

**CITY OF LAKE CITY,
SOUTH CAROLINA**

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2021

CITY OF LAKE CITY, SOUTH CAROLINA

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Greene Finney Cauley, 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, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

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OPEN BY APPOINTMENT ONLY

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 and Other 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 and the schedule of expenditures of federal awards, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 1, 2022 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Greene Finney Cauley, LLP

Greene Finney Cauley, LLP
Mauldin, South Carolina
March 1, 2022

CITY OF LAKE CITY, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2021

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, 2021. 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 \$25,435,000 (*net position*). Of this amount, approximately \$5,702,000 and \$19,733,000 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 \$2,546,000 for its governmental activities (primarily due to the net pension and OPEB liabilities) and a surplus of approximately \$3,556,000 for its business-type activities.
- The City's total net position increased by approximately \$694,000 for its governmental activities and increased by approximately \$1,097,000 for its business-type activities from the prior year net position. Total revenues of approximately \$13,810,000 exceeded total expenses of approximately \$12,019,000 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 \$2,950,000, an increase of approximately \$298,000 from the prior year's reported ending fund balance. Of this amount, \$1,643,000 is available for spending at the government's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unassigned fund balance for the General Fund was approximately \$1,643,000 or 23% of total General Fund expenditures for the year ended June 30, 2021.
- The overall increase in the City's capital assets for the period ending June 30, 2021, was approximately \$1,911,000 (6%), including an increase of \$581,000 for its governmental activities and an increase of \$1,330,000 and business-type activities, respectively. Capital asset additions for governmental activities of approximately \$1,220,000 exceeded depreciation expense of \$639,000. Capital asset additions for business-type activities of \$2,775,000 exceeded depreciation expense of \$1,386,000 and net disposals of \$59,000.

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, 2021

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		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 or long-term liabilities 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, 2021

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 services.

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 two categories: governmental funds and proprietary 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 four (4) 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.

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, 2021

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 2021 compared to 2020:

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Assets:						
Current and Other Assets	\$ 3,399,610	3,115,568	5,894,135	6,368,560	9,293,745	\$ 9,484,128
Capital Assets, Net	9,151,779	8,570,801	25,328,699	23,998,741	34,480,478	32,569,542
Total Assets	<u>12,551,389</u>	<u>11,686,369</u>	<u>31,222,834</u>	<u>30,367,301</u>	<u>43,774,223</u>	<u>42,053,670</u>
Deferred Outflows of Resources:						
Deferred OPEB Charges	30,553	33,069	9,017	7,746	39,570	40,815
Deferred Pension Charges	1,192,160	1,331,029	330,416	355,549	1,522,576	1,686,578
Total Deferred Outflows of Resources	<u>1,222,713</u>	<u>1,364,098</u>	<u>339,433</u>	<u>363,295</u>	<u>1,562,146</u>	<u>1,727,393</u>
Liabilities:						
Net Pension Liability	5,217,706	5,214,502	1,834,320	1,543,298	7,052,026	6,757,800
Net OPEB Liability	236,511	269,258	69,803	63,069	306,314	332,327
Long-Term Obligations	1,119,539	997,882	8,895,434	9,346,554	10,014,973	10,344,436
Current Liabilities	838,717	808,846	740,586	898,277	1,579,303	1,707,123
Total Liabilities	<u>7,412,473</u>	<u>7,290,488</u>	<u>11,540,143</u>	<u>11,851,198</u>	<u>18,952,616</u>	<u>19,141,686</u>
Deferred Inflows of Resources:						
Deferred OPEB Credits	61,214	42,426	18,066	9,937	79,280	52,363
Deferred Pension Credits	598,203	729,575	271,230	234,056	869,433	963,631
Total Deferred Inflows of Resources	<u>659,417</u>	<u>772,001</u>	<u>289,296</u>	<u>243,993</u>	<u>948,713</u>	<u>1,015,994</u>
Net Position:						
Net Investment						
in Capital Assets	7,667,348	7,305,064	16,165,514	14,525,330	23,832,862	21,830,394
Restricted	581,087	476,074	11,171	729,283	592,258	1,205,357
Unrestricted	(2,546,223)	(2,793,160)	3,556,143	3,380,792	1,009,920	587,632
Total Net Position	<u>\$ 5,702,212</u>	<u>4,987,978</u>	<u>19,732,828</u>	<u>18,635,405</u>	<u>25,435,040</u>	<u>\$ 23,623,383</u>

The City’s total assets of approximately \$43,774,000 increased by approximately \$1,721,000 from the prior year. The increase is primarily due to an increase in net capital assets of approximately \$1,911,000. The additions were partially offset by a decrease in current assets of \$190,000.

CITY OF LAKE CITY, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2021

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

The City's total deferred outflows of resources of approximately \$1,562,000 decreased approximately \$165,000 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 \$18,953,000 decreased approximately \$189,000 primarily due to decreases in the City's long-term obligations and other liabilities of approximately \$330,000 and \$128,000 respectively. The reductions were partially offset by an increase in net pension liability of \$294,000.

The City's total deferred inflows of resources of approximately \$949,000 decreased approximately \$67,000 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 \$25,435,000 increased by approximately \$1,791,000 during the current fiscal year due to total revenues of approximately \$13,810,000 exceeding total expenses of approximately \$12,019,000.

The City's assets and deferred outflows exceeded liabilities and deferred inflows (net position) by approximately \$25,435,000 as of June 30, 2021. The largest portion of the City's net position of approximately \$23,833,000 (approximately 94% 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 is unrestricted net position of approximately \$1,010,000 (approximately 4% of total net position), which may be used to meet the government's ongoing obligations to citizens and creditors.

The remaining portion of the City's net position of approximately \$592,000 (approximately 2% 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.

CITY OF LAKE CITY, SOUTH CAROLINA

MANAGEMENT’S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2021

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

The following table shows the changes in the City’s net position for fiscal year 2021 compared to 2020.

	Governmental Activities		Business-Type Activities		Totals	
	2021	2020	2021	2020	2021	2020
Revenues:						
Program Revenues:						
Charges for Services	\$ 2,024,735	#####	4,443,519	4,056,954	6,468,254	\$ 6,017,917
Operating Grants and Contributions	579,536	461,161	-	-	579,536	461,161
Capital Grants and Contributions	378,450	-	2,101,419	982,431	2,479,869	982,431
General Revenues:						
Taxes	4,195,494	4,018,520	-	-	4,195,494	4,018,520
Other	73,572	75,524	13,305	94,923	86,877	170,447
Total Revenues	7,251,787	6,516,168	6,558,243	5,134,308	13,810,030	11,650,476
Expenses:						
General Government	442,903	517,262	-	-	442,903	517,262
Public Safety	3,053,930	3,298,298	-	-	3,053,930	3,298,298
Streets and Sanitation	1,969,026	1,845,263	-	-	1,969,026	1,845,263
Economic Development	71,950	71,250	-	-	71,950	71,250
Culture and Recreation	559,648	647,060	-	-	559,648	647,060
Nondepartmental	486,738	466,866	-	-	486,738	466,866
Interest on Long-Term Obligations	43,775	69,573	-	-	43,775	69,573
Water and Sewer	-	-	5,390,820	4,656,110	5,390,820	4,656,110
Total Expenses	6,627,970	6,915,572	5,390,820	4,656,110	12,018,790	11,571,682
Increase in Net Position Before Transfers	623,817	(399,404)	1,167,423	478,198	1,791,240	78,794
Transfers	70,000	50,000	(70,000)	(50,000)	-	-
Change in Net Position	693,817	(349,404)	1,097,423	428,198	1,791,240	78,794
Net Position - Beginning of Year	4,987,978	5,337,382	18,635,405	18,207,207	23,623,383	23,544,589
Change in Accounting Principal - Note I.B	20,417	-	-	-	20,417	-
Net Position - Beginning of Year	5,008,395	5,337,382	18,635,405	18,207,207	23,643,800	23,544,589
Net Position - End of Year	\$ 5,702,212	4,987,978	19,732,828	18,635,405	25,435,040	\$ 23,623,383

Governmental Activities

Net position for governmental activities increased by approximately \$694,000 in the current year. Key changes in governmental activities revenues and expenses compared to the prior year were as follows:

Total revenues increased by approximately \$736,000 from the prior year. Key changes in revenues as compared to the prior year were as follows:

- Capital grants and contributions increased approximately \$378,000 primarily due to the addition of several capital projects funded by Florence County’s one percent sales and use tax.

CITY OF LAKE CITY, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2021

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Governmental Activities (Continued)

- Operating grants and contributions increased by approximately \$118,000 or 26% as a result of federal funding received during the current year.

Total expenses decreased by approximately \$288,000 or 4% from the prior year. This change was primarily a result of a decrease in public safety of \$244,000, as well as decreases in general government of \$74,000 and culture and recreation of \$87,000, partially offset by an increase in streets and sanitation of \$124,000 due to the City bringing waste management services in house during the current year.

Business-Type Activities

Net position for business-type activities (water and sewer services) increased by approximately \$1,097,000 in the current year. Key changes in business-type activities revenues and expenses compared to the prior year were as follows:

Total revenues increased by approximately \$1,424,000 or 28%. Key changes in business-type revenues as compared to the prior year were as follows:

- Capital grants and contributions increased approximately \$1,119,000 primarily due to the addition of several capital projects funded by Florence County's one percent sales and use tax.
- Charges for services increased approximately \$387,000 primarily due to a rate increase for sewer services.

Total expenses increased by approximately \$735,000 or 16% primarily due to an increase in payroll expenses, pension expenses, 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 \$2,950,000, an increase of approximately \$298,000 from the prior year fund balance. The increase in fund balance was the result of expenditures of approximately \$7,159,000 being exceeded by revenues and net other financing sources of approximately \$7,457,000. The changes in revenues, expenditures, and other financing sources/uses are explained in further detail below.

At June 30, 2021 the City had \$1,643,000 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) Firemen's One Percent of approximately \$22,000 is legally restricted by the revenue source, (2) Tourism Related Expenditures of approximately \$437,000 is legally restricted by the revenue source, (3) Public Safety of approximately \$121,000 is legally restricted by the revenue source.

CITY OF LAKE CITY, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2021

FINANCIAL ANALYSIS OF THE CITY'S FUNDS (CONTINUED)

Governmental Funds (Continued)

- Committed for (1) Sanitation Operations of approximately \$299,000 (2) Cart Replacement of approximately \$200,000, and (3) Future Capital Outlay of approximately \$168,000

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 \$2,518,000. 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 \$1,643,000 or 23% of operating expenditures for the year ended June 30, 2021.

Highlights for the General Fund were as follows:

- Total fund balance increased by approximately \$237,000 due to expenditures of approximately \$7,090,000 being exceeded by revenues and other financing sources of approximately \$7,327,000.
- Revenues increased approximately \$277,000 or 4% primarily due to an increase in local sales option tax revenues.
- Expenditures increased approximately \$917,000 or 15%, due primarily to an increase in capital outlay of \$694,000 related to the purchase of dump trucks during the current year.

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 \$19,733,000, an increase of approximately \$1,097,000. 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, 2021

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City’s investment in capital assets as of June 30, 2021 and 2020 amounted to approximately \$34,480,000 and \$32,570,000 (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, 2021 and 2020 were as follows:

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Land	\$ 3,764,127	\$ 3,717,627	122,427	122,427	3,886,554	\$ 3,840,054
Construction in Progress	-	-	619,345	352,646	619,345	352,646
Building and Improvements	1,052,609	819,161	2,538,773	2,614,753	3,591,382	3,433,914
Infrastructure	2,220,142	2,267,494			2,220,142	2,267,494
Utility Systems and Improvements			21,388,434	20,108,983	21,388,434	20,108,983
Machinery and Equipment	2,114,901	1,766,519	659,720	799,932	2,774,621	2,566,451
Total	\$ 9,151,779	8,570,801	25,328,699	23,998,741	34,480,478	\$ 32,569,542

The total increase in the City’s investment in capital assets for the current fiscal year was approximately \$1,911,000. The increase in the City’s total capital assets is due to capital asset additions of approximately \$3,995,000 exceeding depreciation expense of approximately \$2,025,000 and disposals of approximately \$59,000.

Additional information on the City’s capital assets can be found in Notes I.C 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, 2021

CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)

Debt and Capital Leases

As of June 30, 2021 and 2020, the City had total outstanding debt (including capital leases) of approximately \$10,831,000 and \$11,121,000, respectively. Of the City’s total debt, approximately \$310,000 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 \$9,276,000 as of June 30, 2021. The City’s total debt and capital leases as of June 30, 2021 and 2020 were as follows:

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Debt:						
GOB - Landfill	\$ 310,000	\$ 450,000	-	-	310,000	\$ 450,000
Revenue Bond - January 2013	-	-	3,568,269	3,642,841	3,568,269	3,642,841
Revenue Bond - March 2013	-	-	252,461	258,300	252,461	258,300
Revenue Bond - December 2016	-	-	5,455,000	5,745,000	5,455,000	5,745,000
Total Debt	310,000	450,000	9,275,730	9,646,141	9,585,730	10,096,141
Capital Leases:						
Street Sweeper	-	21,368	-	-	-	21,368
Two Fire Trucks	592,141	680,863	-	-	592,141	680,863
Equipment	57,290	113,506	-	-	57,290	113,506
Diesel Pumps	-	-	70,824	209,075	70,824	209,075
Sanitation / IT Upgrades	525,000	-	-	-	525,000	-
Total Lease Purchase	1,174,431	815,737	70,824	209,075	1,245,255	1,024,812
Total	\$ 1,484,431	1,265,737	9,346,554	9,855,216	10,830,985	\$ 11,120,953

The total decrease in the City’s debt and capital lease obligations for the current fiscal year was approximately \$290,000 due to regularly scheduled payments of approximately \$815,000, partially offset by the addition of a capital lease in government-type activities of \$525,000.

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 2021-2022 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 2021-2022 is \$7,566,000 or a 5% increase from the prior year. The Water Fund budget is \$1,585,000 and the Sewer Fund budget is \$2,911,000 for a total Water/Sewer Enterprise Fund budget of \$4,308,000. The combined budget appropriation for fiscal year 2021-2022 is \$12,062,000.

CITY OF LAKE CITY, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2021

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 operating and debt service millage rate is 213.3, which is an increase in 39.1 mils 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, 2021

	PRIMARY GOVERNMENT		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 2,050,298	4,438,441	\$ 6,488,739
Cash and Cash Equivalents - Restricted	483,638	194,541	678,179
Taxes Receivable, Net	263,581	-	263,581
Accounts Receivables, Net	252,526	1,170,063	1,422,589
Due from Other Governments	284,876	58,700	343,576
Internal Balances	6,545	(6,545)	-
Inventory	-	11,002	11,002
Prepaid Expenses	58,146	17,337	75,483
Assets Held for Sale	-	10,596	10,596
Total Current Assets	3,399,610	5,894,135	9,293,745
Non-Current Assets:			
Capital Assets:			
Non-Depreciable	3,764,127	741,772	4,505,899
Depreciable, Net	5,387,652	24,586,927	29,974,579
Total Non-Current Assets	9,151,779	25,328,699	34,480,478
TOTAL ASSETS	12,551,389	31,222,834	43,774,223
DEFERRED OUTFLOWS OF RESOURCES			
Deferred OPEB Charges	30,553	9,017	39,570
Deferred Pension Charges	1,192,160	330,416	1,522,576
TOTAL DEFERRED OUTFLOWS OF RESOURCES	1,222,713	339,433	1,562,146
LIABILITIES			
Current Liabilities:			
Accounts Payable	204,580	173,264	377,844
Accrued Interest	31,184	6,903	38,087
Other Accrued Liabilities	126,929	31,212	158,141
Unearned Revenue	-	44,907	44,907
Current Portion of Compensated Absences	76,624	33,180	109,804
Current Portion of Debt	399,400	451,121	850,521
Total Current Liabilities	838,717	740,587	1,579,304
Non-Current Liabilities:			
Net Pension Liability	5,217,706	1,834,320	7,052,026
Net OPEB Liability	236,511	69,803	306,314
Compensated Absences, Net of Current Portion	34,508	-	34,508
Debt, Less Current Portion	1,085,031	8,895,433	9,980,464
Total Non-Current Liabilities	6,573,756	10,799,556	17,373,312
TOTAL LIABILITIES	7,412,473	11,540,143	18,952,616
DEFERRED INFLOWS OF RESOURCES			
Deferred Other Postemployment Benefit ("OPEB") Credits	61,214	18,066	79,280
Deferred Pension Credits	598,203	271,230	869,433
TOTAL DEFERRED INFLOWS OF RESOURCES	659,417	289,296	948,713
NET POSITION			
Net Investment in Capital Assets	7,667,348	16,165,514	23,832,862
Restricted For:			
Debt Service	-	11,171	11,171
Victims' Services	2,286	-	2,286
Tourism Related Expenditures	437,399	-	437,399
Public Safety	121,376	-	121,376
One Percent	22,312	-	22,312
Unrestricted	(2,548,509)	3,556,143	1,007,634
TOTAL NET POSITION	\$ 5,702,212	19,732,828	\$ 25,435,040

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, 2021

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	\$ 442,903	1,110,612	332,210	-	999,919	-	\$ 999,919
Public Safety	3,053,930	89,719	107,340	-	(2,856,871)	-	(2,856,871)
Streets and Sanitation	1,969,026	810,259	-	-	(1,158,767)	-	(1,158,767)
Economic and Community Development	71,950	-	-	-	(71,950)	-	(71,950)
Culture and Recreation	559,648	14,145	139,986	378,450	(27,067)	-	(27,067)
Nondepartmental	486,738	-	-	-	(486,738)	-	(486,738)
Interest Expense	43,775	-	-	-	(43,775)	-	(43,775)
TOTAL GOVERNMENTAL ACTIVITIES	6,627,970	2,024,735	579,536	378,450	(3,645,249)	-	(3,645,249)
Business-Type Activities:							
Water	1,950,798	1,468,687	-	39,787	-	(442,324)	(442,324)
Sewer	3,440,022	2,974,832	-	2,061,632	-	1,596,442	1,596,442
TOTAL BUSINESS-TYPE ACTIVITIES	5,390,820	4,443,519	-	2,101,419	-	1,154,118	1,154,118
TOTAL - PRIMARY GOVERNMENT	\$ 12,018,790	6,468,254	579,536	2,479,869	(3,645,249)	1,154,118	\$ (2,491,131)
General Revenues:							
Taxes:							
Property Taxes Levied for General Purposes					\$ 1,854,480	-	\$ 1,854,480
Local Option Sales Taxes					1,298,893	-	1,298,893
Hospitality Taxes					261,679	-	261,679
Accommodation Taxes					40,358	-	40,358
Franchise Taxes					529,303	-	529,303
Other Taxes					210,781	-	210,781
Investment Income					2,026	10,029	12,055
Gain on Disposal of Capital Assets					37,575	3,276	40,851
Miscellaneous					33,971	-	33,971
Transfers In (Out)					70,000	(70,000)	-
Total General Revenues					4,339,066	(56,695)	4,282,371
CHANGE IN NET POSITION					693,817	1,097,423	1,791,240
NET POSITION, Beginning of Year					4,987,978	18,635,405	23,623,383
Change in Accounting Principle - See Note I.B					20,417	-	20,417
NET POSITION, Beginning of Year - As Restated					5,008,395	18,635,405	23,643,800
NET POSITION, End of Year					\$ 5,702,212	19,732,828	\$ 25,435,040

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, 2021

	GENERAL FUND	OTHER NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS			
Cash and Cash Equivalents	\$ 2,026,177	24,121	\$ 2,050,298
Cash and Cash Equivalents, Restricted	148,611	335,027	483,638
Taxes Receivable, Net	188,640	74,941	263,581
Accounts Receivable, Net	252,526	-	252,526
Due From:			
County Treasurer	108,685	-	108,685
Other Governments	176,191	-	176,191
Other Funds	6,545	-	6,545
Prepays	58,146	-	58,146
TOTAL ASSETS	\$ 2,965,521	434,089	\$ 3,399,610
LIABILITIES			
Accounts Payable	\$ 202,967	1,613	\$ 204,580
Other Accrued Liabilities	126,929	-	126,929
TOTAL LIABILITIES	329,896	1,613	331,509
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue - Property Taxes	118,028	-	118,028
TOTAL DEFERRED INFLOWS OF RESOURCES	118,028	-	118,028
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	447,924	1,613	449,537
FUND BALANCES			
Nonspendable:			
Prepays	58,146	-	58,146
Restricted:			
Victims' Services	2,286	-	2,286
Tourism Related Expenditures	148,611	288,788	437,399
Public Safety	-	121,376	121,376
One Percent	-	22,312	22,312
Committed:			
Sanitation Operations	299,325	-	299,325
Cart Replacement	200,381	-	200,381
Future Capital Outlay	168,197	-	168,197
Unassigned	1,640,651	-	1,640,651
TOTAL FUND BALANCES	2,517,597	432,476	2,950,073
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 2,965,521	434,089	\$ 3,399,610

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, 2021

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS **\$ 2,950,073**

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.	118,028
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 \$17,293,478 and the accumulated depreciation was \$8,141,699.	9,151,779
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.	(31,184)
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.	(4,623,749)
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.	(267,172)
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)	(1,484,431)
Compensated Absences	(111,132)
TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES	<u>\$ 5,702,212</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 REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2021

	GENERAL FUND	OTHER NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES			
Property Taxes	\$ 1,843,028	-	\$ 1,843,028
Other Taxes	-	261,679	261,679
Franchise Fees	529,303	-	529,303
Licenses and Permits	1,110,612	-	1,110,612
Intergovernmental	1,550,032	-	1,550,032
Sanitation Fees	810,259	-	810,259
Fines and Forfeitures	57,667	32,052	89,719
Investment Earnings	2,018	8	2,026
Recreation Fees	14,145	-	14,145
Grants	579,536	-	579,536
Miscellaneous	23,033	10,938	33,971
TOTAL REVENUES ALL SOURCES	6,519,633	304,677	6,824,310
EXPENDITURES			
Current:			
General Government	322,920	-	322,920
Public Safety	2,828,874	3,619	2,832,493
Streets and Sanitation	1,872,836	-	1,872,836
Economic and Community Development	71,950	-	71,950
Culture and Recreation	412,225	56,452	468,677
Nondepartmental	477,692	9,046	486,738
Capital Outlay	756,367	-	756,367
Debt Service:			
Principal	306,306	-	306,306
Interest	40,855	-	40,855
TOTAL EXPENDITURES	7,090,025	69,117	7,159,142
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(570,392)	235,560	(334,832)
OTHER FINANCING SOURCES (USES)			
Capital Lease Proceeds	525,000	-	525,000
Sale of Assets	37,575	-	37,575
Transfers In	245,000	-	245,000
Transfers Out	-	(175,000)	(175,000)
TOTAL OTHER FINANCING SOURCES (USES)	807,575	(175,000)	632,575
NET CHANGES IN FUND BALANCES	237,183	60,560	297,743
FUND BALANCES, Beginning of Year - As Previously Reported	2,280,414	351,499	2,631,913
Change in Accounting Principle - See Note I.B	-	20,417	20,417
FUND BALANCE, Beginning of Year - As Restated	2,280,414	371,916	2,652,330
FUND BALANCES, End of Year	\$ 2,517,597	432,476	\$ 2,950,073

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, 2021

TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS	\$ 297,743
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.	11,452
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.	306,306
Bond and capital lease proceeds provide current financial resources to governmental funds, but issuing debt or entering into capital leases increases long term liabilities in the Statement of Net Position.	(525,000)
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.	(2,920)
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.	24,516
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.	(10,701)
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.	11,443
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 \$1,220,171 (including donated capital assets of \$378,450) exceeded depreciation expense of \$639,193.	580,978
TOTAL CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$ 693,817

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, 2021

	WATER	SEWER	TOTAL
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 1,675,720	2,762,721	\$ 4,438,441
Cash and Cash Equivalents, Restricted	183,370	11,171	194,541
Due From:			
Other Funds	-	34,470	34,470
County	-	58,700	58,700
Accounts Receivable	149,056	1,021,007	1,170,063
Inventory	5,501	5,501	11,002
Prepaid Expenses	5,143	12,194	17,337
Assets Held for Sale	-	10,596	10,596
Total Current Assets	<u>2,018,790</u>	<u>3,916,360</u>	<u>5,935,150</u>
Noncurrent Assets:			
Capital Assets:			
Non-Depreciable	160,717	581,055	741,772
Depreciable, Net	13,612,219	10,974,708	24,586,927
Total Noncurrent Assets	<u>13,772,936</u>	<u>11,555,763</u>	<u>25,328,699</u>
TOTAL ASSETS	<u>15,791,726</u>	<u>15,472,123</u>	<u>31,263,849</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred OPEB Charges	2,722	6,295	9,017
Deferred Pension Charges	96,911	233,505	330,416
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>99,633</u>	<u>239,800</u>	<u>339,433</u>
LIABILITIES			
Current Liabilities:			
Accounts Payable	61,204	112,059	173,263
Accrued Interest	4,634	2,269	6,903
Accrued Liabilities	9,251	21,961	31,212
Unearned Revenue	44,907	-	44,907
Due To:			
Other Funds	37,088	3,927	41,015
Accrued Compensated Absences, Due Within One Year	10,761	22,419	33,180
Long-Term Obligations, Due Within One Year	285,058	166,063	451,121
Total Current Liabilities	<u>452,903</u>	<u>328,698</u>	<u>781,601</u>
Noncurrent Liabilities:			
Net Pension Liability	553,678	1,280,642	1,834,320
Net OPEB Liability	21,070	48,733	69,803
Long-Term Obligations, Net of Current Portion	7,167,479	1,727,954	8,895,433
Total Noncurrent Liabilities	<u>7,742,227</u>	<u>3,057,330</u>	<u>10,799,557</u>
TOTAL LIABILITIES	<u>8,195,130</u>	<u>3,386,028</u>	<u>11,581,158</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred OPEB Credits	5,453	12,613	18,066
Deferred Pension Credits	81,869	189,361	271,230
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>87,322</u>	<u>201,974</u>	<u>289,296</u>
NET POSITION			
Net Investment in Capital Assets	6,503,769	9,661,745	16,165,514
Restricted for Debt Service	-	11,171	11,171
Unrestricted	1,105,138	2,451,005	3,556,143
TOTAL NET POSITION	<u>\$ 7,608,907</u>	<u>12,123,921</u>	<u>\$ 19,732,828</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 REVENUES, EXPENSES AND CHANGES IN NET POSITION - PROPRIETARY FUNDS
 WATER AND SEWER FUNDS

YEAR ENDED JUNE 30, 2021

	WATER	SEWER	TOTAL
OPERATING REVENUES			
Water and Sewer Charges	\$ 1,309,872	2,901,989	\$ 4,211,861
Water and Sewer Tap Fees	43,585	14,700	58,285
Penalties and Other Revenue	115,230	58,143	173,373
TOTAL OPERATING REVENUES	1,468,687	2,974,832	4,443,519
OPERATING EXPENSES			
Salaries	477,140	971,865	1,449,005
Benefits	119,339	296,940	416,279
Non-Cash Pension Expense (Benefit)	89,370	263,959	353,329
Depreciation	614,872	771,075	1,385,947
Insurance	17,526	39,277	56,803
Other Operating Expenses	101,695	515,073	616,768
Professional Fees	59,797	55,669	115,466
Repairs and Maintenance	79,543	181,492	261,035
Supplies and Materials	45,411	24,135	69,546
Utilities	142,263	261,199	403,462
TOTAL OPERATING EXPENSES	1,746,956	3,380,684	5,127,640
OPERATING INCOME (LOSS)	(278,269)	(405,852)	(684,121)
NON-OPERATING REVENUE (EXPENSES)			
Grant Income	39,787	2,061,632	2,101,419
Investment Income	3,730	6,299	10,029
Interest Expense	(203,842)	(59,338)	(263,180)
Gain (Loss) on Disposal of Capital Assets	1,638	1,638	3,276
TOTAL NON-OPERATING REVENUE (EXPENSES)	(158,687)	2,010,231	1,851,544
INCOME (LOSS) BEFORE TRANSFERS	(436,956)	1,604,379	1,167,423
Transfers Out	(28,000)	(42,000)	(70,000)
CHANGE IN NET POSITION	(464,956)	1,562,379	1,097,423
NET POSITION, Beginning of Year	8,073,863	10,561,542	18,635,405
NET POSITION, End of Year	\$ 7,608,907	12,123,921	\$ 19,732,828

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, 2021

	WATER	SEWER	TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Received from Customers	\$ 1,406,597	2,510,870	\$ 3,917,467
Cash Payments to Suppliers for Goods and Services	(453,063)	(1,051,363)	(1,504,426)
Cash Payments to Employees for Services	(597,344)	(1,287,352)	(1,884,696)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>356,190</u>	<u>172,155</u>	<u>528,345</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Transfers and Advances Between Funds	9,088	(72,543)	(63,455)
NET CASH PROVIDED BY (USED IN) NON-CAPITAL FINANCING ACTIVITIES	<u>9,088</u>	<u>(72,543)</u>	<u>(63,455)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Capital Grants and Contributions	39,787	2,061,632	2,101,419
Proceeds from the Sale of Assets	1,638	1,638	3,276
Acquisition and Construction of Capital Assets	(278,871)	(2,495,734)	(2,774,605)
Principal Paid on Bonds and Capital Leases	(277,572)	(231,090)	(508,662)
Interest Paid on Bonds and Capital Leases	(204,076)	(59,041)	(263,117)
NET CASH PROVIDED BY (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(719,094)</u>	<u>(722,595)</u>	<u>(1,441,689)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Sale of Investments	55,562	33,020	88,582
Investment Earnings	3,730	6,299	10,029
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>59,292</u>	<u>39,319</u>	<u>98,611</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS INCLUDING RESTRICTED CASH	(294,524)	(583,664)	(878,188)
CASH AND CASH EQUIVALENTS, Including Restricted Cash, Beginning of Year	<u>2,153,614</u>	<u>3,357,556</u>	<u>5,511,170</u>
CASH AND CASH EQUIVALENTS, Including Restricted Cash, End of Year	\$ 1,859,090	2,773,892	\$ 4,632,982
Reconciliation of Operating Income to Net Cash from Operating Activities:			
Operating Income (Loss)	\$ (278,269)	(405,852)	\$ (684,121)
Adjustments to Reconcile Operating Income (Loss) to Net Cash from Operating Activities:			
Depreciation Expense	614,872	771,075	1,385,947
Non-Cash Pension Expense	89,370	263,959	353,329
Change Due to (Increase) Decrease in Operating Assets:			
Accounts Receivable	(29,679)	(463,962)	(493,641)
Prepaid Expenses	10,299	18,748	29,047
Assets Held for Sale	-	24,404	24,404
Change Due to Increase (Decrease) in Operating Liabilities:			
Accounts Payable	3,778	(17,670)	(13,892)
Accrued Liabilities	(20,905)	(19,752)	(40,657)
Unearned Revenue	(32,411)	-	(32,411)
Accrued Compensated Absences	(4,102)	(9,150)	(13,252)
Net Cash Provided By (Used In) Operating Activities	<u>\$ 356,190</u>	<u>172,155</u>	<u>\$ 528,345</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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2021

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, 2021

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 generally 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. Nonmajor 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, 2021

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 nonmajor 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 nonmajor 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.

The **Firemen's Fund, a nonmajor fund** and 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. Funds are restricted to be used for activities directly related to the 1% program.

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.

CITY OF LAKE CITY, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2021

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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.

Change in Accounting Principle

The City adopted GASB Statement No. 84, *Fiduciary Activities* (“GASB #84”) for the year ended June 30, 2021. The primary objective of GASB #84 was to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. GASB #84 made it clear that the Firemen’s Fund should be reported by the City in a special revenue fund. The balances and activities were previously recorded in a fiduciary fund.

The adoption of GASB #84 resulted in the restatement of the City’s fund balance and net position as of July 1, 2020 for its governmental funds and government-wide financial statements to reflect the reporting of the Firemen’s Fund in the special revenue funds. The fund balance of the City’s governmental funds and net position of the City’s governmental activities as of July 1, 2020 was increased by approximately \$20,000, reflecting the cumulative change in accounting principle related to the adoption of GASB #84.

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.

CITY OF LAKE CITY, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2021

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)

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

The City's cash and investment objectives are preservation of capital, liquidity, and yield. The City reports 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, 2021

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, 2021

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	Useful Life
Computer Equipment	3 Years
Vehicles	3-5 Years
Equipment	5-15 Years
System Infrastructure	7-15 Years
Public Domain Infrastructure	10-25 Years
Buildings and Improvements	25-40 Years
Utility System	40-50 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, 2021

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:

CITY OF LAKE CITY, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2021

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.

CITY OF LAKE CITY, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2021

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:

General Fund 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, 2021

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES

A. Deposits and Investments

Deposits

Custodial Credit Risk for Deposits: Custodial credit risk for deposits is the risk that, in the event of a bank failure, the City’s deposits might not be recovered. The City does not have a formal policy for custodial credit risk, but follows the investment policy statutes of the State of South Carolina. As of June 30, 2021, none of the City’s bank balances of approximately \$5,409,000 (with a carrying value of approximately \$5,250,000) were subject to custodial credit risk.

Investments

As of June 30, 2021, 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	\$ 1,511,920	\$ 1,511,920
US Treasury Securities	Level 1	AAAm, Aaa-mf	404,694	404,694
Total			<u>\$ 1,916,614</u>	<u>\$ 1,916,614</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, 2021

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:

<u>Financial Statements</u>	
Statement of Net Position:	
Cash and Cash Equivalents	\$ 6,488,739
Cash and Cash Equivalents - Restricted	<u>678,179</u>
Total	<u><u>\$ 7,166,918</u></u>
 <u>Notes to the Financial Statements</u>	
Deposits	\$ 5,250,304
Investments	<u>1,916,614</u>
Total	<u><u>\$ 7,166,918</u></u>

B. Property Taxes and Other Receivables

Receivables as of June 30, 2021 for the City's individual major funds, including the applicable allowance for uncollectible amounts, are as follows:

	<u>General</u>	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
	Fund	Fund	Fund	
Receivables:				
Taxes Receivable	\$ 206,242	-	-	\$ 206,242
Accounts Receivable	254,764	152,787	1,029,961	1,437,512
Due From:				
County Treasurer	108,685	-	-	108,685
Other Governments	176,191	-	-	176,191
Gross Receivables	<u>745,882</u>	<u>152,787</u>	<u>1,029,961</u>	<u>1,928,630</u>
Less Allowance For:				
Taxes Receivable	(17,602)	-	-	(17,602)
Accounts Receivable	(2,238)	(3,731)	(8,954)	(14,923)
Net Receivables	<u><u>\$ 726,042</u></u>	<u><u>149,056</u></u>	<u><u>1,021,007</u></u>	<u><u>\$ 1,896,105</u></u>

CITY OF LAKE CITY, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2021

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

B. Property Taxes and Other Receivables (Continued)

Property Taxes

The City’s fiscal year 2021 real and business personal property taxes (which were for tax year 2020) were levied on October 1, 2020 and were due beginning on this date based on the assessed valuation as of January 1, 2020. Property taxes were considered late on January 16, 2021. 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 2020 property tax year was 174.2 mills and the debt service tax rate was 9.86 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, 2021, the General Fund had approximately \$118,000 in revenue related to property taxes that was not available (unavailable revenue – property taxes). Unearned revenues of approximately \$45,000 in the Water Fund represent customer prepayments for services to be provided.

D. Interfund Receivables, Payables, and Transfers

Interfund balances at June 30, 2021, consisted of the following:

Fund	Receivables	Payables
General Fund	\$ 6,545	\$ -
Water Fund	-	37,088
Sewer Fund	34,470	3,927
Total	<u>\$ 41,015</u>	<u>\$ 41,015</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, 2021.

CITY OF LAKE CITY, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2021

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, 2021, consisted of the following:

Fund	Transfers In	Transfers Out
General Fund	\$ 245,000	\$ -
Other Nonmajor Governmental Funds	-	175,000
Water Fund	-	28,000
Sewer Fund	-	42,000
Total	<u>\$ 245,000</u>	<u>\$ 245,000</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, 2021 was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental Activities:					
Capital Assets, Non-Depreciable:					
Land	\$ 3,717,627	46,500	-	-	\$ 3,764,127
Total Capital Assets, Non-Depreciable	<u>3,717,627</u>	<u>46,500</u>	<u>-</u>	<u>-</u>	<u>3,764,127</u>
Capital Assets, Depreciable:					
Buildings	2,992,687	333,400	-	-	3,326,087
Infrastructure	3,507,421	104,322	-	-	3,611,743
Machinery	6,389,391	735,949	533,819	-	6,591,521
Total Capital Assets, Depreciable	<u>12,889,499</u>	<u>1,173,671</u>	<u>533,819</u>	<u>-</u>	<u>13,529,351</u>
Less: Accumulated Depreciation for:					
Buildings	2,173,526	99,952	-	-	2,273,478
Infrastructure	1,239,927	151,674	-	-	1,391,601
Machinery	4,622,872	387,567	533,819	-	4,476,620
Total Accumulated Depreciation	<u>8,036,325</u>	<u>639,193</u>	<u>533,819</u>	<u>-</u>	<u>8,141,699</u>
Total Capital Assets, Depreciable, Net	<u>4,853,174</u>	<u>534,478</u>	<u>-</u>	<u>-</u>	<u>5,387,652</u>
Governmental Activities Capital Assets, Net	<u>\$ 8,570,801</u>	<u>580,978</u>	<u>-</u>	<u>-</u>	<u>\$ 9,151,779</u>

CITY OF LAKE CITY, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2021

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	\$ 144,629
Public Safety	221,924
Streets and Sanitation	96,273
Culture and Recreation	176,367
Total - Governmental Activities	<u>\$ 639,193</u>

Capital asset activity for the City’s business-type activities for the year ended June 30, 2021 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	352,646	2,387,099	58,700	(2,061,700)	619,345
Total Capital Assets, Non-Depreciable	<u>475,073</u>	<u>2,387,099</u>	<u>58,700</u>	<u>(2,061,700)</u>	<u>741,772</u>
Capital Assets, Depreciable					
Buildings	3,406,593	5,200	-	-	3,411,793
Utility Systems and Improvements	39,963,952	275,700	-	2,061,700	42,301,352
Machinery and Equipment	3,212,988	106,606	26,104	-	3,293,490
Total Capital Assets, Depreciable	<u>46,583,533</u>	<u>387,506</u>	<u>26,104</u>	<u>2,061,700</u>	<u>49,006,635</u>
Less: Accumulated Depreciation for:					
Buildings	791,840	81,180	-	-	873,020
Utility Systems and Improvements	19,854,969	1,057,949	-	-	20,912,918
Machinery and Equipment	2,413,056	246,818	26,104	-	2,633,770
Total Accumulated Depreciation	<u>23,059,865</u>	<u>1,385,947</u>	<u>26,104</u>	<u>-</u>	<u>24,419,708</u>
Total Capital Assets, Depreciable, Net	<u>23,523,668</u>	<u>(998,441)</u>	<u>-</u>	<u>2,061,700</u>	<u>24,586,927</u>
Business-Type Activities Capital Assets, Net	<u>\$ 23,998,741</u>	<u>1,388,658</u>	<u>58,700</u>	<u>-</u>	<u>\$ 25,328,699</u>

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

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	\$ 614,872
Sewer	771,075
Total - Business-Type Activities	\$ 1,385,947

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, 2021 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.	
	\$ 310,000

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

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.	\$ 3,568,269
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.	252,461
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.	5,455,000
Total Revenue Bonds	<u>\$ 9,275,730</u>
<u>Capital Leases - DB</u>	
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 begin charged at 3.05%.	\$ 592,141
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%.	57,290
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%.	70,824
On August 24, 2020, the City entered into a lease/purchase agreement in the amount of \$525,000 for the acquisition of Sanitation and IT equipment. Annual payments in the amount of \$111,707 will begin on August 24, 2021. Interest is being charged at 2.10%.	525,000
Total Capital Lease Obligations	<u>\$ 1,245,255</u>

CITY OF LAKE CITY, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2021

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, 2021 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	\$ 450,000	-	140,000	310,000	\$ 150,000
Total GO Bonds	<u>450,000</u>	<u>-</u>	<u>140,000</u>	<u>310,000</u>	<u>150,000</u>
Capital Leases - DB:					
Street Sweeper	21,368	-	21,368	-	-
Two Fire Trucks	680,863	-	88,722	592,141	91,428
Equipment	113,506	-	56,216	57,290	57,290
Sanitation/IT Upgrades	-	525,000	-	525,000	100,682
Total Capital Leases	<u>815,737</u>	<u>525,000</u>	<u>166,306</u>	<u>1,174,431</u>	<u>249,400</u>
Accrued Compensated Absences	135,648	69,011	93,527	111,132	76,624
Total Governmental Activities	<u>\$ 1,401,385</u>	<u>594,011</u>	<u>399,833</u>	<u>1,595,563</u>	<u>\$ 476,024</u>

Presented below is a summary of changes in long-term obligations for the year ended June 30, 2021 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	\$ 3,642,841	-	74,572	3,568,269	\$ 76,458
March 2013	258,300	-	5,839	252,461	5,839
December 2016	5,745,000	-	290,000	5,455,000	298,000
Total Revenue Bonds	<u>9,646,141</u>	<u>-</u>	<u>370,411</u>	<u>9,275,730</u>	<u>380,297</u>
Capital Leases - DB:					
Diesel Pumps	209,075	-	138,251	70,824	70,824
Total Capital Leases	<u>209,075</u>	<u>-</u>	<u>138,251</u>	<u>70,824</u>	<u>70,824</u>
Accrued Compensated Absences	46,433	18,700	31,953	33,180	33,180
Total Business-Type Activities	<u>\$ 9,901,649</u>	<u>18,700</u>	<u>540,615</u>	<u>9,379,734</u>	<u>\$ 484,301</u>

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, 2021.

CITY OF LAKE CITY, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2021

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, 2021, the City had approximately \$310,000 of bonded debt subject to the 8% limit of approximately \$1,278,000 resulting in an unused legal debt margin of approximately \$968,000.

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	
2022	\$ 399,400	41,742	451,121	246,433	\$ 1,138,696
2023	357,013	30,150	390,453	235,371	1,012,987
2024	202,046	19,150	400,550	224,706	846,452
2025	207,211	13,985	411,699	213,765	846,660
2026	212,512	8,683	422,902	202,518	846,615
2027-2031	106,249	3,241	2,295,527	832,813	3,237,830
2032-2036	-	-	2,629,454	501,290	3,130,744
2037-2041	-	-	625,767	251,373	877,140
2042-2046	-	-	707,571	169,569	877,140
2047-2051	-	-	800,116	77,024	877,140
2052-2056	-	-	211,394	3,396	214,790
Totals	\$ 1,484,431	116,951	9,346,554	2,958,258	\$ 13,906,194

There are limitations, restrictions, and covenants contained in the various bond indentures and ordinances. As of June 30, 2021, 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, 2021

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

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

The PEBA issues a Comprehensive Annual Financial Report containing financial statements and required supplementary information for the System' Pension Trust Funds. The Comprehensive Annual Financial Report is publicly available through the PEBA's website at www.peba.sc.gov, or a copy may be obtained by submitting a request to PEBA, 202 Arbor Lake Drive, Columbia, SC 29223. The PEBA is considered a division of the primary government of the state of South Carolina and therefore, retirement trust fund financial information is also included in the 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 and other benefits for teachers and employees of the state and its political subdivisions. SCRS covers employees of state agencies, public school districts, higher education institutions, other participating local 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, 2021

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

Plan Membership

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

- SCRS – Generally, all employees of covered employers are required to participate in and contribute to the system as a condition of employment. This plan covers general employees and teachers and individuals newly elected to the South Carolina General Assembly beginning with the November 2012 general election. An employee member of the system with an effective date of membership prior to July 1, 2012, is a Class Two member. An employee member of the system with an effective date of membership on or after July 1, 2012, is a Class Three member.
- PORS – To be eligible for PORS membership, an employee must be required by the terms of his employment, by election or appointment, to preserve public order, protect life and property, and detect crimes in the state; to prevent and control property destruction by fire; be a coroner in a full-time permanent position; or be a peace officer employed by the Department of Corrections, the Department of Juvenile Justice, or the Department of Mental Health. Probate judges and coroners may elect membership in the PORS. Magistrates are required to participate in the PORS for service as a magistrate. PORS members, other than magistrates and probate judges, must also earn at least \$2,000 per year and devote at least 1,600 hours per year to this work, unless exempted by statute. 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, 2021

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 (“Plans”) contribution requirements must be sufficient to maintain an amortization period for the financing of the unfunded actuarial accrued liability (“UAAL”) over a period that does not exceed the number of years scheduled in state statute. Legislation in 2017 increased, but also established a ceiling for SCRS and PORS employee contribution rates. Effective July 1, 2017, employee rates were increased to a capped rate of 9.00 percent for SCRS and 9.75 percent for PORS. The legislation also increased employer contribution rates beginning July 1, 2017 for both SCRS and PORS by two percentage points and further scheduled employer contribution rates to increase by a minimum of one percentage point each year in accordance with state statute. However, the General Assembly postponed the one percent increase in the SCRS and PORS employer contribution rates that was scheduled to go into effect beginning July 1, 2020. If the scheduled contributions are not sufficient to meet the funding periods set in state statute, the PEBA Board shall increase the employer contribution rates as necessary to meet the funding periods set for the applicable year. The maximum funding period of SCRS and PORS is scheduled to be reduced over a ten-year schedule from 30 years beginning fiscal year 2018 to 20 years by fiscal year 2028.

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

CITY OF LAKE CITY, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2021

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 as follows:

	SCRS Rates			PORS Rates		
	2019	2020	2021	2019	2020	2021
Employer Contribution Rate: ^						
Retirement	14.41%	15.41%	15.41%	16.84%	17.84%	17.84%
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>14.56%</u>	<u>15.56%</u>	<u>15.56%</u>	<u>17.24%</u>	<u>18.24%</u>	<u>18.24%</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:

Year Ended June 30,	SCRS Contributions		PORS Contributions	
	Required	% Contributed	Required	% Contributed
2021	\$ 312,883	100%	\$ 252,478	100%
2020	271,216	100%	253,938	100%
2019	\$ 266,886	100%	\$ 243,795	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, 2020. The State’s budget appropriated these funds directly to the PEBA for the South Carolina Retirement System Trust Fund and the Police Officers Retirement System Trust Fund. The amount of funds appropriated by the State (nonemployer contributing entity) for the year ended June 30, 2020 (measurement date) to the City were approximately \$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 year ended June 30, 2021. These contributions by the State are recognized as intergovernmental revenues and pension expenditures in the City’s governmental fund financial statements.

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

Year Ended June 30,	SCRS Payroll	PORS Payroll	Total Payroll
2021	\$ 2,010,821	1,384,195	\$ 3,395,016
2020	1,743,034	1,392,205	3,135,239
2019	\$ 1,833,006	1,414,125	\$ 3,247,131

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

IV. OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

Actuarial Assumptions and Methods

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

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

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

	SCRS	PORS
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Actuarial Assumptions:		
Investment Rate of Return*	7.25%	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”), were developed using the Systems' mortality experience. These base rates are adjusted for future improvement in mortality using published Scale AA projected from the year 2016.

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

CITY OF LAKE CITY, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2021

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

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

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

CITY OF LAKE CITY, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2021

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 TPL determined in accordance with GASB No. 67 less that System’s fiduciary net position. NPL totals, as of the June 30, 2020 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	\$ 51,844,187,763	26,292,418,682	\$ 25,551,769,081	50.7%
PORS	\$ 8,046,386,629	4,730,174,642	\$ 3,316,211,987	58.8%

The TPL is calculated by the Systems’ actuary, and each 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, 2021, the City reported liabilities of approximately \$3,996,000 and \$3,056,000 for its proportionate share of the NPL for the SCRS and PORS, respectively. The NPL were measured as of June 30, 2020, and the TPL for the Plans used to calculate the NPL were determined based on the most recent actuarial valuation report of July 1, 2019 that was projected forward to the measurement date. The City’s proportion of the NPL were based on a projection of the City’s long-term share of contributions to the Plans relative to the projected contributions of all participating South Carolina state and local governmental employers, actuarially determined. At the June 30, 2020 measurement date, the City’s SCRS proportion was 0.015638 percent, which was a decrease of 0.001720 from its proportion measured as of June 30, 2019. At the June 30, 2020 measurement date, the City’s PORS proportion was 0.092160 percent, which was a decrease of 0.00534 from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the City recognized pension expense of approximately \$476,000 and \$454,000 for the SCRS and PORS, respectively. At June 30, 2021, the City reported deferred outflows of resources (deferred pension charges) and deferred inflows of resources (deferred pension credits) related to pensions from the following sources:

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

IV. OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

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

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
SCRS		
Differences Between Expected and Actual Experience	\$ 46,106	\$ 15,110
Change in Assumptions	4,896	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	293,926	-
Changes in Proportion and Differences Between the Employer's Contributions and Proportionate Share of Contributions	90,861	575,726
Employer Contributions Subsequent to the Measurement Date	298,935	-
Total SCRS	<u>734,724</u>	<u>590,836</u>
PORS		
Differences Between Expected and Actual Experience	64,951	13,453
Change in Assumptions	37,296	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	312,948	-
Changes in Proportion and Differences Between the Employer's Contributions and Proportionate Share of Contributions	129,111	265,144
Employer Contributions Subsequent to the Measurement Date	243,546	-
Total PORS	<u>787,852</u>	<u>278,597</u>
Total SCRS and PORS	<u>\$ 1,522,576</u>	<u>\$ 869,433</u>

Approximately \$299,000 and \$244,000 that were reported as deferred outflows of resources related to the City's contributions subsequent to the measurement date to the SCRS and PORS, respectively, will be recognized as a reduction of the NPL in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources (deferred pension charges) and deferred inflows of resources (deferred pension credits) related to the SCRS and PORS will increase (decrease) pension expense as follows:

Year Ended June 30,	SCRS	PORS	Total
2022	\$ (244,673)	112,187	\$ (132,486)
2023	6,379	16,399	22,778
2024	8,243	62,318	70,561
2025	75,004	74,805	149,809
Total	<u>\$ (155,047)</u>	<u>265,709</u>	<u>\$ 110,662</u>

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

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	\$ 4,952,329	3,995,820	\$ 3,197,124
City's proportionate share of the net pension liability of the PORS	4,045,902	3,056,206	2,261,543
Total	\$ 8,998,231	7,052,026	\$ 5,458,667

Plans Fiduciary Net Position

Detailed information regarding the fiduciary net position of the Plans administered by the PEBA is available in the separately issued Comprehensive Annual Financial Report containing financial statements and required supplementary information for the SCRS and PORS. The Comprehensive Annual Financial Report is publicly available through the PEBA’s website at www.peba.sc.gov, 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 \$64,000 to the PEBA as of June 30, 2021, representing required employer and employee contributions for the month of June 2021 for the SCRS and PORS. This amount is included in Other Accrued Liabilities on the financial statements and was paid in July 2021.

CITY OF LAKE CITY, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2021

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, 2020, the last actuarial valuation, the following employees were covered by the OPEB Plan’s benefit terms:

Inactive Members or Beneficiaries Currently Receiving Benefit Payments	2
Active Members	<u>24</u>
Total Membership	<u><u>26</u></u>

Plan Benefits and Contributions

Section 2-198 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. Retirees pay 100% of premiums for retiree and dependent coverage. During the year ended June 30, 2021, the City made contributions of approximately \$12,000, or an average of 1.17% 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, 2021

IV. OTHER INFORMATION (CONTINUED)

C. Other Postemployment Benefit Plan (Continued)

Actuarial Assumptions and Method (Continued)

Actuarial Valuation Date	June 30, 2020
Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	Market Value
Actuarial Assumptions:	
Inflation	2.25%
Discount Rate	2.21%
Healthcare Cost Trend Rate	6.20% decreasing to 4.0% for 2035 and beyond
Payroll Growth	3.00%
Coverage Elections	100% of eligible retirees will elect coverage
Mortality Table	RP-2014 with a 95% multiplier for both males and females

The City’s net OPEB liability was measured as of June 30, 2020 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of July 1, 2020 that was rolled forward to the measurement date.

	Total OPEB Liability (a)
Balances as of June 30, 2020	\$ 332,327
Changes for the year:	
Service Cost	7,165
Interest	11,250
Difference Between Expected/Actual Experience	(38,959)
Changes in Assumptions	16,305
Benefit Payments	(21,774)
Net Changes	(26,013)
Balances as of June 30, 2021	\$ 306,314

CITY OF LAKE CITY, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2021

IV. OTHER INFORMATION (CONTINUED)

C. Other Postemployment Benefit Plan (Continued)

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

For the year ended June 30, 2021, the City recognized OPEB expense of approximately \$10,000. At June 30, 2021, 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	\$ -	\$ 79,280
Changes of Assumptions	27,845	-
Employer Contributions Subsequent to the Measurement Date	11,725	-
Total	<u>\$ 39,570</u>	<u>\$ 79,280</u>

Approximately \$11,725 that was reported as deferred outflows of resources related to the City’s contributions subsequent to the measurement date to the OPEB Plan, respectively, will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources (deferred OPEB charges) and deferred inflows of resources (deferred OPEB credits) related to the OPEB Plan will increase (decrease) OPEB expense as follows:

Year Ended June 30,	Deferred Outflows of Resources	Deferred Inflows of Resources
2022	\$ 3,991	\$ 12,042
2023	3,991	12,042
2024	3,991	12,042
2025	3,991	12,042
2026	3,991	12,042
Thereafter	7,890	19,070
Total	<u>\$ 27,845</u>	<u>\$ 79,280</u>

Discount Rate

The discount rate used to measure the total OPEB liability was 2.21%, a reduction from the rate of 3.50% used in the prior year. 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 2.21%, as well as what it would be if it were calculated using a discount rate that is 1% point lower (1.21%) or 1% point higher (3.21%) than the current rate:

	1% Decrease (1.21%)	Current Discount Rate (2.21%)	1% Increase (3.21%)
Total OPEB Liability	\$ 315,998	306,314	\$ 295,050

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

IV. OTHER INFORMATION (CONTINUED)

C. Other Postemployment Benefit Plan (Continued)

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 6.20% decreasing to 4.00%, as well as what it would be if it were calculated using a healthcare cost trend rate that is 1% point lower 5.20% decreasing to 3.00%) or 1% point higher (7.20% decreasing to 5.00%) than the current rate:

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
Total OPEB Liability	\$ 282,474	306,314	\$ 332,048

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, 2021.

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 \$10,131,000 in remaining contract commitments related to ongoing capital projects as of June 30, 2021.

E. Subsequent Events

On August 19, 2021, the City entered into an agreement with BRW Construction Group LLC in the amount of approximately \$7,642,000 for work on the Lake Swamp WWTP Upgrade project. Work is expected to be substantially completed within 548 days from the contracted start date.

On September 14, 2021, the City entered into an agreement with South State Bank for a Waterworks and Sewer System Improvement Revenue Bond Anticipation Note, Series 2021 in the amount of \$4,940,000 at an interest rate of 0.95%. The note will mature one year from the date of delivery. At maturity of the Note or earlier redemption thereof, all principal and interest accrued will be due.

On September 22, 2021 the City approved a bid from Caldwell Tanks, Inc. in the amount of \$1,839,000 for the purpose of building an elevated tank located at the new hospital.

On September 22, 2021, the City approved a bid from Complete Utilities LLC in the amount of approximately \$1,587,000 for the purpose of building pump station and force main as well as the installation of a new water main located at the new hospital.

On October 14, 2021, the City issued long-term General Obligations Bonds, Series 2021. The bonds were issued at a par amount of \$1,175,000 with a 1.25% interest rate for the purpose of purchasing certain items of capital equipment. Principal and interest payments are due annually beginning October 14, 2022 through October 14, 2026.

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, 2021

	BUDGETED AMOUNTS		ACTUAL	VARIANCE
	ORIGINAL	FINAL		
REVENUES				
Property Taxes	\$ 1,841,500	1,841,500	1,843,028	\$ 1,528
Franchise Fees	577,000	577,000	529,303	(47,697)
Licenses and Permits	1,047,500	1,047,500	1,110,612	63,112
Intergovernmental	1,264,000	1,264,000	1,550,032	286,032
Sanitation Fees	701,000	701,000	810,259	109,259
Fines and Forfeitures	79,500	79,500	57,667	(21,833)
Investment Earnings	4,000	4,000	2,018	(1,982)
Recreation Fees	30,300	30,300	14,145	(16,155)
Grants	325,500	325,500	579,536	254,036
Miscellaneous	58,450	58,450	23,033	(35,417)
TOTAL REVENUES ALL SOURCES	5,928,750	5,928,750	6,519,633	590,883
EXPENDITURES				
Current:				
General Government	488,238	488,238	322,920	(165,318)
Public Safety	3,204,844	3,204,844	2,828,874	(375,970)
Streets and Sanitation	1,207,216	1,207,216	1,872,836	665,620
Economic and Community Development	94,500	94,500	71,950	(22,550)
Culture and Recreation	566,319	566,319	412,225	(154,094)
Nondepartmental	453,250	453,250	477,692	24,442
Capital Outlay	30,000	30,000	756,367	726,367
Debt Service:				
Principal	354,968	354,968	306,306	(48,662)
Interest	55,032	55,032	40,855	(14,177)
TOTAL EXPENDITURES	6,454,367	6,454,367	7,090,025	635,658
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(525,617)	(525,617)	(570,392)	(44,775)
OTHER FINANCING SOURCES (USES)				
Lease Purchase Financing	-	-	525,000	525,000
Proceeds from the Sale of Assets	5,000	5,000	37,575	32,575
Transfers In	49,876	49,876	245,000	195,124
TOTAL OTHER FINANCING SOURCES (USES)	54,876	54,876	807,575	752,699
NET CHANGES IN FUND BALANCES	(470,741)	(470,741)	237,183	707,924
FUND BALANCE, Beginning of Year	2,280,414	2,280,414	2,280,414	-
FUND BALANCES, End of Year	\$ 1,809,673	1,809,673	2,517,597	\$ 707,924

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 EIGHT FISCAL YEARS

	Year Ended June 30,					
	2021	2020	2019	2018	2017	2016
City of Lake City's Proportion of the Net Pension Liability	0.015638%	0.017358%	0.016766%	0.022080%	0.014121%	0.017539%
City of Lake City's Proportionate Share of the Net Pension Liability	\$ 3,995,820	3,963,654	3,756,695	4,970,563	3,016,225	3,326,356
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
City of Lake City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	229.25%	216.24%	216.22%	288.16%	159.45%	203.36%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	50.714%	54.398%	54.105%	53.338%	52.906%	56.992%

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 EIGHT FISCAL YEARS

	2021	2020	2019	2018	2017	2016	2015	2014
Contractually Required Contributor	\$ 312,883	271,216	266,886	235,592	199,402	209,211	178,292	\$ 171,791
Contributions in Relation to the Contractually Required Contributor								
Contributions from the City	298,935	257,268	252,959	221,665	199,402	209,211	178,292	171,791
Contributions from the State	13,948	13,948	13,927	13,927	-	-	-	-
Contribution Deficiency (Excess)	\$ -	-	-	-	-	-	-	\$ -
City of Lake City's Covered Payroll	\$ 2,010,821	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%	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 EIGHT FISCAL YEARS

	Year Ended June 30,							
	2021	2020	2019	2018	2017	2016	2015	2014
City of Lake City's Proportion of the Net Pension Liability	0.09216%	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:	\$ 3,056,206	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 Payrol	\$ 1,392,205	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 Payrol	219.52%	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	58.79%	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 EIGHT FISCAL YEARS

	Year Ended June 30,							
	2021	2020	2019	2018	2017	2016	2015	2014
Contractually Required Contributor	\$ 252,478	253,938	243,795	226,591	178,485	161,424	159,461	\$ 129,342
Contributions in Relation to the Contractually Required Contributor	243,566							
Contributions from the City	8,932	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)	\$ 243,546	-	-	-	-	-	-	\$ -
City of Lake City's Covered Payroll	\$ 1,384,195	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%	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 FOUR FISCAL YEARS

	Year Ended			
	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
Total OPEB Liability:				
Service Cost	\$ 7,165	6,451	6,803	\$ 6,023
Interest	11,250	12,573	14,874	17,573
Changes of Benefit Terms	(38,959)	-	(66,327)	-
Changes of Assumptions	16,305	6,421	2,904	10,167
Benefit Payments, Including Refunds of Member Contributions	(21,774)	(36,004)	(61,706)	(53,485)
Net Change in Total OPEB Liability	(26,013)	(10,559)	(103,452)	(19,722)
Total OPEB Liability - Beginning of Year	332,327	342,886	446,338	466,060
Total OPEB Liability - End of Year (a)	\$ 306,314	332,327	342,886	\$ 446,338
Covered-Employee Payroll	\$ 1,002,782	1,242,862	1,300,030	\$ 1,270,992
Net OPEB Liability as a Percentage of Covered-Employee Payroll	30.52%	26.74%	26.38%	35.12%

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, 2021

	SPECIAL REVENUE DRUG FORFEITURE FUND	SPECIAL REVENUE HOSPITALITY TAX FUND	SPECIAL REVENUE FIREMEN'S FUND	TOTAL OTHER GOVERNMENTAL FUNDS
ASSETS				
Cash and Cash Equivalents	\$ 500	-	23,621	\$ 24,121
Cash and Cash Equivalents, Restricted	120,876	214,151	-	335,027
Taxes Receivable, Net	-	74,941		74,941
TOTAL ASSETS	\$ 121,376	289,092	23,621	\$ 434,089
LIABILITIES				
Accounts Payable	\$ -	304	1,309	\$ 1,613
TOTAL LIABILITIES	\$ -	304	1,309	\$ 1,613
FUND BALANCES				
Restricted:				
Public Safety	\$ 121,376	-	-	\$ 121,376
Tourism Related Expenditures	-	288,788	-	288,788
One Percent	-	-	22,312	22,312
TOTAL FUND BALANCES	121,376	288,788	22,312	432,476
TOTAL LIABILITIES AND FUND BALANCES	\$ 121,376	289,092	23,621	\$ 434,089

CITY OF LAKE CITY, SOUTH CAROLINA

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

YEAR ENDED JUNE 30, 2021

	SPECIAL REVENUE DRUG FORFEITURE FUND	SPECIAL REVENUE HOSPITALITY TAX FUND	SPECIAL REVENUE FIREMEN'S FUND	TOTAL OTHER GOVERNMENTAL FUNDS
REVENUES				
Other Taxes	\$ -	261,679	-	\$ 261,679
Investment Earnings	5	-	3	8
Fines and Forfeitures	32,052	-	-	32,052
Miscellaneous Income	-	-	10,938	10,938
TOTAL REVENUES ALL SOURCES	32,057	261,679	10,941	304,677
EXPENDITURES				
Current:				
Public Safety	3,619	-	-	3,619
Culture and Recreation	-	56,452	-	56,452
Nondepartmental	-	-	9,046	9,046
TOTAL EXPENDITURES	3,619	56,452	9,046	69,117
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	28,438	205,227	1,895	235,560
OTHER FINANCING SOURCES (USES)				
Transfers Out	-	(175,000)	-	(175,000)
TOTAL OTHER FINANCING SOURCES (USES)	-	(175,000)	-	(175,000)
NET CHANGES IN FUND BALANCES	28,438	30,227	1,895	60,560
FUND BALANCES, Beginning of Year, as Previously Reported	92,938	258,561	-	351,499
Change in Accounting Principle - See Note I.B	-	-	20,417	20,417
FUND BALANCES, Beginning of Year - As Restated	92,938	258,561	20,417	371,916
FUND BALANCES, End of Year	\$ 121,376	288,788	22,312	\$ 432,476

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, 2021

	WATER FUND		
	BUDGET	ACTUAL	VARIANCE
OPERATING REVENUES			
Water and Sewer Charges	\$ 1,338,673	1,309,872	\$ (28,801)
Water and Sewer Tap Fees	20,000	43,585	23,585
Penalties and Other Revenue	185,900	115,230	(70,670)
TOTAL OPERATING REVENUES	1,544,573	1,468,687	(75,886)
OPERATING EXPENSES			
Salaries	528,503	477,140	(51,363)
Benefits	122,640	119,339	(3,301)
Non-Cash Pension Expense (Benefit)	-	89,370	89,370
Depreciation	-	614,872	614,872
Insurance	27,000	17,526	(9,474)
Other Operating Expenses	203,220	101,695	(101,525)
Professional Fees	74,814	59,797	(15,017)
Repairs and Maintenance	74,900	79,543	4,643
Supplies and Materials	23,700	45,411	21,711
Utilities	100,500	142,263	41,763
TOTAL OPERATING EXPENSES	1,155,277	1,746,956	591,679
OPERATING INCOME (LOSS)	389,296	(278,269)	(667,565)
NONOPERATING REVENUE (EXPENSES)			
Grant Income	-	39,787	39,787
Investment Income	5,000	3,730	(1,270)
Interest Expense	(366,296)	(203,842)	162,454
Gain (Loss) on Disposal of Capital Assets	-	1,638	1,638
TOTAL NONOPERATING REVENUE (EXPENSES)	(361,296)	(158,687)	202,609
INCOME (LOSS) BEFORE TRANSFERS	28,000	(436,956)	(464,956)
Transfers Out	(28,000)	(28,000)	-
CHANGE IN NET POSITION	-	(464,956)	(464,956)
NET POSITION, Beginning of Year	8,073,863	8,073,863	-
NET POSITION, End of Year	\$ 8,073,863	7,608,907	\$ (464,956)

(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, 2021

	SEWER FUND		
	BUDGET	ACTUAL	VARIANCE
OPERATING REVENUES			
Water and Sewer Charges	\$ 2,627,100	2,901,989	\$ 274,889
Water and Sewer Tap Fees	6,000	14,700	8,700
Penalties and Other Revenue	120,000	58,143	(61,857)
TOTAL OPERATING REVENUES	2,753,100	2,974,832	221,732
OPERATING EXPENSES			
Salaries	1,063,259	971,865	(91,394)
Benefits	324,050	296,940	(27,110)
Non-Cash Pension Expense (Benefit)	-	263,959	263,959
Depreciation	-	771,075	771,075
Insurance	40,000	39,277	(723)
Other Operating Expenses	373,739	515,073	141,334
Professional Fees	8,040,500	55,669	(7,984,831)
Repairs and Maintenance	2,382,339	181,492	(2,200,847)
Supplies and Materials	21,900	24,135	2,235
Utilities	225,000	261,199	36,199
TOTAL OPERATING EXPENSES	12,470,787	3,380,684	(9,090,103)
OPERATING INCOME (LOSS)	(9,717,687)	(405,852)	9,311,835
NONOPERATING REVENUE (EXPENSES)			
Grant Income	10,178,575	2,061,632	(8,116,943)
Investment Income	5,250	6,299	1,049
Interest Expense	(424,138)	(59,338)	364,800
Gain (Loss) on Disposal of Capital Assets	-	1,638	1,638
TOTAL NONOPERATING REVENUE (EXPENSES)	9,759,687	2,010,231	(7,749,456)
INCOME (LOSS) BEFORE TRANSFERS	42,000	1,604,379	1,562,379
Transfers Out	(42,000)	(42,000)	-
CHANGE IN NET POSITION	-	1,562,379	1,562,379
NET POSITION, Beginning of Year	10,561,543	10,561,542	-
NET POSITION, End of Year	\$ 10,561,543	12,123,921	\$ 1,562,379

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, 2021

	<u>JUNE 30, 2021</u>	<u>JUNE 30, 2020</u>
OPERATING REVENUES		
Water and Sewer Charges	\$ 4,211,861	\$ 3,831,669
Water and Sewer Tap Fees	58,285	31,867
Penalties and Other Revenue	173,373	193,418
TOTAL OPERATING REVENUES	<u>4,443,519</u>	<u>4,056,954</u>
OPERATING EXPENSES		
Salaries	1,449,005	1,302,613
Benefits	416,279	362,999
Non-Cash Pension Expense (Benefit)	353,329	(10,075)
Depreciation	1,385,947	1,315,493
Insurance	56,803	57,251
Other Operating Expenses	616,768	550,561
Professional Fees	115,466	44,264
Repairs and Maintenance	261,035	311,869
Supplies and Materials	69,546	58,069
Utilities	403,462	389,632
TOTAL OPERATING EXPENSES	<u>5,127,640</u>	<u>4,382,676</u>
OPERATING INCOME (LOSS)	<u>(684,121)</u>	<u>(325,722)</u>
NONOPERATING REVENUE (EXPENSES)		
Grant Income	2,101,419	982,431
Investment Income	10,029	94,923
Interest Expense	(263,180)	(273,434)
Gain (Loss) on Disposal of Capital Assets	3,276	-
TOTAL NONOPERATING REVENUE (EXPENSES)	<u>1,851,544</u>	<u>803,920</u>
INCOME (LOSS) BEFORE TRANSFERS	<u>1,167,423</u>	<u>478,198</u>
Transfers Out	(70,000)	(50,000)
CHANGE IN NET POSITION	<u>1,097,423</u>	<u>428,198</u>
NET POSITION, Beginning of Year	<u>18,635,405</u>	<u>18,207,207</u>
NET POSITION, End of Year	<u><u>\$ 19,732,828</u></u>	<u><u>\$ 18,635,405</u></u>

CITY OF LAKE CITY, SOUTH CAROLINA

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

YEAR ENDED JUNE 30, 2021

FOR THE STATE TREASURER'S OFFICE:

COUNTY / MUNICIPAL FUNDS COLLECTED BY CLERK OF COURT	General Sessions	- Magistrate Court	Municipal Court	Total
Court Fines and Assessments:				
Court fines and assessments collected			\$ 83,583	\$ 83,583
Court fines and assessments remitted to State Treasurer			(52,666)	(52,666)
Total Court Fines and Assessments retained			30,917	30,917
Surcharges and Assessments retained for victim services:				
Surcharges collected and retained			3,140	3,140
Assessments retained			5,232	5,232
Total Surcharges and Assessments retained for victim services			\$ 8,372	\$ 8,372

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	5,232		5,232
Victim Service Surcharges Retained by City/County Treasurer	3,140		3,140
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)	\$ 22,251		\$ 22,251
Expenditures for Victim Service Program:	Municipal	County	Total
Salaries and Benefits	\$ 15,262		\$ 15,262
Operating Expenditures	-		-
Victim Service Contract(s):			
(1) Entity's Name			
(2) Entity's Name			
Victim Service Donations(s):			
(1) Domestic Violence Shelter:			
(2) Rape Crisis Center:			
(3) Other local direct crime victims service agency:	4,703		4,703
Transferred to General Fund			
Total Expenditures from Victim Service Fund/Program (B)	\$ 19,965		\$ 19,965
Total Victim Service Funds Retained by Municipal/County Treasurer (A-B)	2,286		42,216
Less: Prior Year Fund Deficit Repayment			
Carryforward Funds – End of Year	\$ 2,286		\$ 2,286

Compliance Section

CITY OF LAKE CITY, SOUTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2021

Program	Assistance Listing Number	Grant / Contract Number	Expenditures
US DEPARTMENT OF COMMERCE			
Direct Programs:			
Economic Adjustment Assistance	11.307	04-79-07356	\$ 1,559,137
TOTAL US DEPARTMENT OF HOUSING / URBAN DEVELOPMENT			1,559,137
US DEPARTMENT OF HOMELAND SECURITY			
Pass Through - SC Emergency Management Division			
Disaster Grants - Public Assistance: Hurricane Matthew	97.039	N/A	2,225
TOTAL US DEPARTMENT OF HOMELAND SECURITY			2,225
US DEPARTMENT OF AGRICULTURE			
Direct Programs:			
Emergency Planning	10.766	N/A	99,900
TOTAL US DEPARTMENT OF TRANSPORTATION			99,900
GRAND TOTALS			\$ 1,661,262

Note: There were no federal awards disbursed to subrecipients in the year ended June 30, 2021.

CITY OF LAKE CITY, SOUTH CAROLINA

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2021

A. GENERAL

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) presents the activity of all federal award programs of the City of Lake City, South Carolina (the “City”) for the year ended June 30, 2021. Expenditures for federal financial assistance awarded directly from the federal agencies, as well as those passed through other government agencies, are included on the Schedule.

B. BASIS OF ACCOUNTING

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

C. RELATIONSHIP TO THE FINANCIAL STATEMENTS

Federal award expenditures are reported in the City’s financial statements as expenditures in the General Fund, Water Fund, and Sewer Fund for all federal programs.

D. MATCHING COSTS

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

E. INDIRECT COST RATE

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



Greene Finney Cauley, LLP

CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

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

INDEPENDENT AUDITOR’S REPORT

The Honorable Mayor and Members of City Council
 City of 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, 2021, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements, and have issued our report thereon dated March 1, 2022.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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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GREENVILLE, SC 864.232.0653	MAULDIN, SC 864.232.5204	CHARLESTON, SC 843.735.5805	SPARTANBURG, SC 864.232.5204	ANDERSON, SC 864.225.8713	ASHEVILLE, NC 828.771.0847
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OPEN BY APPOINTMENT ONLY

Purpose of this Report

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

Greene Finney Cauley, LLP

Greene Finney Cauley, LLP
Mauldin, South Carolina
March 1, 2022



Greene Finney Cauley, LLP

CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

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

INDEPENDENT AUDITOR’S REPORT

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

Report on Compliance for Each Major Federal Program

We have audited the City of Lake City, South Carolina’s (the “City”) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City’s major federal programs for the year ended June 30, 2021. The City’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

Management’s Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance for each of the City’s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (“Uniform Guidance”). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City’s compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City’s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City’s internal control over compliance.

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

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

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

Greene Finney Cauley, LLP

Greene Finney Cauley, LLP
Mauldin, South Carolina
March 1, 2022

CITY OF LAKE CITY, SOUTH CAROLINA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2021

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? _____ Yes X No

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

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? _____ Yes X No

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

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

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

Identification of major programs:

<i>Assistance Listing Number(s)</i>	<i>Name of Federal Program or Cluster</i>
11.307	Economic Adjustment Assistance

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

Auditee qualified as low-risk auditee? _____ Yes X No

Section II - Current Year Financial Statement Findings

No matters to report.

Section III - Findings and Questioned Costs - Major Federal Awards Programs Audit

No matters to report.