest is being charged at 3.05%.	680,863
On June 12, 2017, the City entered into a lease/purchase agreement in the amount of \$276,500 for the acquisition of various equipment. Annual payments in the amount of \$58,384 began on June 1, 2018 and end on June 1, 2022. Interest is being charged at 1.91%.	113,506
On September 23, 2019, the City entered into a lease/purchase agreement in the amount of \$275,050 for the acquisition of diesel pumps. Annual payments in the amount of \$142,990 began on February 1, 2020 and end on January 1, 2022. Interest is being charged at 3.25%.	209,075
Total Capital Lease Obligations	\$ 1,024,812

CITY OF LAKE CITY, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

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

F. Long-Term Obligations (Continued)

Presented below is a summary of changes in long-term obligations for the year ended June 30, 2020 for the City's governmental activities:

Long-Term Obligations	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
GO Bonds - DB:					
Landfill	\$ 580,000	-	130,000	450,000	\$ 140,000
Total GO Bonds	580,000	-	130,000	450,000	140,000
Capital Leases - DB:					
Street Sweeper	42,157	-	20,789	21,368	21,368
Two Fire Trucks	766,959	-	86,096	680,863	88,722
Four Police Cars	16,379	-	16,379	-	-
One Car and 30 Body Cameras	48,936	-	48,936	-	-
Equipment	168,668	-	55,162	113,506	56,216
Total Capital Leases	1,043,099	-	227,362	815,737	166,306
Accrued Compensated Absences	115,022	103,044	82,418	135,648	97,197
Total Governmental Activities	\$ 1,738,121	103,044	439,780	1,401,385	\$ 403,503

Presented below is a summary of changes in long-term obligations for the year ended June 30, 2020 for the City's business-type activities:

Long-Term Obligations	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-Type Activities:					
Revenue Bonds - DB:					
January 2013	\$ 3,715,577	-	72,736	3,642,841	\$ 74,572
March 2013	264,031	-	5,731	258,300	5,839
December 2016	6,026,000	-	281,000	5,745,000	290,000
Total Revenue Bonds	10,005,608	-	359,467	9,646,141	370,411
Capital Leases - DB:					
Diesel Pumps	-	275,050	69,975	209,075	138,251
Total Capital Leases	-	275,000	69,975	209,075	138,251
Accrued Compensated Absences	39,456	49,494	42,517	46,433	46,433
Total Business-Type Activities	\$ 10,045,064	324,494	471,959	9,901,649	\$ 555,095

Interest paid on the debt issued by the City is exempt from federal income tax. The City sometimes temporarily reinvests the proceeds of such tax-exempt debt in higher-yielding taxable securities, especially during construction projects. The federal tax code refers to this practice as arbitrage. Excess earnings (the difference between the interest on the debt and the investment earnings received) resulting from arbitrage must be rebated to the federal government. The City had no arbitrage liability at June 30, 2020.

CITY OF LAKE CITY, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

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

F. Long-Term Obligations (Continued)

Article X, Section 15 of the South Carolina Constitution of 1895, as amended, provides that no Town or City 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 City voting in favor of such further bonded debt. Prior to Home Rule Act of July 1, 1976, the bonded debt exemption was thirty five percent (35%). In 1976, the General Assembly reduced the general obligation debt limit without voter approval to eight percent (8%) of assessed valuation; whereas, with a referendum any amount can be floated. As of June 30, 2020, the City had approximately \$450,000 of bonded debt subject to the 8% limit of approximately \$1,175,000 resulting in an unused legal debt margin of approximately \$725,000.

Presented below are the debt service requirements to maturity for the governmental and business-type activities:

Year Ending June 30,	Governmental Activities		Business-Type Activities		Totals
	Principal	Interest	Principal	Interest	
2021	\$ 306,306	45,052	508,662	260,616	\$ 1,120,636
2022	298,718	31,389	451,231	246,433	1,027,771
2023	254,217	21,240	390,453	235,371	901,281
2024	97,091	12,398	400,550	224,706	734,745
2025	100,052	9,437	411,699	213,765	734,953
2026-2030	209,353	9,626	2,233,660	893,848	3,346,487
2031-2035	-	-	2,560,030	571,274	3,131,304
2036-2040	-	-	1,048,583	278,821	1,327,404
2041-2045	-	-	690,394	186,746	877,140
2046-2050	-	-	780,682	96,458	877,140
2051-2053	-	-	379,272	10,835	390,107
Totals	\$ 1,265,737	129,142	9,855,216	3,218,874	\$ 14,468,969

There are limitations, restrictions, and covenants contained in the various bond indentures and ordinances. As of June 30, 2020, the City is in compliance with all significant restrictions and covenants.

IV. OTHER INFORMATION

A. Risk Management

Participation in Public Entity Risk Pools for Property and Casualty Insurance

The City is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, and natural disasters. The City obtains its general risk insurance through the SC Insurance Reserve Fund. There were no significant reductions in coverage in the past fiscal year and settled claims in excess of insurance coverage for the last three years were immaterial.

The City insured itself from losses related to worker's compensation through the State Accident Fund. There were no significant reductions in coverage in the past fiscal year and settled claims in excess of insurance coverage for the last three years were immaterial.

CITY OF LAKE CITY, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

IV. OTHER INFORMATION (CONTINUED)

A. Risk Management (Continued)

Participation in Public Entity Risk Pools for Property and Casualty Insurance (Continued)

The City is also subject to risks of loss from providing health, accident, and other medical benefits to employees and their dependents. The City offers health insurance coverage to its employees through Blue Cross Blue Shield of South Carolina. There were no significant reductions in coverage in the past fiscal year and settled claims in excess of insurance coverage for the last three years were immaterial.

For each of the insurance programs and public entity risk pools in which it participates, the City has effectively transferred all risk with no liability for unfunded claims.

B. Retirement Plans

The City participates in the State of South Carolina's retirement plans, which are administered by the South Carolina Public Employee Benefit Authority ("PEBA"). The PEBA, created on July 1, 2012 and governed by an 11-member Board of Directors ("PEBA Board"), is the state agency responsible for the administration and management of the various retirement systems and retirement programs of the state of South Carolina, including the State Optional Retirement Program and the S.C. Deferred Compensation Program, as well as the state's employee insurance programs. As such, the PEBA is responsible for administering the South Carolina Retirement Systems' ("Systems") five defined benefit pension plans. The Retirement Funding and Administration Act of 2017, which became effective July 1, 2017, increased the employer and employee contribution rates, established a ceiling on the SCRS and PORS employee contribution rates, lowered the assumed rate of return, required a scheduled reduction of the funding periods, and addressed various governance issues including the assignment of the PEBA Board as custodian of the retirement trust funds and assignment of the Retirement Systems Investment Commission ("RSIC") and PEBA as co-trustees of the assets of the retirement trust funds. By law, the State Fiscal Accountability Authority ("SFAA"), which consists of five elected officials, also reviews certain PEBA Board decisions regarding the actuary of the Systems.

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

The PEBA issues a Comprehensive Annual Financial Report ("CAFR") containing financial statements and required supplementary information for the System's Pension Trust Funds. The CAFR is publicly available through the Retirement Benefits' link on 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 comprehensive annual financial report of the state.

Plan Description

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

CITY OF LAKE CITY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020

IV. OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

Plan Description (Continued)

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 allowances and other benefits for police officers and firefighters. PORS also covers peace officers, coroners, probate judges, and magistrates.

Plan Membership

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

- SCRS – Generally, all employees of covered employers are required to participate in and contribute to the system as a condition of employment. This plan covers general employees and teachers and individuals newly elected to the South Carolina General Assembly beginning with the November 2012 general election. An employee member of the system with an effective date of membership prior to July 1, 2012, is a Class Two member. An employee member of the system with an effective date of membership on or after July 1, 2012, is a Class Three member.
- PORS – To be eligible for PORS membership, an employee must be required by the terms of his employment, by election or appointment, to preserve public order, protect life and property, and detect crimes in the state; to prevent and control property destruction by fire; or to serve as 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 LAKE CITY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020

IV. OTHER INFORMATION (CONTINUED)

B. 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 contribution requirements must be sufficient to maintain an amortization period for the financing of the unfunded actuarial accrued liability (“UAAL”) over a period that does not exceed the number of years scheduled in state statute. Legislation in 2017 increased, but also established a ceiling for SCRS and PORS employee contribution rates. Effective July 1, 2017, employee rates were increased to a capped rate of 9.00 percent for SCRS and 9.75 percent for PORS. The legislation also increased employer contribution rates beginning July 1, 2017 for both SCRS and PORS by two percentage points and further scheduled employer contribution rates to increase by a minimum of one percentage point each year through July 1, 2022. If the scheduled contributions are not sufficient to meet the funding periods set in state statute, the PEBA Board shall increase the employer contribution rates as necessary to meet the funding periods set for the applicable year. The maximum funding period of SCRS and PORS is scheduled to be reduced over a ten-year schedule from 30 years beginning fiscal year 2018 to 20 years by fiscal year 2028.

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

CITY OF LAKE CITY, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

IV. OTHER INFORMATION (CONTINUED)

B. 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 three years are generally as follows:

	SCRS Rates			PORS Rates		
	2018	2019	2020	2018	2019	2020
Employer Contribution Rate: [^]						
Retirement	13.41%	14.41%	15.41%	15.84%	16.84%	117.84%
Incidental Death Benefit	0.15%	0.15%	0.15%	0.20%	0.20%	0.20%
Accidental Death Contributions	0.00%	0.00%	0.00%	0.20%	0.20%	0.20%
	<u>13.56%</u>	<u>14.56%</u>	<u>15.56%</u>	<u>16.24%</u>	<u>17.24%</u>	<u>118.24%</u>
Employee Contribution Rate	<u>9.00%</u>	<u>9.00%</u>	<u>9.00%</u>	<u>9.75%</u>	<u>9.75%</u>	<u>9.75%</u>

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

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

Period Ended	SCRS Contributions		PORS Contributions	
	Required	% Contributed	Required	% Contributed
June 30, 2020	\$ 271,216	100%	\$ 253,938	100%
June 30, 2019	266,886	100%	243,795	100%
June 30, 2018	\$ 235,592	100%	\$ 226,591	100%

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, 2019. 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, 2019 (measurement date) to the City were approximately \$14,000 and \$9,000 for the SCRS and PORS, respectively. The City recognized contributions (on-behalf benefits) from the State of approximately \$14,000 and \$9,000 for the SCRS and PORS, respectively, for the year ended June 30, 2020. These contributions by the State are recognized as intergovernmental revenues and pension expenditures in the City's governmental fund financial statements.

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

Period Ended	SCRS Payroll	PORS Payroll	Total Payroll
June 30, 2020	\$ 1,743,034	1,392,205	\$ 3,135,239
June 30, 2019	1,833,006	1,414,125	3,247,131
June 30, 2018	\$ 1,737,409	1,395,264	\$ 3,132,673

CITY OF LAKE CITY, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

IV. OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

Actuarial Assumptions and Methods

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

The June 30, 2019 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 ("GRS"), and are based on an actuarial valuation performed as of July 1, 2018. The TPL was rolled-forward from the valuation date to the Plans' fiscal year end, June 30, 2019, using generally accepted actuarial principles.

The following table provides a summary of the actuarial assumptions and methods used to calculate the TPL as of June 30, 2019 for the SCRS and PORS.

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

* Includes inflation at 2.25%.

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

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

CITY OF LAKE CITY, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

IV. OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

Long-Term Expected Rate of Return

The long-term expected rate of return on pension plan investments is based upon 30 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 2019 fiscal year. The long-term expected rate of return is produced by weighting the expected future real rates of return by the target allocation percentage and adding expected inflation and is summarized in the following table. For actuarial purposes, the 7.25 percent assumed annual investment rate of return used in the calculation of the TPL includes a 5.00 percent real rate of return and a 2.25 percent inflation component.

Asset Class	Target Asset Allocation	Expected Arithmetic Real Rate of Return	Long-Term Expected Portfolio Real Rate of Return
Global Equity	51.0%		
Global Public Equity	35.0%	7.29%	2.55%
Private Equity	9.0%	7.67%	0.69%
Equity Options Strategies	7.0%	5.23%	0.37%
Real Assets	12.0%		
Real Estate (Private)	8.0%	5.59%	0.45%
Real Estate (REITs)	1.0%	8.16%	0.08%
Infrastructure (Private)	2.0%	5.03%	0.10%
Infrastructure (Public)	1.0%	6.12%	0.06%
Opportunistic	8.0%		
Global Tactical Asset Allocation	7.0%	3.09%	0.22%
Other Opportunistic Strategies	1.0%	3.82%	0.04%
Diversified Credit	15.0%		
High Yield Bonds/Bank Loans	4.0%	3.14%	0.13%
Emerging Markets Debt	4.0%	3.31%	0.13%
Private Debt	7.0%	5.49%	0.38%
Conservative Fixed Income	14.0%		
Core Fixed Income	13.0%	1.62%	0.21%
Cash and Short Duration (Net)	1.0%	0.31%	0.00%
Total Expected Real Return	100.0%		5.41%
Inflation for Actuarial Purposes			2.25%
Total Expected Nominal Return			7.66%

CITY OF LAKE CITY, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

IV. OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

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

The NPL is calculated separately for each system and represents that particular system's total pension liability determined in accordance with GASB No. 67 less that System's fiduciary net position. NPL totals, as of the June 30, 2019 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	\$ 50,073,060,256	27,238,916,138	\$ 22,834,144,118	54.4%
PORS	\$ 7,681,749,768	4,815,808,554	\$ 2,865,941,214	62.7%

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, 2020, the City reported liabilities of approximately \$3,964,000 and \$2,794,000 for its proportionate share of the NPL for the SCRS and PORS, respectively. The NPL were measured as of June 30, 2019, and the TPL for the Plans used to calculate the NPL were determined based on the most recent actuarial valuation report of July 1, 2018 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, 2019 measurement date, the City's SCRS proportion was 0.017358 percent, which was an increase of 0.000592 percent from its proportion measured as of June 30, 2018. At the June 30, 2019 measurement date, the City's PORS proportion was 0.097495 percent, which was a decrease of 0.00331 percent from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the City recognized pension expense of approximately \$437,000 and \$453,000 for the SCRS and PORS, respectively. At June 30, 2020, 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:

CITY OF LAKE CITY, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

IV. OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

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

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
SCRS		
Differences Between Expected and Actual Experience	\$ 2,725	\$ 28,474
Change in Assumptions	79,873	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	35,091	-
Changes in Proportion and Differences Between the Employer's Contributions and Proportionate Share of Contributions	500,345	572,654
Employer Contributions Subsequent to the Measurement Date	257,268	-
Total SCRS	<u>875,302</u>	<u>601,128</u>
PORS		
Differences Between Expected and Actual Experience	57,453	20,651
Change in Assumptions	110,802	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	35,428	-
Changes in Proportion and Differences Between the Employer's Contributions and Proportionate Share of Contributions	362,586	341,852
Employer Contributions Subsequent to the Measurement Date	245,007	-
Total PORS	<u>811,276</u>	<u>362,503</u>
Total SCRS and PORS	<u>\$ 1,686,578</u>	<u>\$ 963,631</u>

Approximately \$257,000 and \$245,000 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, 2021. 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
2021	\$ 232,038	176,933	\$ 408,971
2022	(242,061)	58,289	(183,772)
2023	12,651	(38,728)	(26,077)
2024	14,278	7,272	21,550
Total	<u>\$ 16,906</u>	<u>203,766</u>	<u>\$ 220,672</u>

CITY OF LAKE CITY, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020

IV. OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

Discount Rate

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

Sensitivity Analysis

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

System	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
City's proportionate share of the net pension liability of the SCRS	\$ 4,993,375	3,963,654	\$ 3,104,293
City's proportionate share of the net pension liability of the PORS	3,786,730	2,794,146	1,980,969
Total	<u>\$ 8,780,105</u>	<u>6,757,800</u>	<u>\$ 5,085,262</u>

Plans Fiduciary Net Position

Detailed information regarding the fiduciary net position of the Plans administered by the PEBA is available in the separately issued CAFR containing financial statements and required supplementary information for the SCRS and PORS. The CAFR is publicly available through the Retirement Benefits' link on 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 \$63,000 to the PEBA as of June 30, 2020, representing required employer and employee contributions for the month of June 2020 for the SCRS and PORS. This amount is included in Other Accrued Liabilities on the financial statements and was paid in July 2020.

Subsequent Event to the Plans' Measurement Date

In May 2020, due to the global health crisis/pandemic caused by the COVID-19 virus, the South Carolina General Assembly included a provision in its continuing resolution for suspending the statutory employer contribution rate increase of 1% for the 2020-2021 fiscal year. This means that the employer contribution rate for the Plans during the 2020-2021 fiscal year, as expressed as a percentage of earnable compensation, shall remain at the same rate as imposed for the 2019-2020 fiscal year.

CITY OF LAKE CITY, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

IV. OTHER INFORMATION (CONTINUED)

C. Other Postemployment Benefit Plan

Plan Description

The City administers the retiree medical plan, a single-employer defined benefit other postemployment benefit plan (“OPEB Plan”). This plan provides healthcare insurance for eligible retirees and their spouses under the Medicare eligible age through the City’s group health insurance plan which covers both active and retired members. Section 2-198 of the Code of Ordinances of the City grants the authority to establish and amend the benefit terms of the OPEB Plan to the Mayor and City Council. No assets are accumulated in a trust as defined by GAAP. The OPEB Plan does not issue a stand-alone financial report.

Plan Membership

As of June 30, 2018, the last actuarial valuation, the following employees were covered by the OPEB Plan’s benefit terms:

Inactive Members or Beneficiaries Currently Receiving Benefit Payments	4
Active Members	<u>28</u>
Total Membership	<u><u>32</u></u>

Plan Benefits and Contributions

Section 6-2 of the Code of Ordinances of the City grants the authority to establish and amend the contribution requirements of the OPEB Plan to the Mayor and City Council. The City will pay 100% of premiums for retirees and will not cover spouses. Employees employed prior to July 1, 2010 who have been employed by the City of Lake City continuously for a period of twenty-five years and meet the other requirements of the retiree health plan are eligible to participate. During the year ended June 30, 2020, the City made contributions of approximately \$25,000, or an average of 0.8% of covered payroll. Employees are not required to contribute to the OPEB Plan.

Actuarial Assumptions and Method

Actuarial valuations of the OPEB 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, inflation, healthcare cost trend rates, and future salary changes. Amounts determined regarding the net OPEB liability are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive OPEB Plan (the plan as understood by the employer and its members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The following table provides a summary of the significant actuarial assumptions and methods used in the latest actuarial valuation for the OPEB Plan.

CITY OF LAKE CITY, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

IV. OTHER INFORMATION (CONTINUED)

C. Other Postemployment Benefit Plan (Continued)

Actuarial Assumptions and Method (Continued)

Actuarial Valuation Date	June 30, 2018
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Inflation	2.25%
Discount Rate	3.50%
Healthcare Cost Trend Rate	6.25% - The medical trend rates are based on the rates used for the 6/30/2018 Actuarial Valuation of the South Carolina Retiree Health Care
Payroll Growth	3.00%
Coverage Elections	
	It is assumed that 100% of eligible retirees will elect to receive coverage upon retirement, 100% of male spouses, and 100% of female spouses will elect to continue coverage upon retirement. The retiree is responsible for paying the entire premium for spousal coverage
Active Participation/Marriage	50% of active employees are assumed to be married at retirement. Female spouses are assumed to be 3 years younger than their husbands The 2018 Public Retirees of South Carolina Mortality Table for Males and the 2018 Public Retirees of South Carolina Mortality Table for Females, projected using the AA projection table from the year 2018 and with multipliers based on plan experience
Mortality Table	
Termination Rates	The rates used for the July 1, 2018 SCRS Valuation
Per Capita Claims Costs	Per Capita Claims Costs include Medical, Dental and Vision insurance and were developed using the Society of Actuaries health care aging curve

The actuarial assumptions used above were based on the results of an actuarial experience study for the period July 1, 2018. The discount rate used for the June 30, 2019 measurement date was decreased from the discount rate of 3.87% used for the June 30, 2018 measurement date.

CITY OF LAKE CITY, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

IV. OTHER INFORMATION (CONTINUED)

C. Other Postemployment Benefit Plan (Continued)

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

The City's net OPEB liability was measured as of June 30, 2019 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2018 that was rolled forward to the measurement date.

	Total OPEB Liability
Balance as of June 30, 2019	\$ 342,886
Changes for the year:	
Service Cost	6,451
Interest	12,573
Difference Between Expected and Actual Experience	-
Changes in Assumptions	6,421
Benefit Payments	(24,431)
Implicit rate subsidy fulfillment	(11,573)
Net Changes	(10,559)
Balance as of June 30, 2020	\$ 332,327

For the year ended June 30, 2020, the City recognized OPEB expense of approximately \$14,000. At June 30, 2020, the City reported deferred outflows of resources (deferred OPEB charges) and deferred inflows of resources (deferred OPEB credits) related to OPEB from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ -	\$ 52,363
Changes of Assumptions	15,531	-
Employer Contributions Subsequent to the Measurement Date	25,284	-
Total	\$ 40,815	\$ 52,363

CITY OF LAKE CITY, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

IV. OTHER INFORMATION (CONTINUED)

C. Other Postemployment Benefit Plan (Continued)

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

Approximately \$25,000 that was reported as deferred outflows of resources related to the City's contributions subsequent to the measurement date and will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources decrease OPEB expense as follows:

<u>Year Ended June 30, 2019</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
2021	\$ 1,873	\$ 6,982
2022	1,873	6,982
2023	1,873	6,982
2024	1,873	6,982
2025	1,873	6,982
Thereafter	6,166	17,453
Total	<u>\$ 15,531</u>	<u>\$ 52,363</u>

Discount Rate

The discount rate used to measure the total OPEB liability was 3.50%. This discount rate represents the municipal bond index rate based on the City not participating in a qualified trust.

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

The following table presents the sensitivity of the City's net OPEB liability to changes in the discount rate, calculated using the discount rate of 3.50%, as well as what it would be if it were calculated using a discount rate that is 1% point lower (2.50%) or 1% point higher (4.50%) than the current rate:

	<u>1% Decrease (2.50%)</u>	<u>Current Discount Rate (3.50%)</u>	<u>1% Increase (4.50%)</u>
Net OPEB Liability	\$ 350,275	332,327	\$ 314,370

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate

The following table presents the sensitivity of the City's net OPEB liability to changes in the healthcare cost trend rate, calculated using the healthcare cost trend rate of 6.25% decreasing to 4.15%, as well as what it would be if it were calculated using a healthcare cost trend rate that is 1% point lower (5.25% decreasing to 3.15%) or 1% point higher (7.25% decreasing to 5.15%) than the current rate:

	<u>1% Decrease</u>	<u>Current Healthcare Cost Trend Rate</u>	<u>1% Increase</u>
Net OPEB Liability	\$ 306,064	332,327	\$ 362,378

CITY OF LAKE CITY, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

IV. OTHER INFORMATION (CONTINUED)

D. Commitments and Contingencies

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, 2020.

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.

The City had approximately \$10,251,000 in remaining contract commitments related to ongoing capital projects as of June 30, 2020.

E. Reclassification of Fund Balance

Effective for the year ended June 30, 2020, the City has elected to display the Drug Forfeiture Fund as a segregated fund on the financial statements. In prior year reports this fund was included within the General Fund. This change in presentation resulted in the reclassification of beginning fund balance previously reported as detailed below:

	Beginning Fund Balance, as previously Reported	Reclassification of Fund Balance	Beginning Fund Balance, as adjusted
General Fund	\$ 2,164,578	(185,186)	\$ 1,979,392
Drug Forfeiture Fund	-	185,186	185,186
Total	<u>\$ 2,164,578</u>	<u>-</u>	<u>\$ 2,164,578</u>

This change had no effect on the total fund balance for the City's governmental funds. It also had no effect on the net position reported in the City's government-wide financial statements.

F. Subsequent Events

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the "COVID-19 outbreak") and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally. The full impact of the COVID-19 outbreak continues to evolve as of the date of these financial statements. Management is actively monitoring the impact from this health crisis on its financial condition, liquidity, operations, workforce and constituents.

On July 29th, 2020, the City of Lake City entered into a settlement and release agreement with American Waste Systems, Inc. (AWS) to terminate the waste agreement relating to solid waste and recycling management, collection, hauling and disposal services originally entered into on April 21, 2016 due to disputes related to performance and services. In consideration for the settlement and release, the City agreed to pay AWS the sum of \$102,000 for the acquisition of all Roll-Out Cart Receptacles, as defined in the Waste Agreement (approximately 3,400 carts). The City also agreed to pay AWS \$48,000 for the acquisition of all commercial containers, as defined in the waste agreement (approximately 158 of various sizes). AWS ceased all services rendered under the Waste Agreement July 31, 2020. As of August 1, 2020, the City of Lake City handles all services previously provided by AWS.

CITY OF LAKE CITY, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

IV. OTHER INFORMATION (CONTINUED)

F. Subsequent Events (Continued)

On August 24, 2020, the City entered into an agreement with First Citizens Bank & Trust for the lease purchase of various equipment in the amount of \$525,000 at an interest rate of 2.10%. Payments are due annually through August 24, 2025 in the amount of \$106,707, including interest and principal.

Required Supplementary Information

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

- Budgetary Comparison Schedule
 - General Fund
- Pension Schedules
 - Schedule of the City of Lake City's Proportionate Share of the Net Pension Liability – South Carolina Retirement System
 - Schedule of the City of Lake City's Contributions – South Carolina Retirement System
 - Schedule of the City of Lake City's Proportionate Share of the Net Pension Liability – Police Officers Retirement System
 - Schedule of the City of Lake City's Contributions – Police Officers Retirement System
- Other Postemployment Benefit ("OPEB") Plan Schedule
 - Schedule of Changes in the City's Net OPEB Liability and Related Ratios

CITY OF LAKE CITY, SOUTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGETS AND ACTUAL

YEAR ENDED JUNE 30, 2020

	BUDGETED AMOUNTS			
	ORIGINAL	FINAL	ACTUAL	VARIANCE
REVENUES				
Property Taxes	\$ 1,836,500	1,836,500	1,811,727	\$ (24,773)
Franchise Fees	519,000	519,000	564,196	45,196
Licenses and Permits	1,095,000	1,095,000	1,107,444	12,444
Intergovernmental	1,239,000	1,239,000	1,393,354	154,354
Sanitation Fees	700,200	700,200	772,059	71,859
Fines and Forfeitures	68,600	68,600	48,500	(20,100)
Investment Earnings	3,000	3,000	4,019	1,019
Recreation Fees	32,500	32,500	20,546	(11,954)
Grants	319,204	319,204	445,788	126,584
Miscellaneous	138,450	138,450	74,532	(63,918)
TOTAL REVENUES ALL SOURCES	5,951,454	5,951,454	6,242,165	290,711
EXPENDITURES				
Current:				
General Government	456,223	456,223	331,452	(124,771)
Public Safety	3,085,082	3,085,082	2,657,359	(427,723)
Streets and Sanitation	1,568,399	1,568,399	1,723,313	154,914
Economic and Community Development	87,000	87,000	71,250	(15,750)
Culture and Recreation	566,216	566,216	427,769	(138,447)
Nondepartmental	475,847	475,847	466,866	(8,981)
Capital Outlay	89,500	89,500	62,182	(27,318)
Debt Service:				
Principal	354,968	354,968	357,362	2,394
Interest	55,032	55,032	75,704	20,672
TOTAL EXPENDITURES	6,738,267	6,738,267	6,173,257	(565,010)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(786,813)	(786,813)	68,908	855,721
OTHER FINANCING SOURCES (USES)				
Proceeds from the Sale of Assets	8,000	8,000	12,114	4,114
Transfers In	165,000	165,000	220,000	55,000
Transfers Out	(14,400)	(14,400)	-	14,400
TOTAL OTHER FINANCING SOURCES (USES)	158,600	158,600	232,114	73,514
NET CHANGES IN FUND BALANCES	(628,213)	(628,213)	301,022	929,235
FUND BALANCES, Beginning of Year - As Previously Reported	2,164,578	2,164,578	2,164,578	-
Reclassification of Fund Balance	(185,186)	(185,186)	(185,186)	-
FUND BALANCE, Beginning of Year - Reclassified	1,979,392	1,979,392	1,979,392	-
FUND BALANCES, End of Year	\$ 1,351,179	1,351,179	2,280,414	\$ 929,235

Note: This schedule has been presented on the modified accrual of accounting, which is consistent with accounting principles generally accepted in the United States of America.

CITY OF LAKE CITY, SOUTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION

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

LAST SEVEN FISCAL YEARS

	Year Ended June 30,						
	2020	2019	2018	2017	2016	2015	2014
City of Lake City's Proportion of the Net Pension Liability	0.017358%	0.016766%	0.022080%	0.014121%	0.017539%	0.018113%	0.018113%
City of Lake City's Proportionate Share of the Net Pension Liability	\$ 3,963,654	3,756,695	4,970,563	3,016,225	3,326,356	3,118,458	\$ 3,248,826
City of Lake City's Covered Payroll	\$ 1,833,006	1,737,409	1,724,934	1,891,600	1,635,705	1,643,929	\$ 1,503,264
City of Lake City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	216.24%	216.22%	288.16%	159.45%	203.36%	189.70%	216.12%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	54.398%	54.105%	53.338%	52.906%	56.992%	59.919%	56.388%

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 2014 is not available.

The FY2017 net pension liability is lower than it should be while the FY2018 net pension liability is higher than it should be due to the South Carolina Public Employee Benefit Authority not receiving all of the FY2017 contributions and support from the City in time to include the allocation of net pension balances. Since the net pension balances in total were not significantly off, no adjustment or correction was deemed necessary.

The discount rate was lowered from 7.50% to 7.25% for the year ended June 30, 2018.

CITY OF LAKE CITY, SOUTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION

**SCHEDULE OF THE CITY OF LAKE CITY'S CONTRIBUTIONS
SOUTH CAROLINA RETIREMENT SYSTEM**

LAST SEVEN FISCAL YEARS

	Year Ended June 30,						
	2020	2019	2018	2017	2016	2015	2014
Contractually Required Contribution	\$ 271,216	266,886	235,592	199,402	209,211	178,292	\$ 171,791
Contributions in Relation to the Contractually Required Contribution							
Contributions from the City	257,268	252,959	221,665	199,402	209,211	178,292	171,791
Contributions from the State	13,948	13,927	13,927	-	-	-	-
Contribution Deficiency (Excess)	\$ -	\$ -	-	-	-	-	\$ -
City of Lake City's Covered Payroll	\$ 1,743,034	1,833,006	1,737,409	1,724,934	1,891,600	1,635,705	\$ 1,643,929
Contributions as a Percentage of Covered Payroll	15.56%	14.56%	13.56%	11.56%	11.06%	10.90%	10.45%

Notes to Schedule:

The City implemented GASB #68/71 during the year ended June 30, 2015. Information before 2014 is not available.

CITY OF LAKE CITY, SOUTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION

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

LAST SEVEN FISCAL YEARS

	Year Ended June 30,						
	2020	2019	2018	2017	2016	2015	2014
City of Lake City's Proportion of the Net Pension Liability	0.09749%	0.10080%	0.11623%	0.06814%	0.09540%	0.08641%	0.08641%
City of Lake City's Proportionate Share of the Net Pension Liability	\$ 2,794,146	2,856,294	3,184,137	1,728,405	2,079,131	1,654,199	\$ 1,791,193
City of Lake City's Covered Payroll	\$ 1,414,125	1,395,264	1,267,450	1,177,756	1,189,123	1,039,728	\$ 970,724
City of Lake City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	197.59%	204.71%	251.22%	146.75%	174.85%	159.10%	184.52%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	62.69%	61.73%	60.94%	60.44%	64.57%	67.55%	62.98%

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 2014 is not available.

The FY2017 net pension liability is lower than it should be while the FY2018 net pension liability is higher than it should be due to the South Carolina Public Employee Benefit Authority not receiving all of the FY2017 contributions and support from the City in time to include the allocation of net pension balances. Since the net pension balances in total were not significantly off, no adjustment or correction was deemed necessary.

The discount rate was lowered from 7.50% to 7.25% for the year ended June 30, 2018.

CITY OF LAKE CITY, SOUTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION

**SCHEDULE OF THE CITY OF LAKE CITY'S CONTRIBUTIONS
POLICE OFFICERS RETIREMENT SYSTEM**

LAST SEVEN FISCAL YEARS

	Year Ended June 30,						
	2020	2019	2018	2017	2016	2015	2014
Contractually Required Contribution	\$ 253,938	243,795	226,591	178,485	161,424	159,461	\$ 129,342
Contributions in Relation to the Contractually Required Contribution							
Contributions from the City	245,007	234,881	217,677	178,485	161,424	159,461	129,342
Contributions from the State	8,931	8,914	8,914	-	-	-	-
Contribution Deficiency (Excess)	\$ -	-	-	-	-	-	\$ -
City of Lake City's Covered Payroll	\$ 1,392,205	1,414,125	1,395,264	1,267,450	1,177,756	1,189,123	\$ 1,039,728
Contributions as a Percentage of Covered Payroll	18.24%	17.24%	16.24%	14.08%	13.71%	13.41%	12.44%

Notes to Schedule:

The City implemented GASB #68/71 during the year ended June 30, 2015. Information before 2014 is not available.

CITY OF LAKE CITY, SOUTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION - OPEB PLAN SCHEDULE

SCHEDULE OF CHANGES IN THE CITY'S NET OPEB LIABILITY AND RELATED RATIOS

LAST THREE FISCAL YEARS

	June 30, 2020	Year Ended June 30, 2019	June 30, 2018
Total OPEB Liability:			
Service Cost	\$ 6,451	6,803	\$ 6,023
Interest	12,573	14,874	17,573
Changes of Benefit Terms	-	(66,327)	-
Changes of Assumptions	6,421	2,904	10,167
Benefit Payments, Including Refunds of Member Contributions	(36,004)	(61,706)	(53,485)
Net Change in Total OPEB Liability	(10,559)	(103,452)	(19,722)
Total OPEB Liability - Beginning of Year	342,886	446,338	466,060
Total OPEB Liability - End of Year (a)	<u>\$ 332,327</u>	<u>342,886</u>	<u>\$ 446,338</u>
Covered-Employee Payroll	\$ 3,247,130	3,122,607	\$ 3,069,356
Net OPEB Liability as a Percentage of Covered-Employee Payroll	10.23%	10.98%	14.54%

Notes to Schedule:

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

The City adopted GASB #75 during the year ended June 30, 2018. Information is not available for prior years.

Supplementary Information

CITY OF LAKE CITY, SOUTH CAROLINA

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2020

	SPECIAL REVENUE DRUG FORFEITURE FUND	SPECIAL REVENUE HOSPITALITY TAX FUND	TOTAL OTHER GOVERNMENTAL FUNDS
ASSETS			
Cash and Cash Equivalents	\$ 500	-	\$ 500
Cash and Cash Equivalents, Restricted	93,599	219,784	313,383
Taxes Receivable, Net	-	39,258	39,258
TOTAL ASSETS	\$ 94,099	259,042	\$ 353,141
LIABILITIES			
Accounts Payable	\$ 1,161	-	\$ 1,161
Due To Other Funds	-	481	481
TOTAL LIABILITIES	\$ 1,161	481	\$ 1,642
FUND BALANCES			
Restricted:			
Public Safety	\$ 92,938	-	\$ 92,938
Tourism Related Expenditures	-	258,561	258,561
TOTAL FUND BALANCES	92,938	258,561	351,499
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 94,099	259,042	\$ 353,141

CITY OF LAKE CITY, SOUTH CAROLINA

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

YEAR ENDED JUNE 30, 2020

	SPECIAL REVENUE DRUG FORFEITURE FUND	SPECIAL REVENUE HOSPITALITY TAX FUND	TOTAL OTHER GOVERNMENTAL FUNDS
REVENUES			
Other Taxes	\$ -	217,021	\$ 217,021
Investment Earnings	4	227	231
Fines and Forfeitures	12,415	-	12,415
TOTAL REVENUES ALL SOURCES	12,419	217,248	229,667
EXPENDITURES			
Current:			
Public Safety	104,667	-	104,667
Culture and Recreation	-	3,521	3,521
TOTAL EXPENDITURES	104,667	3,521	108,188
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(92,248)	213,727	121,479
OTHER FINANCING SOURCES (USES)			
Transfers Out	-	(170,000)	(170,000)
TOTAL OTHER FINANCING SOURCES (USES)	-	(170,000)	(170,000)
NET CHANGES IN FUND BALANCES	(92,248)	43,727	(48,521)
FUND BALANCES, Beginning of Year, as Previously Reported	-	214,834	214,834
Reclassification of Fund Balance - See Note IV.E	185,186	-	185,186
FUND BALANCES, Beginning of Year - Reclassified	185,186	214,834	400,020
FUND BALANCES, End of Year	\$ 92,938	258,561	\$ 351,499

CITY OF LAKE CITY, SOUTH CAROLINA

SCHEDULES OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION - BUDGET AND ACTUAL
PROPRIETARY FUNDS

YEAR ENDED JUNE 30, 2020

	WATER FUND		
	BUDGET	ACTUAL	VARIANCE
OPERATING REVENUES			
Water and Sewer Charges	\$ 1,236,700	1,129,839	\$ (106,861)
Water and Sewer Tap Fees	25,000	21,690	(3,310)
Penalties and Other Revenue	201,800	132,502	(69,298)
TOTAL OPERATING REVENUES	1,463,500	1,284,031	(179,469)
OPERATING EXPENSES			
Salaries	481,033	442,678	(38,355)
Benefits	109,349	113,539	4,190
Non-Cash Pension Expense (Benefit)	-	(16,760)	(16,760)
Depreciation	-	608,971	608,971
Insurance	27,000	20,033	(6,967)
Other Operating Expenses	130,310	126,845	(3,465)
Professional Fees	34,700	22,291	(12,409)
Repairs and Maintenance	238,820	82,798	(156,022)
Supplies and Materials	28,650	31,752	3,102
Utilities	105,000	127,193	22,193
TOTAL OPERATING EXPENSES	1,154,862	1,559,340	404,478
OPERATING INCOME (LOSS)	308,638	(275,309)	(583,947)
NONOPERATING REVENUE (EXPENSES)			
Grant Income	147,250	-	(147,250)
Investment Income	2,500	46,553	44,053
Interest Expense	(427,388)	(211,693)	215,695
TOTAL NONOPERATING REVENUE (EXPENSES)	(277,638)	(165,140)	112,498
INCOME (LOSS) BEFORE TRANSFERS	31,000	(440,449)	(471,449)
Transfers In	(6,000)	-	6,000
Transfers Out	(25,000)	(20,000)	5,000
CHANGE IN NET POSITION	-	(460,449)	(460,449)
NET POSITION, Beginning of Year	8,534,312	8,534,312	-
NET POSITION, End of Year	\$ 8,534,312	8,073,863	\$ (460,449)

(Continued)

CITY OF LAKE CITY, SOUTH CAROLINA

SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION - BUDGET AND ACTUAL
PROPRIETARY FUNDS

YEAR ENDED JUNE 30, 2020

	SEWER FUND		
	BUDGET	ACTUAL	VARIANCE
OPERATING REVENUES			
Water and Sewer Charges	\$ 2,619,882	2,701,830	\$ 81,948
Water and Sewer Tap Fees	4,286	10,177	5,891
Penalties and Other Revenue	104,269	60,916	(43,353)
TOTAL OPERATING REVENUES	2,728,437	2,772,923	44,486
OPERATING EXPENSES			
Salaries	845,084	859,935	14,851
Benefits	311,764	249,460	(62,304)
Non-Cash Pension Expense (Benefit)	-	(19,992)	(19,992)
Depreciation	-	706,522	706,522
Insurance	40,000	37,218	(2,782)
Other Operating Expenses	653,226	450,393	(202,833)
Professional Fees	8,038,500	21,973	(8,016,527)
Repairs and Maintenance	3,237,725	229,071	(3,008,654)
Supplies and Materials	28,800	26,317	(2,483)
Utilities	283,000	262,439	(20,561)
TOTAL OPERATING EXPENSES	13,438,099	2,823,336	(10,614,763)
OPERATING INCOME (LOSS)	(10,709,662)	(50,413)	10,659,249
NONOPERATING REVENUE (EXPENSES)			
Grant Income	11,044,071	982,431	(10,061,640)
Investment Income	5,359	48,370	43,011
Interest Expense	(308,768)	(61,741)	247,027
TOTAL NONOPERATING REVENUE (EXPENSES)	10,740,662	969,060	(9,771,602)
INCOME (LOSS) BEFORE TRANSFERS	31,000	918,647	887,647
Transfers In	(6,000)	-	6,000
Transfers Out	(25,000)	(30,000)	(5,000)
CHANGE IN NET POSITION	-	888,647	888,647
NET POSITION, Beginning of Year	9,672,895	9,672,895	-
NET POSITION, End of Year	\$ 9,672,895	10,561,542	\$ 888,647

CITY OF LAKE CITY, SOUTH CAROLINA

SCHEDULES OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION - CURRENT AND PRIOR YEAR
PROPRIETARY FUNDS

YEAR ENDED JUNE 30, 2020

	JUNE 30, 2020	JUNE 30, 2019
OPERATING REVENUES		
Water and Sewer Charges	\$ 3,831,669	\$ 3,509,879
Water and Sewer Tap Fees	31,867	34,643
Penalties and Other Revenue	193,418	307,085
TOTAL OPERATING REVENUES	4,056,954	3,851,607
OPERATING EXPENSES		
Salaries	1,302,613	1,201,577
Benefits	362,999	352,691
Non-Cash Pension Expense (Benefit)	(36,752)	(2,046)
Depreciation	1,315,493	1,215,186
Insurance	57,251	54,512
Other Operating Expenses	577,238	543,816
Professional Fees	44,264	61,957
Repairs and Maintenance	311,869	247,112
Supplies and Materials	58,069	57,869
Utilities	389,632	392,435
TOTAL OPERATING EXPENSES	4,382,676	4,125,109
OPERATING INCOME (LOSS)	(325,722)	(273,502)
NONOPERATING REVENUE (EXPENSES)		
Grant Income	982,431	574,619
Investment Income	94,923	28,344
Interest Expense	(273,434)	(272,756)
TOTAL NONOPERATING REVENUE (EXPENSES)	803,920	330,207
INCOME (LOSS) BEFORE TRANSFERS	478,198	56,705
Transfers In	-	-
Transfers Out	(50,000)	(50,000)
CHANGE IN NET POSITION	428,198	6,705
NET POSITION, Beginning of Year	18,207,207	18,200,502
NET POSITION, End of Year	\$ 18,635,405	\$ 18,207,207

CITY OF LAKE CITY, SOUTH CAROLINA

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

YEAR ENDED JUNE 30, 2020

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			\$ 74,238	\$ 74,238
Court fines and assessments remitted to State Treasurer			(44,116)	(44,116)
Total Court Fines and Assessments retained			30,122	30,122
Surcharges and Assessments retained for victim services:				
Surcharges collected and retained			3,067	3,067
Assessments retained			4,393	4,393
Total Surcharges and Assessments retained for victim services			\$ 7,460	\$ 7,460

FOR THE DEPARTMENT OF CRIME VICTIM COMPENSATION (DCVC)

VICTIM SERVICE FUNDS COLLECTED	Municipal	County	Total
Carryforward from Previous Year – Beginning Balance	\$ 13,879	-	\$ 13,879
Victim Service Revenue:			
Victim Service Fines Retained by City/County Treasurer			-
Victim Service Assessments Retained by City/County Treasurer	4,393		4,393
Victim Service Surcharges Retained by City/County Treasurer	3,067		3,067
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)	\$ 21,339		\$ 21,339
Expenditures for Victim Service Program:	<u>Municipal</u>	<u>County</u>	<u>Total</u>
Salaries and Benefits	\$ -		\$ -
Operating Expenditures	-		-
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:	(7,460)		(7,460)
Transferred to General Fund			
Total Expenditures from Victim Service Fund/Program (B)	\$ (7,460)		\$ (7,460)
Total Victim Service Funds Retained by Municipal/County Treasurer (A-B)	13,879		13,879
Less: Prior Year Fund Deficit Repayment			
Carryforward Funds – End of Year	\$ 13,879		\$ 13,879

Compliance Section



Greene Finney, LLP

CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

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

INDEPENDENT AUDITOR'S REPORT

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lake City, South Carolina (the "City"), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated February 3, 2021.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

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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.

A handwritten signature in black ink that reads "Greene Finney, LLP". The script is cursive and fluid, with the letters "G", "F", and "L" being particularly prominent.

Greene Finney, LLP
Mauldin, South Carolina
February 3, 2021