

**CITY OF LAKE CITY,
SOUTH CAROLINA**

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2023

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

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

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lake City, South Carolina, as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for

one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The supplementary information, as listed in the table of contents, and the schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 5, 2024 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Greene Finney Cauley, LLP

Greene Finney Cauley, LLP

Mauldin, South Carolina

March 5, 2024

CITY OF LAKE CITY, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2023

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, 2023. 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 \$32,141,000 (*net position*). Of this amount, approximately \$7,061,000 and \$25,080,000 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 \$2,843,000 for its governmental activities (primarily due to the net pension and OPEB liabilities) and a surplus of approximately \$1,780,000 for its business-type activities.
- The City’s total net position increased by approximately \$1,101,000 for its governmental activities and \$2,666,000 for its business-type activities from the prior year net position. Total revenues of approximately \$20,122,000 were exceeded by total expenses of approximately \$16,355,000 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 \$1,743,000, a decrease of approximately \$1,293,000 from the prior year’s reported ending fund balance. Of this amount, \$141,000 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 \$141,000 or 1% of total General Fund expenditures for the year ended June 30, 2023.
- The overall increase in the City’s capital assets for the period ending June 30, 2023, was approximately \$6,586,000, including an increase of \$2,032,000 for its governmental activities and an increase of \$4,554,000 for its business-type activities, respectively. Capital asset additions for governmental activities of approximately \$2,795,000 exceeded depreciation expense of \$719,000. Capital asset additions for business-type activities of \$5,909,000 exceeded depreciation expense of \$1,355,000.

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, 2023

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, 2023

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 three enterprise funds to account for its water, sewer, and stormwater 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, 2023

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 2023 compared to 2022:

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Assets:						
Current and Other Assets	\$ 5,427,032	\$ 4,828,148	4,251,583	7,139,966	9,678,615	\$ 11,968,114
Capital Assets, Net	12,042,045	10,010,332	36,825,818	32,271,399	48,867,863	42,281,731
Total Assets	<u>17,469,077</u>	<u>14,838,480</u>	<u>41,077,401</u>	<u>39,411,365</u>	<u>58,546,478</u>	<u>54,249,845</u>
Deferred Outflows of Resources:						
Deferred OPEB Charges	191,502	28,009	55,548	8,768	247,050	36,777
Deferred Pension Charges	1,230,548	1,114,430	407,803	443,977	1,638,351	1,558,407
Total Deferred Outflows of Resources	<u>1,422,050</u>	<u>1,142,439</u>	<u>463,351</u>	<u>452,745</u>	<u>1,885,401</u>	<u>1,595,184</u>
Liabilities:						
Net Pension Liability	5,454,833	4,512,811	1,833,820	1,705,288	7,288,653	6,218,099
Total OPEB Liability	455,729	225,317	132,194	70,540	587,923	295,857
Long-Term Obligations	1,491,857	1,698,066	12,918,919	13,391,829	14,410,776	15,089,895
Current Liabilities	4,254,811	2,432,165	1,528,636	1,922,496	5,783,447	4,354,661
Total Liabilities	<u>11,657,230</u>	<u>8,868,359</u>	<u>16,413,569</u>	<u>17,090,153</u>	<u>28,070,799</u>	<u>25,958,512</u>
Deferred Inflows of Resources:						
Deferred OPEB Credits	3,571	51,207	1,036	16,031	4,607	67,238
Deferred Pension Credits	169,263	1,101,608	46,450	344,192	215,713	1,445,800
Total Deferred Inflows of Resources	<u>172,834</u>	<u>1,152,815</u>	<u>47,486</u>	<u>360,223</u>	<u>220,320</u>	<u>1,513,038</u>
Net Position:						
Net Investment						
in Capital Assets	9,488,061	7,750,301	23,289,162	18,693,032	32,777,223	26,443,333
Restricted	415,868	531,088	10,089	11,183	425,957	542,271
Unrestricted	(2,842,866)	(2,321,644)	1,780,446	3,709,519	(1,062,420)	1,387,875
Total Net Position	<u>\$ 7,061,063</u>	<u>5,959,745</u>	<u>25,079,697</u>	<u>22,413,734</u>	<u>32,140,760</u>	<u>\$ 28,373,479</u>

The City's total assets of approximately \$58,546,000 increased by approximately \$4,296,000 from the prior year. The increase is primarily due to an increase in net capital assets of approximately \$6,586,000. Current assets decreased by approximately \$2,289,000 primarily as a result of less unspent grant and debt proceeds on hand as of June 30, 2023.

CITY OF LAKE CITY, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2023

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

The City's total deferred outflows of resources of approximately \$1,885,000 increased approximately 290,000 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 \$28,071,000 increased approximately \$2,112,000 primarily due to a change in the net pension and OPEB liabilities. In addition, current liabilities increased as a result of outstanding invoices related to ongoing capital projects and unearned revenue related to unspent grant funding.

The City's total deferred inflows of resources of approximately \$220,000 decreased approximately \$1,293,000 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 \$32,141,000 increased by approximately \$3,767,000 during the current fiscal year due to total revenues of approximately \$20,120,000 exceeding total expenses of approximately \$16,355,000.

The City's assets and deferred outflows exceeded liabilities and deferred inflows (net position) by approximately \$32,141,000 as of June 30, 2023. The largest portion of the City's net position of approximately \$32,777,000 (approximately 102% of total net position) reflects its investment in capital assets (i.e., land, buildings, furniture and equipment, infrastructure, etc.) less any related outstanding debt 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 \$426,000 (approximately 1% 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 is a deficit of approximately \$1,062,000 (approximately -3% of total net position) that 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, 2023

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

The following table shows the changes in the City's net position for fiscal year 2023 compared to 2022.

	Governmental Activities		Business-Type Activities		Totals	
	2023	2022	2023	2022	2023	2022
Revenues:						
Program Revenues:						
Charges for Services	\$ 2,451,192	\$2,264,323	5,365,185	4,563,024	7,816,377	\$ 6,827,347
Operating Grants and Contributions	746,447	630,951	-	-	746,447	630,951
Capital Grants and Contributions	1,730,277	620,001	4,822,854	3,494,442	6,553,131	4,114,443
General Revenues:						
Taxes	4,537,133	4,319,838	-	-	4,537,133	4,319,838
Other	408,390	103,349	60,901	12,369	469,291	115,718
Total Revenues	9,873,439	7,938,462	10,248,940	8,069,835	20,122,379	16,008,297
Expenses:						
General Government	1,540,165	923,702	-	-	1,540,165	923,702
Public Safety	4,218,119	3,249,725	-	-	4,218,119	3,249,725
Streets and Sanitation	2,093,656	1,909,216	-	-	2,093,656	1,909,216
Economic Development	99,186	72,777	-	-	99,186	72,777
Culture and Recreation	1,040,015	951,341	-	-	1,040,015	951,341
Nondepartmental	730,957	604,849	-	-	730,957	604,849
Interest on Long-Term Obligations	33,213	39,319	-	-	33,213	39,319
Water, Sewer, and Storm Water	-	-	6,599,787	5,318,929	6,599,787	5,318,929
Total Expenses	9,755,311	7,750,929	6,599,787	5,318,929	16,355,098	13,069,858
Increase in Net Position Before Transfers	118,128	187,533	3,649,153	2,750,906	3,767,281	2,938,439
Transfers	983,190	70,000	(983,190)	(70,000)	-	-
Change in Net Position	1,101,318	257,533	2,665,963	2,680,906	3,767,281	2,938,439
Net Position - Beginning of Year	5,959,745	5,702,212	22,413,734	19,732,828	28,373,479	25,435,040
Net Position - End of Year	\$ 7,061,063	5,959,745	25,079,697	22,413,734	32,140,760	\$ 28,373,479

Governmental Activities

Net position for governmental activities increased by approximately \$1,101,000 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 \$1,935,000 from the prior year. Key changes in revenues as compared to the prior year were as follows:

- Capital grants and contributions increased approximately \$1,110,000 primarily due to the addition of the new recreation center capital project funded by Florence County.

CITY OF LAKE CITY, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2023

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Governmental Activities (Continued)

- Taxes increased by approximately \$217,000 as a result of an increase in the millage rate during the current year.

Total expenses increased by approximately \$2,004,000 from the prior year. This change was primarily a result of increased salaries and benefits. The remaining increase was a result of new and ongoing capital projects funded by Florence County's one percent sales and use tax.

Business-Type Activities

Net position for business-type activities (water and sewer services) increased by approximately \$2,666,000 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 \$2,179,000. Key changes in business-type revenues as compared to the prior year were as follows:

- Capital grants and contributions increased approximately \$1,328,000 primarily due to the ongoing wastewater treatment plant project funded by the USDA.
- Charges for services increased approximately \$802,000 primarily due to City collecting storm water fees and increased rates for water and sewer services.

Total expenses increased by approximately \$1,281,000 primarily due to an increase in miscellaneous expenses, mainly legal fees.

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 \$1,743,000, a decrease of approximately \$1,293,000 from the prior year fund balance. The decrease in fund balance was the result of revenues and other net financing sources of approximately \$11,184,000 being exceeded by expenses approximately \$12,477,000. The changes in revenues, expenditures, and other financing sources/uses are explained in further detail below.

At June 30, 2023 the City had \$141,000 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) Public Safety of approximately \$137,000 is legally restricted by the revenue source, (2) Tourism Related Expenditures of approximately \$278,000 is legally restricted by the revenue source.

CITY OF LAKE CITY, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2023

FINANCIAL ANALYSIS OF THE CITY'S FUNDS (CONTINUED)

Governmental Funds (Continued)

- Committed for (1) Sanitation Operations of approximately \$500,000 (2) Cart Replacement of approximately \$261,000, and (3) Future Capital Outlay of approximately \$194,000.

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 \$1,570,000. 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 \$141,000 or 1% of operating expenditures for the year ended June 30, 2023.

Highlights for the General Fund were as follows:

- Total fund balance decreased by approximately \$1,119,000 due to revenues and other financing sources of approximately \$11,101,000 being exceeded by expenditures of approximately \$12,220,000.
- Revenues increased approximately \$1,818,000 primarily due to an increase in grant revenues.
- Expenditures increased approximately \$3,257,000 primarily due to an increase in personnel costs as the City issued one-time bonuses and salary increases to align with industry averages. The remaining increase is due to ongoing recreation capital projects.

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, Sewer, and Storm Water Enterprise Funds at the end of the fiscal year was approximately \$25,080,000, an increase of approximately \$2,666,000. 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. Significant variances between actual revenues and expenditures and budgeted amounts were primarily related to capital projects that were funded through intergovernmental grants and a Council-approved debt issuance.

CITY OF LAKE CITY, SOUTH CAROLINA**MANAGEMENT'S DISCUSSION AND ANALYSIS****YEAR ENDED JUNE 30, 2023****CAPITAL ASSET AND DEBT ADMINISTRATION*****Capital Assets***

The City's investment in capital assets as of June 30, 2023 and 2022 amounted to approximately \$48,868,000 and \$42,282,000 (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, 2023 and 2022 were as follows:

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Land	\$ 3,838,516	3,764,942	122,427	122,427	3,960,943	\$ 3,887,369
Construction in Progress	1,744,699	215,051	10,295,729	8,247,285	12,040,428	8,462,336
Building and Improvements	996,319	1,017,768	2,502,844	2,461,882	3,499,163	3,479,650
Infrastructure	2,040,507	2,064,441			2,040,507	2,064,441
Utility Systems and Improvements			22,977,704	20,417,142	22,977,704	20,417,142
Machinery and Equipment	3,422,004	2,948,130	927,114	1,022,663	4,349,118	3,970,793
Total	\$ 12,042,045	10,010,332	36,825,818	32,271,399	48,867,863	\$ 42,281,731

The total increase in the City's investment in capital assets for the current fiscal year was approximately \$6,586,000. The increase in the City's total capital assets is due to capital asset additions of approximately 8,704,000 exceeding depreciation expense and disposals of approximately \$2,118,000. The most significant additions during the current year related to the ongoing construction of water and sewer lines for the wastewater treatment plant project.

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, 2023

CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)

Debt

As of June 30, 2023 and 2022, the City had total outstanding debt of approximately \$15,349,000 and \$16,095,000, respectively. Of the City's total debt, approximately \$946,000 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 \$13,392,000 as of June 30, 2023. The City's total debt as of June 30, 2023 and 2022 were as follows:

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Debt:						
GOB - 2007 Series	\$ -	160,000	-	-	-	\$ 160,000
GOB - 2021 Series	945,802	1,175,000	-	-	945,802	1,175,000
Revenue Bond - January 2013	-	-	3,413,420	3,491,811	3,413,420	3,491,811
Revenue Bond - March 2013	-	-	240,447	246,509	240,447	246,509
Revenue Bond - December 2016	-	-	4,851,000	5,157,000	4,851,000	5,157,000
Revenue Bond - September 2021	-	-	4,886,962	4,940,000	4,886,962	4,940,000
Total Debt	945,802	1,335,000	13,391,829	13,835,320	14,337,631	15,170,320
Financed Purchase Agreements:						
Two Fire Trucks	406,495	500,713	-	-	406,495	500,713
Sanitation / IT Upgrades	321,523	424,318	-	-	321,523	424,318
Street Sweeper	283,000	-	-	-	283,000	-
Total Financed Purchase Agreements	1,011,018	925,031	-	-	1,011,018	925,031
Total	\$ 1,956,820	2,260,031	13,391,829	13,835,320	15,348,649	\$ 16,095,351

The total decrease in the City's debt for the current fiscal year was approximately \$747,000 due to the regularly scheduled payments of approximately \$1,030,000, partially offset by the issuance of a finance purchase agreement in government-type activities of \$283,000.

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 2023-2024 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 2023-2024 is \$10,171,000 or a 12.5% increase from the prior year. The Water Fund budget is \$2,235,000 and the Sewer Fund budget is \$3,891,000 for a total Water/Sewer Enterprise Fund budget of \$6,126,000. The combined budget appropriation for fiscal year 2023-2024 is \$16,297,000. The City has built a water and sewer reserves account that serves as an account that would only be utilized in case of emergency. The City has also built a Stormwater account which also services as a reserve account.

CITY OF LAKE CITY, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2023

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 204.8, which is consistent with the prior year rate.

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 Yamekia Robinson 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, 2023

	PRIMARY GOVERNMENT		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 2,110,888	1,012,341	\$ 3,123,229
Cash and Cash Equivalents - Restricted	1,434,025	578,427	2,012,452
Taxes Receivable, Net	167,415	-	167,415
Accounts Receivables, Net	421,788	440,748	862,536
Due from Other Governments	1,062,729	2,109,804	3,172,533
Inventory	-	12,356	12,356
Prepaid Expenses	230,187	87,311	317,498
Assets Held for Sale	-	10,596	10,596
Total Current Assets	5,427,032	4,251,583	9,678,615
Non-Current Assets:			
Capital Assets:			
Non-Depreciable	5,583,215	10,418,156	16,001,371
Depreciable, Net	6,458,830	26,407,662	32,866,492
Total Non-Current Assets	12,042,045	36,825,818	48,867,863
TOTAL ASSETS	17,469,077	41,077,401	58,546,478
DEFERRED OUTFLOWS OF RESOURCES			
Deferred OPEB Charges	191,502	55,548	247,050
Deferred Pension Charges	1,230,548	407,803	1,638,351
TOTAL DEFERRED OUTFLOWS OF RESOURCES	1,422,050	463,351	1,885,401
LIABILITIES			
Current Liabilities:			
Accounts Payable	702,774	856,975	1,559,749
Accrued Interest	26,200	6,903	33,103
Other Accrued Liabilities	232,901	64,958	297,859
Unearned Revenue	2,693,976	90,824	2,784,800
Current Portion of Compensated Absences	113,543	36,066	149,609
Current Portion of Debt	485,417	472,910	958,327
Total Current Liabilities	4,254,811	1,528,636	5,783,447
Non-Current Liabilities:			
Net Pension Liability	5,454,833	1,833,820	7,288,653
Total OPEB Liability	455,729	132,194	587,923
Compensated Absences, Net of Current Portion	20,454	-	20,454
Debt, Less Current Portion	1,471,403	12,918,919	14,390,322
Total Non-Current Liabilities	7,402,419	14,884,933	22,287,352
TOTAL LIABILITIES	11,657,230	16,413,569	28,070,799
DEFERRED INFLOWS OF RESOURCES			
Deferred Other Postemployment Benefit ("OPEB") Credits	3,571	1,036	4,607
Deferred Pension Credits	169,263	46,450	215,713
TOTAL DEFERRED INFLOWS OF RESOURCES	172,834	47,486	220,320
NET POSITION			
Net Investment in Capital Assets	9,488,061	23,289,162	32,777,223
Restricted For:			
Debt Service	-	10,089	10,089
Tourism Related Expenditures	278,455	-	278,455
Public Safety	137,413	-	137,413
Unrestricted	(2,842,866)	1,780,446	(1,062,420)
TOTAL NET POSITION	\$ 7,061,063	\$ 25,079,697	\$ 32,140,760

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, 2023

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	\$ 1,540,165	1,371,714	394,269	430,611	656,429	-	\$ 656,429
Public Safety	4,218,119	42,839	169,686	-	(4,005,594)	-	(4,005,594)
Streets and Sanitation	2,093,656	991,435	-	-	(1,102,221)	-	(1,102,221)
Economic and Community Development	99,186	-	-	-	(99,186)	-	(99,186)
Culture and Recreation	1,040,016	45,204	182,492	1,299,666	487,346	-	487,346
Nondepartmental	730,956	-	-	-	(730,956)	-	(730,956)
Interest Expense	33,213	-	-	-	(33,213)	-	(33,213)
TOTAL GOVERNMENTAL ACTIVITIES	9,755,311	2,451,192	746,447	1,730,277	(4,827,395)	-	(4,827,395)
Business-Type Activities:							
Water	1,816,047	1,871,703	-	364,221	-	419,877	419,877
Sewer	4,783,740	3,315,709	-	4,458,633	-	2,990,602	2,990,602
Stormwater	-	177,773	-	-	-	177,773	177,773
TOTAL BUSINESS-TYPE ACTIVITIES	6,599,787	5,365,185	-	4,822,854	-	3,588,252	3,588,252
TOTAL - PRIMARY GOVERNMENT	\$ 16,355,098	7,816,377	746,447	6,553,131	(4,827,395)	3,588,252	\$ (1,239,143)
General Revenues:							
Taxes:							
Property Taxes Levied for General Purposes				\$ 2,078,504	-	\$ 2,078,504	
Local Option Sales Taxes				1,353,828	-	1,353,828	
Hospitality Taxes				290,362	-	290,362	
Accommodation Taxes				58,763	-	58,763	
Franchise Taxes				566,119	-	566,119	
Other Taxes				189,557	-	189,557	
Investment Income				10,249	60,901	71,150	
Gain on Disposal of Capital Assets				38,218	-	38,218	
Miscellaneous				359,923	-	359,923	
Transfers In (Out)				983,190	(983,190)	-	-
Total General Revenues				5,928,713	(922,289)	5,006,424	
CHANGE IN NET POSITION				1,101,318	2,665,963	3,767,281	
NET POSITION, Beginning of Year				5,959,745	22,413,734	28,373,479	
NET POSITION, End of Year				\$ 7,061,063	25,079,697	\$ 32,140,760	

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, 2023

	GENERAL FUND	OTHER NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS			
Cash and Cash Equivalents	\$ 2,109,177	1,711	\$ 2,110,888
Cash and Cash Equivalents, Restricted	1,298,210	135,815	1,434,025
Taxes Receivable, Net	114,943	52,472	167,415
Accounts Receivable, Net	421,163	625	421,788
Due From:			
County Treasurer	864,017	-	864,017
Other Governments	198,712	-	198,712
Prepays	230,187	-	230,187
TOTAL ASSETS	\$ 5,236,409	190,623	\$ 5,427,032
LIABILITIES			
Accounts Payable	\$ 685,397	17,377	\$ 702,774
Other Accrued Liabilities	232,901	-	232,901
Unearned Revenue	2,693,976	-	2,693,976
TOTAL LIABILITIES	3,612,274	17,377	3,629,651
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue - Property Taxes	54,345	-	54,345
TOTAL DEFERRED INFLOWS OF RESOURCES	54,345	-	54,345
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	3,666,619	17,377	3,683,996
FUND BALANCES			
Nonspendable:			
Prepays	230,187	-	230,187
Restricted:			
Tourism Related Expenditures	242,622	35,833	278,455
Public Safety	-	137,413	137,413
Committed:			
Sanitation Operations	500,299	-	500,299
Cart Replacement	261,091	-	261,091
Future Capital Outlay	194,427	-	194,427
Unassigned	141,164	-	141,164
TOTAL FUND BALANCES	1,569,790	173,246	1,743,036
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 5,236,409	190,623	\$ 5,427,032

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, 2023**

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS	\$ 1,743,036
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.	54,345
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 \$21,086,235 and the accumulated depreciation was \$9,044,190.	12,042,045
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.	(26,200)
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.	(4,393,548)
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.	(267,798)
Long-term obligations, including debt, financed purchase agreements 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	(1,956,820)
Compensated Absences	(133,997)
TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES	<u>\$ 7,061,063</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, 2023

	GENERAL FUND	OTHER NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES			
Property Taxes	\$ 2,078,717	-	\$ 2,078,717
Other Taxes	1,644,565	290,362	1,934,927
Franchise Fees	566,119	-	566,119
Licenses and Permits	1,371,713	-	1,371,713
Sanitation Fees	991,435	-	991,435
Fines and Forfeitures	40,893	1,946	42,839
Investment Earnings	10,170	77	10,247
Recreation Fees	45,204	-	45,204
Grants	2,431,782	-	2,431,782
Miscellaneous	342,094	20,357	362,451
TOTAL REVENUES ALL SOURCES	9,522,692	312,742	9,835,434
EXPENDITURES			
Current:			
General Government	1,379,582	-	1,379,582
Public Safety	4,033,225	10,676	4,043,901
Streets and Sanitation	1,935,834	-	1,935,834
Economic and Community Development	99,186	-	99,186
Culture and Recreation	625,199	233,562	858,761
Nondepartmental	691,081	12,773	703,854
Capital Outlay	2,824,883	-	2,824,883
Debt Service:			
Principal	586,211	-	586,211
Interest	44,839	-	44,839
TOTAL EXPENDITURES	12,220,040	257,011	12,477,051
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(2,697,348)	55,731	(2,641,617)
OTHER FINANCING SOURCES (USES)			
Proceeds from Debt Issuance	283,000	-	283,000
Sale of Assets	82,341	-	82,341
Transfers In	1,213,190	-	1,213,190
Transfers Out	-	(230,000)	(230,000)
TOTAL OTHER FINANCING SOURCES (USES)	1,578,531	(230,000)	1,348,531
NET CHANGES IN FUND BALANCES	(1,118,817)	(174,269)	(1,293,086)
FUND BALANCE, Beginning of Year	2,688,607	347,515	3,036,122
FUND BALANCES, End of Year	\$ 1,569,790	173,246	\$ 1,743,036

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, 2023**

TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS	\$ (1,293,086)
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.	(213)
Debt principal payments are expenditures in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.	586,211
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long term liabilities in the Statement of Net Position	(283,000)
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.	11,626
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.	(39,091)
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.	106,441
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.	(19,283)
In the Statement of Activities, the loss on the disposal of fixed assets is reported, whereas in the governmental funds, proceeds from the disposal of capital assets increase financial resources. Thus, the change in net position differs from the change in fund balance by the net book value of the assets disposed.	(44,123)
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 \$2,794,758 exceeded depreciation expense of \$718,922	2,075,836
TOTAL CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$ 1,101,318

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, 2023

	WATER	SEWER	STORMWATER	TOTAL
ASSETS				
Current Assets:				
Cash and Cash Equivalents	\$ 795,421	122,029	94,891	\$ 1,012,341
Cash and Cash Equivalents, Restricted	171,962	406,465	-	578,427
Due From:				
Other Governments	217,733	1,892,071	-	2,109,804
Accounts Receivable	145,704	270,352	24,692	440,748
Inventory	6,178	6,178	-	12,356
Prepaid Expenses	24,393	62,918	-	87,311
Assets Held for Sale	-	10,596	-	10,596
Total Current Assets	1,361,391	2,770,609	119,583	4,251,583
Noncurrent Assets:				
Capital Assets:				
Non-Depreciable	134,783	10,283,373	-	10,418,156
Depreciable, Net	14,846,339	11,561,323	-	26,407,662
Total Noncurrent Assets	14,981,122	21,844,696	-	36,825,818
TOTAL ASSETS	16,342,513	24,615,305	119,583	41,077,401
DEFERRED OUTFLOWS OF RESOURCES				
Deferred OPEB Charges	15,922	39,626	-	55,548
Deferred Pension Charges	115,857	291,946	-	407,803
TOTAL DEFERRED OUTFLOWS OF RESOURCES	131,779	331,572	-	463,351
LIABILITIES				
Current Liabilities:				
Accounts Payable	31,838	825,137	-	856,975
Accrued Interest	4,634	2,269	-	6,903
Accrued Liabilities	21,924	43,034	-	64,958
Unearned Revenue	90,824	-	-	90,824
Accrued Compensated Absences, Due Within One Year	9,903	26,163	-	36,066
Long-Term Obligations, Due Within One Year	300,174	172,736	-	472,910
Total Current Liabilities	459,297	1,069,339	-	1,528,636
Noncurrent Liabilities:				
Net Pension Liability	525,652	1,308,168	-	1,833,820
Total OPEB Liability	37,893	94,301	-	132,194
Long-Term Obligations, Net of Current Portion	6,574,710	6,344,209	-	12,918,919
Total Noncurrent Liabilities	7,138,255	7,746,678	-	14,884,933
TOTAL LIABILITIES	7,597,552	8,816,017	-	16,413,569
DEFERRED INFLOWS OF RESOURCES				
Deferred OPEB Credits	297	739	-	1,036
Deferred Pension Credits	13,315	33,135	-	46,450
TOTAL DEFERRED INFLOWS OF RESOURCES	13,612	33,874	-	47,486
NET POSITION				
Net Investment in Capital Assets	8,274,552	15,014,610	-	23,289,162
Restricted for Debt Service	-	10,089	-	10,089
Unrestricted	588,576	1,072,287	119,583	1,780,446
TOTAL NET POSITION	\$ 8,863,128	16,096,986	119,583	\$ 25,079,697

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, 2023

	WATER	SEWER	STORMWATER	TOTAL
OPERATING REVENUES				
Water and Sewer Charges	\$ 1,639,152	2,743,526	177,773	\$ 4,560,451
Water and Sewer Tap Fees	22,497	3,400	-	25,897
Penalties and Other Revenue	210,054	568,783	-	778,837
TOTAL OPERATING REVENUES	1,871,703	3,315,709	177,773	5,365,185
OPERATING EXPENSES				
Salaries	288,356	743,705	-	1,032,061
Benefits	132,343	342,797	-	475,140
Non-Cash Pension Expense (Benefit)	(7,988)	(107,212)	-	(115,200)
Depreciation	633,008	721,710	-	1,354,718
Insurance	33,381	55,670	-	89,051
Other Operating Expenses	113,351	2,260,082	-	2,373,433
Professional Fees	54,564	93,831	-	148,395
Repairs and Maintenance	202,882	190,699	-	393,581
Supplies and Materials	44,510	36,534	-	81,044
Utilities	132,908	299,991	-	432,899
TOTAL OPERATING EXPENSES	1,627,315	4,637,807	-	6,265,122
OPERATING INCOME (LOSS)	244,388	(1,322,098)	177,773	(899,937)
NON-OPERATING REVENUE (EXPENSES)				
Grant Income	364,221	4,458,633	-	4,822,854
Investment Income	34,582	26,319	-	60,901
Interest Expense and Fiscal Charges	(188,732)	(145,933)	-	(334,665)
TOTAL NON-OPERATING REVENUE (EXPENSES)	210,071	4,339,019	-	4,549,090
INCOME (LOSS) BEFORE TRANSFERS	454,459	3,016,921	177,773	3,649,153
Transfers Out	(339,600)	(585,400)	(58,190)	(983,190)
CHANGE IN NET POSITION	114,859	2,431,521	119,583	2,665,963
NET POSITION, Beginning of Year	8,748,269	13,665,465	-	22,413,734
NET POSITION, End of Year	\$ 8,863,128	16,096,986	119,583	\$ 25,079,697

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, 2023

	WATER	SEWER	STORMWATER	TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash Received from Customers	\$ 1,883,841	3,330,621	153,081	\$ 5,367,543
Cash Payments to Suppliers for Goods and Services	(666,882)	(3,285,063)	-	(3,951,945)
Cash Payments to Employees for Services	(414,896)	(1,079,012)	-	(1,493,908)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>802,063</u>	<u>(1,033,454)</u>	<u>153,081</u>	<u>(78,310)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES				
Transfers and Advances Between Funds	(399,637)	(585,400)	(58,190)	(1,043,227)
NET CASH PROVIDED BY (USED IN) NON-CAPITAL FINANCING ACTIVITIES	<u>(399,637)</u>	<u>(585,400)</u>	<u>(58,190)</u>	<u>(1,043,227)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Capital Grants and Contributions	1,499,662	3,578,946	-	5,078,608
Acquisition and Construction of Capital Assets	(501,000)	(5,511,758)	-	(6,012,758)
Principal Paid on Debt	(292,591)	(150,900)	-	(443,491)
Interest Paid on Debt	(188,732)	(145,933)	-	(334,665)
NET CASH PROVIDED BY (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES	<u>517,339</u>	<u>(2,229,645)</u>	<u>-</u>	<u>(1,712,306)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment Earnings	34,582	26,319	-	60,901
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>34,582</u>	<u>26,319</u>	<u>-</u>	<u>60,901</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS INCLUDING RESTRICTED CASH				
	<u>954,347</u>	<u>(3,822,180)</u>	<u>94,891</u>	<u>(2,772,942)</u>
CASH AND CASH EQUIVALENTS, Including Restricted Cash, Beginning of Year	13,036	4,350,674	-	4,363,710
CASH AND CASH EQUIVALENTS, Including Restricted Cash, End of Year	<u>\$ 967,383</u>	<u>528,494</u>	<u>94,891</u>	<u>\$ 1,590,768</u>
Reconciliation of Operating Income to Net Cash from Operating Activities:				
Operating Income (Loss)	\$ 244,388	(1,322,098)	177,773	\$ (899,937)
Adjustments to Reconcile Operating Income (Loss) to Net Cash from Operating Activities:				
Depreciation Expense	633,008	721,710	-	1,354,718
Non-Cash Pension Expense	(7,988)	(107,212)	-	(115,200)
Non-Cash OPEB Expense	468	(589)	-	(121)
Change Due to (Increase) Decrease in Operating Assets:				
Accounts Receivable	(62,372)	14,912	(24,692)	(72,152)
Prepaid Expenses	(3,144)	(22,815)	-	(25,959)
Change Due to Increase (Decrease) in Operating Liabilities:				
Accounts Payable	(82,142)	(325,441)	-	(407,583)
Accrued Liabilities	5,844	8,919	-	14,763
Unearned Revenue	74,510	-	-	74,510
Accrued Compensated Absences	(509)	(840)	-	(1,349)
Net Cash Provided By (Used In) Operating Activities	<u>\$ 802,063</u>	<u>(1,033,454)</u>	<u>153,081</u>	<u>\$ (78,310)</u>

SUPPLEMENTAL INFORMATION FOR NONCASH ACTIVITIES:

Capital acquisitions included in Accounts Payable - Current Year	\$ 3,648	709,518	-	\$ 713,166
Capital acquisitions included in Accounts Payable - Prior Year	\$ -	816,786	-	\$ 816,786

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, 2023

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, 2023

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 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 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, 2023

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 three 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, 2023

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The City has three 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.

The **Stormwater Enterprise Fund** is used to account for stormwater services provided to the residents of the City, including some surrounding areas. This is an unbudgeted fund.

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

1. *Cash, Cash Equivalents, and Investments*

Cash and Cash Equivalents

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

Investments

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

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

CITY OF LAKE CITY, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2023

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Investments (Continued)

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

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

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 (a) above.

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).

CITY OF LAKE CITY, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2023

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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.

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.

CITY OF LAKE CITY, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2023

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

5. *Compensated Absences (Continued)*

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.

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 assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City currently has 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.

CITY OF LAKE CITY, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2023

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

7. Deferred Outflows and Inflows of Resources (Continued)

In addition to liabilities, the Statement of Net Position and the Balance Sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City currently has three types of deferred inflows of resources: (1) The City reports unavailable 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:

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.

CITY OF LAKE CITY, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2023

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

8. *Fund Balance (Continued)*

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

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.

CITY OF LAKE CITY, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2023

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

10. Fair Value (Continued)

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. 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.

CITY OF LAKE CITY, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2023

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.

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, 2023, none of the City's bank balances of approximately \$4,007,000 (with a carrying value of approximately \$3,747,000) were subject to custodial credit risk.

CITY OF LAKE CITY, SOUTH CAROLINA**NOTES TO THE FINANCIAL STATEMENTS****YEAR ENDED JUNE 30, 2023****III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)****A. Deposits and Investments (Continued)*****Investments***

As of June 30, 2023, the City had the following investments:

Investment Type	Fair Value Level ⁽¹⁾	Credit Rating [^]	Fair Value	Investment Maturity in Years	
				< 1 yr	1-5 yrs
SC Local Government Investment Pool	N/A ⁽²⁾	NR, NR	\$ 1,161,342	\$ 1,161,342	
US Treasury Securities	Level 1	AAAm, Aaa-mf	227,669		227,669
Total			\$ 1,389,011	\$ 1,389,011	

[^] 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 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, 2023****III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)****A. Deposits and Investments (Continued)***Reconciliation to the Financial Statements*

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

Financial Statements		
Statement of Net Position:		
Cash and Cash Equivalents	\$ 3,123,229	
Cash and Cash Equivalents - Restricted	<u>2,012,452</u>	
Total	<u><u>\$ 5,135,681</u></u>	
Notes to the Financial Statements		
Deposits	\$ 3,746,670	
Investments	<u>1,389,011</u>	
Total	<u><u>\$ 5,135,681</u></u>	

B. Property Taxes and Other Receivables

Receivables as of June 30, 2023 for the City's funds, including the applicable allowance for uncollectible amounts, are as follows:

Receivables:	Nonmajor					Total
	General Fund	Governmental Funds	Water Fund	Sewer Fund	Stormwater Fund	
Taxes Receivable	\$ 126,267	52,472	-	-	-	\$ 178,739
Accounts Receivable	440,336	625	184,049	335,538	29,805	990,353
Due From:						
County Treasurer	864,017	-	-	1,083,668	-	1,947,685
Other Governments	198,712	-	217,733	808,403	-	1,224,848
Gross Receivables	<u>1,629,332</u>	<u>53,097</u>	<u>401,782</u>	<u>2,227,609</u>	<u>29,805</u>	<u>4,341,625</u>
Less Allowance For:						
Taxes Receivable	(11,324)	-	-	-	-	(11,324)
Accounts Receivable	(19,173)	-	(38,345)	(65,186)	(5,113)	(127,817)
Net Receivables	<u><u>\$ 1,598,835</u></u>	<u><u>53,097</u></u>	<u><u>363,437</u></u>	<u><u>2,162,423</u></u>	<u><u>24,692</u></u>	<u><u>\$ 4,202,484</u></u>

CITY OF LAKE CITY, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2023

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

B. Property Taxes and Other Receivables (Continued)

Property Taxes

The City's fiscal year 2023 real and business personal property taxes (which were for tax year 2022) were levied on October 1, 2022 and were due beginning on this date based on the assessed valuation as of January 1, 2023. Property taxes were considered late on January 16, 2023. 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. Assessed values for the year ended June 30, 2023 were approximately \$14,934,000. The City's operating tax rate for the 2022 property tax year was 177.34 mills and the debt service tax rate was 27.46 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, 2023, the General Fund had approximately \$54,000 in revenue related to property taxes that was not available (unavailable revenue – property taxes). Unearned revenues of approximately \$2,694,000 in the General Fund represent grant funding received but not yet expended as of June 30, 2023. Unearned revenues of approximately \$91,000 in the Water Fund represent customer prepayments for services to be provided.

D. Interfund Transfers

Transfers between funds for the year ended June 30, 2023, consisted of the following:

Fund	Transfers In	Transfers Out
General Fund	\$ 1,213,190	\$ -
Other Nonmajor Governmental Funds	-	230,000
Water Fund	-	339,600
Sewer Fund	-	585,400
Stormwater Fund	-	58,190
Total	<u>\$ 1,213,190</u>	<u>\$ 1,213,190</u>

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

CITY OF LAKE CITY, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2023

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

E. Capital Assets

Capital asset activity for the City's governmental activities for the year ended June 30, 2023 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balance</u>
Governmental Activities:					
Capital Assets, Non-Depreciable:					
Land	\$ 3,764,942	73,574	-	-	\$ 3,838,516
Construction In Progress	215,051	1,613,226	-	(83,578)	1,744,699
Total Capital Assets, Non-Depreciable	<u>3,979,993</u>	<u>1,686,800</u>	<u>-</u>	<u>(83,578)</u>	<u>5,583,215</u>
Capital Assets, Depreciable:					
Buildings	3,395,473	-	-	83,578	3,479,051
Infrastructure	3,611,743	134,556	-	-	3,746,299
Machinery	7,443,484	973,402	139,216	-	8,277,670
Total Capital Assets, Depreciable	<u>14,450,700</u>	<u>1,107,958</u>	<u>139,216</u>	<u>83,578</u>	<u>15,503,020</u>
Less: Accumulated Depreciation for:					
Buildings	2,377,705	105,027	-	-	2,482,732
Infrastructure	1,547,302	158,490	-	-	1,705,792
Machinery	4,495,354	455,405	95,093	-	4,855,666
Total Accumulated Depreciation	<u>8,420,361</u>	<u>718,922</u>	<u>95,093</u>	<u>-</u>	<u>9,044,190</u>
Total Capital Assets, Depreciable, Net	<u>6,030,339</u>	<u>389,036</u>	<u>44,123</u>	<u>83,578</u>	<u>6,458,830</u>
Governmental Activities Capital Assets, Net	<u><u>\$ 10,010,332</u></u>	<u><u>2,075,836</u></u>	<u><u>44,123</u></u>	<u><u>-</u></u>	<u><u>\$ 12,042,045</u></u>

CITY OF LAKE CITY, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2023

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	\$ 98,559
Public Safety	264,921
Streets and Sanitation	169,207
Culture and Recreation	<u>186,235</u>
Total - Governmental Activities	<u>\$ 718,922</u>

Capital asset activity for the City's business-type activities for the year ended June 30, 2023 was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Business-Type Activities:					
Capital Assets, Non-Depreciable					
Land	\$ 122,427	-	-	-	\$ 122,427
Construction in Progress	8,247,285	5,833,751	-	(3,785,307)	10,295,729
Total Capital Assets, Non-Depreciable	<u>8,369,712</u>	<u>5,833,751</u>	<u>-</u>	<u>(3,785,307)</u>	<u>10,418,156</u>
Capital Assets, Depreciable					
Buildings	3,416,193	5,341	-	117,756	3,539,290
Utility Systems and Improvements	42,441,748	6,117	-	3,664,419	46,112,284
Machinery and Equipment	3,826,534	63,929	-	3,132	3,893,595
Total Capital Assets, Depreciable	<u>49,684,475</u>	<u>75,387</u>	<u>-</u>	<u>3,785,307</u>	<u>53,545,169</u>
Less: Accumulated Depreciation for:					
Buildings	954,310	82,136	-	-	1,036,446
Utility Systems and Improvements	22,024,607	1,109,973	-	-	23,134,580
Machinery and Equipment	2,803,872	162,609	-	-	2,966,481
Total Accumulated Depreciation	<u>25,782,789</u>	<u>1,354,718</u>	<u>-</u>	<u>-</u>	<u>27,137,507</u>
Total Capital Assets, Depreciable, Net	<u>23,901,686</u>	<u>(1,279,331)</u>	<u>-</u>	<u>3,785,307</u>	<u>26,407,662</u>
Business-Type Activities Capital Assets, Net	<u>\$ 32,271,398</u>	<u>4,554,420</u>	<u>-</u>	<u>-</u>	<u>\$ 36,825,818</u>

CITY OF LAKE CITY, SOUTH CAROLINA**NOTES TO THE FINANCIAL STATEMENTS****YEAR ENDED JUNE 30, 2023****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	\$ 633,008
Sewer	<u>721,710</u>
Total - Business-Type Activities	<u>\$ 1,354,718</u>

F. Long-Term Obligations

The City issues bonds to provide funds for the acquisition and construction of major capital facilities as well as the acquisition of machinery, equipment, and vehicles. General Obligation Bonds ("GOB") are direct obligations and pledge the full faith and credit of the City. Revenue Bonds ("RB") are obligations of the City that are secured by revenue from a specific source. Financed purchase agreements 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 financed purchase agreements nor the interest thereon.

Details on the City's outstanding debt issues and financed purchase agreements as of June 30, 2023 are as follows:

	Principal Outstanding at Year End
<u>General Obligation Bonds - DB</u>	
The City issued a general obligation bond on October 14, 2021. The proceeds were used for capital improvements. The bond was issued as a single written bond in fully registered form. The bond bears interest at the rate of 1.25% per annum calculated on the basis of a 360 day year. Payments are due annually on October 14th beginning on October 14, 2022 and ending on October 14, 2026.	\$ 945,802
Total General Obligation Bonds	<u>\$ 945,802</u>

CITY OF LAKE CITY, SOUTH CAROLINA**NOTES TO THE FINANCIAL STATEMENTS****YEAR ENDED JUNE 30, 2023****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. Payments in the amount of \$13,733, including interest at a rate of 2.5%, are due monthly through January 1, 2053.	\$ 3,413,420
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.	240,447
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.	4,851,000
The City issued a Revenue Bond Anticipation Note ("BAN") in the amount of \$4,940,000 on September 29, 2021. The BAN was paid in full with the proceeds from the September 2022 issuance of the Waterworks and Sewer System Improvement Revenue Bond, Series 2022 which was issued in the same amount through the United States Department of Agriculture. Principal payments, including interest payments at a rate of 2.625%, are due monthly beginning October 26, 2022 through September 26, 2062.	4,886,962
Total Revenue Bonds	<u>13,391,829</u>
<u>Financed Purchase Agreements - DB</u>	
On October 6, 2014, the City entered into a purchase agreement in the amount of \$1,200,000 for the acquisition of two fire trucks. The first payment was due September 9, 2014 in the amount of \$113,395. Annual payments in the amount of \$109,488 began September 9, 2015 with the final payment being made September 9, 2027. Interest is being charged at 3.05%.	\$ 406,495
On August 24, 2020, the City entered into a purchase agreement in the amount of \$525,000 for the acquisition of Sanitation and IT equipment. Annual payments in the amount of \$111,707 began on August 24, 2021. Interest is being charged at 2.10%.	321,523
On April 12, 2023, the City entered into a purchase agreement in the amount of \$283,000 for the acquisition of a street sweeper truck. Annual payments in the amount of \$65,203 begin on April 12, 2024. Interest is being charged at 4.91%.	283,000
Total Financed Purchase Agreements	<u>1,011,018</u>

CITY OF LAKE CITY, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2023

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, 2023 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	\$ 160,000	-	160,000	-	\$ -
Capital Improvements	1,175,000	-	229,198	945,802	232,063
Total GO Bonds	<u>1,335,000</u>	<u>-</u>	<u>389,198</u>	<u>945,802</u>	<u>232,063</u>
Financed Purchase Agreements - DB:					
Two Fire Trucks	500,713	-	94,218	406,495	97,091
Sanitation/IT Upgrades	424,318	-	102,795	321,523	104,955
Street Sweeper	-	283,000	-	283,000	51,308
Total Financed Purchase Agreements	<u>925,031</u>	<u>283,000</u>	<u>197,013</u>	<u>1,011,018</u>	<u>253,354</u>
Accrued Compensated Absences	94,906	119,510	80,419	133,997	113,543
Total Governmental Activities	<u>\$ 2,354,937</u>	<u>402,510</u>	<u>666,630</u>	<u>2,090,817</u>	<u>\$ 598,960</u>

Presented below is a summary of changes in long-term obligations for the year ended June 30, 2023 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	\$ 3,491,811	-	78,391	3,413,420	\$ 80,374
March 2013	246,509	-	6,062	240,447	6,176
December 2016	5,157,000	-	306,000	4,851,000	314,000
September 2021	4,940,000	-	53,038	4,886,962	72,360
Total Revenue Bonds	<u>13,835,320</u>	<u>-</u>	<u>443,491</u>	<u>13,391,829</u>	<u>472,910</u>
Accrued Compensated Absences	37,415	40,787	42,136	36,066	36,066
Total Business-Type Activities	<u>\$ 13,872,735</u>	<u>40,787</u>	<u>485,627</u>	<u>13,427,895</u>	<u>\$ 508,976</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, 2023.

CITY OF LAKE CITY, SOUTH CAROLINA**NOTES TO THE FINANCIAL STATEMENTS****YEAR ENDED JUNE 30, 2023****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, 2023, the City had approximately \$946,000 of bonded debt subject to the 8% limit of approximately \$1,195,000 resulting in an unused legal debt margin of approximately \$249,000.

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	
2024	\$ 485,417	44,867	472,910	352,122	\$ 1,355,316
2025	496,002	34,283	485,981	339,259	1,355,525
2026	506,883	23,401	499,158	326,038	1,355,480
2027	406,367	12,212	512,442	312,458	1,243,479
2028	62,151	3,052	526,836	298,516	890,555
2029-2033	-	-	2,859,147	1,269,509	4,128,656
2034-2038	-	-	2,357,242	871,102	3,228,344
2039-2043	-	-	1,222,686	653,334	1,876,020
2044-2048	-	-	1,387,834	488,186	1,876,020
2049-2053	-	-	1,438,015	301,826	1,739,841
2054-2058	-	-	837,865	161,015	998,880
2059-2063	-	-	791,713	45,197	836,910
Totals	\$ 1,956,820	117,815	13,391,829	5,418,562	\$ 20,885,026

There are limitations, restrictions, and covenants contained in the various bond indentures and ordinances. As of June 30, 2023, 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, 2023

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

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

The PEBA issues an Annual Comprehensive Financial Report containing financial statements and required supplementary information for the System's Pension Trust Funds. The Annual Comprehensive 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 Annual Comprehensive 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, 2023

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, 2023

IV. OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

Plan Benefits (Continued)

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

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

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

Plan Contributions

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

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

CITY OF LAKE CITY, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2023

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 year are as follows:

	SCRS Rates	PORS Rates
	2023	2023
Employer Contribution Rate: ^		
Retirement	17.41%	19.84%
Incidental Death Benefit	0.15%	0.20%
Accidental Death Contributions	0.00%	0.20%
	17.56%	20.24%
Employee Contribution Rate ^		
	9.00%	9.75%

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

The actual and required contributions to the SCRS and PORS were approximately \$488,000 and \$414,000, respectively, for the year ended June 30, 2023 and include the nonemployer contributions noted below.

Nonemployer Contributions

In an effort to help offset a portion of the burden of the increased contribution requirement for employers, the State General Assembly ("State") funded 1 percent of the SCRS and PORS contribution increases for the year ended June 30, 2023. The State's budget appropriated these funds directly to the PEBA for the South Carolina Retirement System Trust Fund and the Police Officers Retirement System Trust Fund. The amount of funds appropriated by the State (nonemployer contributing entity) for the year ended June 30, 2023 were approximately \$14,000 and \$9,000 for the SCRS and PORS, respectively. These contributions (on-behalf benefits) from the State were recognized as intergovernmental revenues and pension expenditures in the City's governmental fund financial statements.

Actuarial Assumptions and Methods

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

CITY OF LAKE CITY, SOUTH CAROLINA**NOTES TO THE FINANCIAL STATEMENTS****YEAR ENDED JUNE 30, 2023****IV. OTHER INFORMATION (CONTINUED)****B. Retirement Plans (Continued)***Actuarial Assumptions and Methods (Continued)*

The June 30, 2022 total pension liability (“TPL”), net pension liability (“NPL”), and sensitivity information shown in this report were determined by the consulting actuary, Gabriel, Roeder, Smith and Company, and are based on an actuarial valuation performed as of July 1, 2021. The TPL was rolled-forward from the valuation date to the Plans' fiscal year end, June 30, 2022, using generally accepted actuarial principles. There was no legislation enacted during the 2022 legislative session that had a material change in the benefit provisions for any of the systems.

The following table provides a summary of the actuarial assumptions and methods used to calculate the TPL as of June 30, 2022 (measurement date) for the SCRS and PORS.

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

* Includes inflation at 2.25%.

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

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

Long-Term Expected Rate of Return

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

CITY OF LAKE CITY, SOUTH CAROLINA**NOTES TO THE FINANCIAL STATEMENTS****YEAR ENDED JUNE 30, 2023****IV. OTHER INFORMATION (CONTINUED)****B. Retirement Plans (Continued)***Long-Term Expected Rate of Return (Continued)*

The expected returns, along with the expected inflation rate, form the basis for the target asset allocation adopted at the beginning of the 2022 fiscal year. The long-term expected rate of return is produced by weighting the expected future real rates of return by the target allocation percentage and adding expected inflation and is summarized in the following table. For actuarial purposes, the 7.00 percent assumed annual investment rate of return used in the calculation of the TPL includes a 4.75 percent real rate of return and a 2.25 percent inflation component.

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

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, 2022 measurement date, for the SCRS and PORS, are presented in the following table:

System	Total Pension Liability	Plan Fiduciary Net Position	Employers' Net Pension Liability (Asset)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
SCRS	\$ 56,454,779,872	32,212,626,932	\$ 24,242,152,940	57.1%
PORS	\$ 8,937,686,946	5,938,707,767	\$ 2,998,979,179	66.4%

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

CITY OF LAKE CITY, SOUTH CAROLINA**NOTES TO THE FINANCIAL STATEMENTS****YEAR ENDED JUNE 30, 2023****IV. OTHER INFORMATION (CONTINUED)****B. Retirement Plans (Continued)***Pension Liabilities, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)*

At June 30, 2023, the City reported liabilities of approximately \$4,523,000 and \$2,765,000 for its proportionate share of the NPL for the SCRS and PORS, respectively. The NPL were measured as of June 30, 2022, and the TPL for the Plans used to calculate the NPL were determined based on the most recent actuarial valuation report of July 1, 2021 that was projected forward to the measurement date. The City's proportion of the NPL were based on a projection of the City's long-term share of contributions to the Plans relative to the projected contributions of all participating South Carolina state and local governmental employers, actuarially determined. At the June 30, 2022 measurement date, the City's SCRS proportion was 0.018658 percent, which was a increase of 0.000870 from its proportion measured as of June 30, 2021. At the June 30, 2022 measurement date, the City's PORS proportion was 0.092213 percent, which was a increase of 0.00016 from its proportion measured as of June 30, 2021.

For the year ended June 30, 2023, the City recognized pension expense of approximately \$475,000 and \$187,000 for the SCRS and PORS, respectively. At June 30, 2023, the City reported deferred outflows of resources (deferred pension charges) and deferred inflows of resources (deferred pension credits) related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
SCRS		
Differences Between Expected and Actual Experience	\$ 39,298	\$ 19,712
Change in Assumptions	145,070	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	6,977	-
Changes in Proportion and Differences Between the Employer's Contributions and Proportionate Share of Contributions	395,298	94,859
Employer Contributions Subsequent to the Measurement Date	473,886	-
Total SCRS	1,060,529	114,571
PORS		
Differences Between Expected and Actual Experience	46,399	54,668
Change in Assumptions	115,157	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	8,351	-
Changes in Proportion and Differences Between the Employer's Contributions and Proportionate Share of Contributions	3,173	46,474
Employer Contributions Subsequent to the Measurement Date	404,742	-
Total PORS	577,822	101,142
Total SCRS and PORS	\$ 1,638,351	\$ 215,713

CITY OF LAKE CITY, SOUTH CAROLINA**NOTES TO THE FINANCIAL STATEMENTS****YEAR ENDED JUNE 30, 2023****IV. OTHER INFORMATION (CONTINUED)****B. Retirement Plans (Continued)***Pension Liabilities, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)*

Approximately \$474,000 and \$405,000 that were reported as deferred outflows of resources related to the City's contributions subsequent to the measurement date to the SCRS and PORS, respectively, will be recognized as a reduction of the NPL in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources (deferred pension charges) and deferred inflows of resources (deferred pension credits) related to the SCRS and PORS will increase (decrease) pension expense as follows:

Year Ended June 30,	SCRS	PORS	Total
2024	\$ 188,915	23,843	\$ 212,758
2025	230,979	36,319	267,298
2026	(65,785)	(95,715)	(161,500)
2027	117,963	107,491	225,454
Total	<u>\$ 472,072</u>	<u>71,938</u>	<u>\$ 544,010</u>

Discount Rate

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

Sensitivity Analysis

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

System	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
City's proportionate share of the net pension liability of the SCRS	\$ 5,799,317	4,523,213	\$ 3,462,298
City's proportionate share of the net pension liability of the PORS	3,856,240	2,765,440	1,872,518
Total	<u>\$ 9,655,557</u>	<u>7,288,653</u>	<u>\$ 5,334,816</u>

CITY OF LAKE CITY, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2023

IV. OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

Plans Fiduciary Net Position

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

Payable to Plans

The City reported a payable of approximately \$159,000 to the PEBA as of June 30, 2023, representing required employer and employee contributions for the month of June 2023 for the SCRS and PORS. This amount is included in Other Accrued Liabilities on the financial statements and was paid in July 2023.

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, 2022, the last actuarial valuation, the following employees were covered by the OPEB Plan's benefit terms:

Retired Participants and Beneficiaries	5
Active Members	<u>18</u>
Total Membership	<u><u>23</u></u>

Plan Benefits and Contributions

Section 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, 2023, the City made contributions of approximately \$7,969, or an average of 0.89% of covered payroll. Employees are not required to contribute to the OPEB Plan.

CITY OF LAKE CITY, SOUTH CAROLINA**NOTES TO THE FINANCIAL STATEMENTS****YEAR ENDED JUNE 30, 2023****IV. OTHER INFORMATION (CONTINUED)****C. Other Postemployment Benefit Plan (Continued)***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 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.

Actuarial Valuation Date	June 30, 2022
Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	Market Value
Actuarial Assumptions:	
Inflation	2.25%
Discount Rate	3.69%
Healthcare Cost Trend Rate	Initial trend starting at 8.90% and gradually decreasing to an ultimate trend rate of 4.00% over a period of 15 years
Payroll Growth	3.00%
Coverage Elections	100% of eligible retiree will elect coverage
Mortality Table	RP-2014 with a 135% multiplier for both males and females

The City's total OPEB liability was measured as of June 30, 2022 and the total OPEB liability used to calculate the total OPEB liability was determined by an actuarial valuation as of June 30, 2022.

	Total OPEB Liability (a)
Balances as of June 30, 2022	\$ 295,857
Changes for the year:	
Service Cost	8,764
Interest	5,870
Difference Between Expected/Actual Experience	355,584
Changes in Assumptions	(29,987)
Benefit Payments	(48,165)
Net Changes	<u>292,066</u>
Balances as of June 30, 2023	<u>\$ 587,923</u>

CITY OF LAKE CITY, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2023

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, 2023, the City recognized OPEB expense of approximately \$63,000. At June 30, 2023, 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	\$ 239,081	\$ -
Changes of Assumptions	-	4,607
Employer Contributions Subsequent to the Measurement Date	7,969	-
Total	\$ 247,050	\$ 4,607

Approximately \$8,000 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, 2024. 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
2024	\$ 65,360	\$ (17,212)
2025	65,360	(17,212)
2026	65,360	(17,212)
2027	65,360	(17,212)
2028	52,301	(11,164)
Thereafter	745	-
Total	\$ 314,486	\$ (80,012)

Discount Rate

The discount rate used to measure the total OPEB liability was 3.69%, a increase from the rate of 2.16% used in the prior year. The discount rate represents the municipal bond index rate based on the City not participating in a qualified trust.

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

The following table presents the sensitivity of the City's net OPEB liability to changes in the discount rate, calculated using the discount rate of 3.69%, as well as what it would be if it were calculated using a discount rate that is 1% point lower (2.69%) or 1% point higher (4.69%) than the current rate:

	1% Decrease (2.69%)	Current Discount Rate (3.69%)	1% Increase (4.69%)
Net OPEB Liability	\$ 620,384	\$ 587,923	\$ 556,916

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

IV. OTHER INFORMATION (CONTINUED)**C. Other Postemployment Benefit Plan (Continued)***Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rate*

The following table presents the sensitivity of the City's total OPEB liability to changes in the healthcare cost trend rate, calculated using the healthcare cost trend rates that are one percent lower or one percent higher than the current rate:

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
Net OPEB Liability	\$ 552,553	587,923	\$ 626,690

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, 2023.

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 \$1,019,000 in remaining contract commitments related to ongoing capital projects as of June 30, 2023.

E. Subsequent Events

In June 2023 the board approved the purchase of a pumper truck for approximately \$775,000. The truck will be used by the city to perform day-to-day public safety operations. The purchase will be funded by fiscal year 2024 grant funding.

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 Total 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, 2023

	BUDGETED AMOUNTS			
	ORIGINAL	FINAL	ACTUAL	VARIANCE
REVENUES				
Property Taxes	\$ 2,526,499	2,526,499	2,078,717	\$ (447,782)
Franchise Fees	569,000	569,000	566,119	(2,881)
Licenses and Permits	1,327,148	1,327,148	1,371,713	44,565
Other Taxes	1,708,500	1,708,500	1,644,565	(63,935)
Sanitation Fees	1,434,669	1,434,669	991,435	(443,234)
Fines and Forfeitures	102,500	102,500	40,893	(61,607)
Investment Earnings	5,000	5,000	10,170	5,170
Recreation Fees	34,800	34,800	45,204	10,404
Grants	253,400	253,400	2,431,782	2,178,382
Miscellaneous	151,000	151,000	342,094	191,094
TOTAL REVENUES ALL SOURCES	8,112,516	8,112,516	9,522,692	1,410,176
EXPENDITURES				
Current:				
General Government	1,379,153	1,379,153	1,379,582	429
Public Safety	4,318,459	4,318,459	4,033,225	(285,234)
Streets and Sanitation	1,786,061	1,786,061	1,935,834	149,773
Economic and Community Development	75,000	75,000	99,186	24,186
Culture and Recreation	607,704	607,704	625,199	17,495
Nondepartmental	445,090	445,090	691,081	245,991
Capital Outlay	30,000	30,000	2,824,883	2,794,883
Debt Service:				
Principal	576,017	576,017	586,211	10,194
Interest	55,032	55,032	44,839	(10,193)
TOTAL EXPENDITURES	9,272,516	9,272,516	12,220,040	2,947,524
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,160,000)	(1,160,000)	(2,697,348)	(1,537,348)
OTHER FINANCING SOURCES (USES)				
Proceeds from Debt Issuance	-	-	283,000	283,000
Proceeds from the Sale of Assets	5,000	5,000	82,341	77,341
Transfers In	1,155,000	1,155,000	1,213,190	58,190
TOTAL OTHER FINANCING SOURCES (USES)	1,160,000	1,160,000	1,578,531	418,531
NET CHANGES IN FUND BALANCES	-	-	(1,118,817)	(1,118,817)
FUND BALANCE, Beginning of Year	2,688,607	2,688,607	2,688,607	-
FUND BALANCES, End of Year	\$ 2,688,607	2,688,607	1,569,790	\$ (1,118,817)

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 TEN FISCAL YEARS

	2023	2022	2021	2020	2019	2018	Year Ended June 30,	2017	2016	2015	2014
City of Lake City's Proportion of the Net Pension Liability	0.018658%	0.017788%	0.015638%	0.017358%	0.016766%	0.022080%	0.014121%	0.017539%	0.018113%	0.018113%	
City of Lake City's Proportionate Share of the Net Pension Liability	\$ 4,523,213	3,849,648	3,995,820	3,963,654	3,756,695	4,970,563	3,016,225	3,326,356	3,118,458	\$ 3,248,826	
City of Lake City's Covered Payroll	\$ 2,221,785	2,010,821	1,743,034	1,833,006	1,737,409	1,724,934	1,891,600	1,635,705	1,643,929	\$ 1,503,264	
City of Lake City's Proportionate Share of the Net as a Percentage of its Covered Payroll	203.58%	191.45%	229.25%	216.24%	216.22%	288.16%	159.45%	203.36%	189.70%	216.12%	
Plan Fiduciary Net Position as a Percentage of the Pension Liability	57.059%	60.746%	50.714%	54.398%	54.105%	53.338%	52.906%	56.992%	59.919%	59.919%	56.388%

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

The discount rate was lowered from (a) 7.25% to 7.00% beginning with the year ended June 30, 2021 measurement date and (b) 7.50% to 7.25% beginning with the year ended June 30, 2017 measurement date.

CITY OF LAKE CITY, SOUTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN FISCAL YEARS

	Year Ended June 30,					2014
	2023	2022	2021	2020	2019	
Contractually Required Contribution	\$ 487,834	367,927	312,883	271,216	266,886	235,592
					199,402	178,292
					209,211	\$ 171,791
Contributions in Relation to the Contractually Required Contribution						
Contributions from the City	473,886	353,979	298,935	257,268	252,959	221,665
Contributions from the State	13,948	13,948	13,948	13,948	13,927	13,927
Contribution Deficiency (Excess)	\$ -	-	-	-	-	-
City of Lake City's Covered Payroll	\$ 2,778,099	\$ 2,221,785	2,010,821	1,743,034	1,833,006	1,737,409
Contributions as a Percentage of Covered Payroll	17.56%	16.56%	15.56%	15.56%	14.56%	13.56%
					11.56%	11.06%
						10.90%
						10.45%

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 TEN FISCAL YEARS

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 (a) 7.25% to 7.00% beginning with the year ended June 30, 2021 measurement date and (b) 7.50% to 7.25% beginning with the year ended June 30, 2017 measurement date.

CITY OF LAKE CITY, SOUTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN FISCAL YEARS

	Year Ended June 30,					
	2023	2022	2021	2020	2019	2018
Contractually Required Contribution	\$ 413,674	280,780	252,478	253,938	243,795	226,591
Contributions in Relation to the Contractually Required Contribution	404,742	271,848	243,546	245,007	234,881	217,677
Contributions from the City	8,932	8,932	8,932	8,931	8,914	8,914
Contributions from the State	\$ -	-	-	-	-	-
Contribution Deficiency (Excess)	\$ 2,043,844	\$ 1,459,355	1,384,195	1,392,205	1,414,125	1,395,264
City of Lake City's Covered Payroll	20.24%	19.24%	18.24%	18.24%	17.24%	16.24%
Contributions as a Percentage of Covered Payroll	14.08%	14.08%	13.71%	13.71%	13.41%	12.44%

CITY OF LAKE CITY, SOUTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION - OPEB PLAN SCHEDULE

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

LAST SIX FISCAL YEARS

	Year Ended					
	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
Total OPEB Liability:						
Service Cost	\$ 8,764	8,432	7,165	6,451	6,803	\$ 6,023
Interest	5,870	6,484	11,250	12,573	14,874	17,573
Changes of Benefit Terms	355,584	-	(38,959)	-	(66,327)	-
Changes of Assumptions	(29,987)	469	16,305	6,421	2,904	10,167
Benefit Payments, Including Refunds of Member Contributions	(48,165)	(25,842)	(21,774)	(36,004)	(61,706)	(53,485)
Net Change in Total OPEB Liability	292,066	(10,457)	(26,013)	(10,559)	(103,452)	(19,722)
Total OPEB Liability - Beginning of Year	295,857	306,314	332,327	342,886	446,338	466,060
Total OPEB Liability - End of Year (a)	\$ 587,923	295,857	306,314	332,327	342,886	\$ 446,338
 Covered-Employee Payroll	 \$ 890,432	 1,002,782	 1,002,782	 1,242,862	 1,300,030	 \$ 1,270,992
 Total OPEB Liability as a Percentage of Covered-Employee Payroll	 66.03%	 29.50%	 30.55%	 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.

The discount rate was increased from 2.16% to 3.69% for the year ended June 30, 2023.

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Supplementary Information

CITY OF LAKE CITY, SOUTH CAROLINA

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2023

	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	-	1,211	\$ 1,711
Cash and Cash Equivalents, Restricted	114,240	-	21,575	135,815
Taxes Receivable, Net	-	52,472		52,472
Other Receivables	-	625		625
TOTAL ASSETS	\$ 114,740	53,097	22,786	\$ 190,623
LIABILITIES				
Accounts Payable	\$ -	17,264	113	\$ 17,377
TOTAL LIABILITIES	\$ -	17,264	113	\$ 17,377
FUND BALANCES				
Restricted:				
Public Safety	\$ 114,740	-	22,673	\$ 137,413
Tourism Related Expenditures	-	35,833	-	35,833
TOTAL FUND BALANCES	\$ 114,740	35,833	22,673	\$ 173,246
TOTAL LIABILITIES AND FUND BALANCES	\$ 114,740	53,097	22,786	\$ 190,623

CITY OF LAKE CITY, SOUTH CAROLINA

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

YEAR ENDED JUNE 30, 2023

	SPECIAL REVENUE DRUG FORFEITURE FUND	SPECIAL REVENUE HOSPITALITY TAX FUND	SPECIAL REVENUE FIREMEN'S FUND	TOTAL OTHER GOVERNMENTAL FUNDS
REVENUES				
Other Taxes	\$ -	290,362	-	\$ 290,362
Investment Earnings	63	-	14	77
Fines and Forfeitures	1,946	-	-	1,946
Miscellaneous Income	-	8,564	11,793	20,357
TOTAL REVENUES ALL SOURCES	2,009	298,926	11,807	312,742
EXPENDITURES				
Current:				
Public Safety	10,676	-	-	10,676
Culture and Recreation	-	233,562	-	233,562
Nondepartmental	-	-	12,773	12,773
TOTAL EXPENDITURES	10,676	233,562	12,773	257,011
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(8,667)	65,364	(966)	55,731
OTHER FINANCING SOURCES (USES)				
Transfers Out	-	(230,000)	-	(230,000)
TOTAL OTHER FINANCING SOURCES (USES)	-	(230,000)	-	(230,000)
NET CHANGES IN FUND BALANCES	(8,667)	(164,636)	(966)	(174,269)
FUND BALANCES, Beginning of Year	123,407	200,469	23,639	347,515
FUND BALANCES, End of Year	\$ 114,740	35,833	22,673	\$ 173,246

CITY OF LAKE CITY, SOUTH CAROLINA

**SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION - BUDGET AND ACTUAL
WATER AND SEWER FUNDS**

YEAR ENDED JUNE 30, 2023

	WATER FUND		
	BUDGET	ACTUAL	VARIANCE
OPERATING REVENUES			
Water and Sewer Charges	\$ 1,525,044	1,639,152	\$ 114,108
Water and Sewer Tap Fees	22,500	22,497	(3)
Penalties and Other Revenue	220,750	210,054	(10,696)
TOTAL OPERATING REVENUES	1,768,294	1,871,703	103,409
OPERATING EXPENSES			
Salaries	282,161	288,356	6,195
Benefits	142,809	132,343	(10,466)
Non-Cash Pension Expense (Benefit)	-	(7,988)	(7,988)
Depreciation	-	633,008	633,008
Insurance	27,000	33,381	6,381
Other Operating Expenses	211,651	113,351	(98,300)
Professional Fees	72,500	54,564	(17,936)
Repairs and Maintenance	89,500	202,882	113,382
Supplies and Materials	22,500	44,510	22,010
Utilities	104,000	132,908	28,908
TOTAL OPERATING EXPENSES	952,121	1,627,315	675,194
OPERATING INCOME (LOSS)	816,173	244,388	(571,785)
NONOPERATING REVENUE (EXPENSES)			
Grant Income	-	364,221	364,221
Investment Income	5,000	34,582	29,582
Interest Expense and Fiscal Charges	(481,573)	(188,732)	292,841
TOTAL NONOPERATING REVENUE (EXPENSES)	(476,573)	210,071	686,644
INCOME (LOSS) BEFORE TRANSFERS	339,600	454,459	114,859
Transfers Out	(339,600)	(339,600)	-
CHANGE IN NET POSITION	-	114,859	114,859
NET POSITION, Beginning of Year	8,748,269	8,748,269	-
NET POSITION, End of Year	\$ 8,748,269	8,863,128	\$ 114,859

(Continued)

CITY OF LAKE CITY, SOUTH CAROLINA

**SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION - BUDGET AND ACTUAL
WATER AND SEWER FUNDS**

YEAR ENDED JUNE 30, 2023

	SEWER FUND		
	BUDGET	ACTUAL	VARIANCE
OPERATING REVENUES			
Water and Sewer Charges	\$ 2,868,761	2,743,526	\$ (125,235)
Water and Sewer Tap Fees	20,000	3,400	(16,600)
Penalties and Other Revenue	180,000	568,783	388,783
TOTAL OPERATING REVENUES	3,068,761	3,315,709	246,948
OPERATING EXPENSES			
Salaries	714,315	743,705	29,390
Benefits	354,561	342,797	(11,764)
Non-Cash Pension Expense (Benefit)	-	(107,212)	(107,212)
Depreciation	-	721,710	721,710
Insurance	40,000	55,670	15,670
Other Operating Expenses	716,934	2,260,082	1,543,148
Professional Fees	42,500	93,831	51,331
Repairs and Maintenance	221,150	190,699	(30,451)
Supplies and Materials	19,900	36,534	16,634
Utilities	233,500	299,991	66,491
TOTAL OPERATING EXPENSES	2,342,860	4,637,807	2,294,947
OPERATING INCOME (LOSS)	725,901	(1,322,098)	(2,047,999)
NONOPERATING REVENUE (EXPENSES)			
Grant Income	-	4,458,633	4,458,633
Investment Income	5,250	26,319	21,069
Interest Expense and Fiscal Charges	(145,751)	(145,933)	(182)
TOTAL NONOPERATING REVENUE (EXPENSES)	(140,501)	4,339,019	4,479,520
INCOME (LOSS) BEFORE TRANSFERS	585,400	3,016,921	2,431,521
Transfers Out	(585,400)	(585,400)	-
CHANGE IN NET POSITION	-	2,431,521	2,431,521
NET POSITION, Beginning of Year	13,665,465	13,665,465	-
NET POSITION, End of Year	\$ 13,665,465	16,096,986	\$ 2,431,521

CITY OF LAKE CITY, SOUTH CAROLINA

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

YEAR ENDED JUNE 30, 2023

	JUNE 30, 2023	JUNE 30, 2022
OPERATING REVENUES		
Water and Sewer Charges	\$ 4,382,678	\$ 4,117,684
Water and Sewer Tap Fees	25,897	58,999
Penalties and Other Revenue	778,837	386,341
TOTAL OPERATING REVENUES	5,187,412	4,563,024
OPERATING EXPENSES		
Salaries	1,032,061	924,887
Benefits	475,140	432,455
Non-Cash Pension Expense (Benefit)	(115,200)	(169,631)
Depreciation	1,354,718	1,363,080
Insurance	89,051	65,872
Other Operating Expenses	2,373,433	709,258
Professional Fees	148,395	124,101
Repairs and Maintenance	393,581	466,536
Supplies and Materials	81,044	97,642
Utilities	432,899	405,767
TOTAL OPERATING EXPENSES	6,265,122	4,419,967
OPERATING INCOME (LOSS)	(1,077,710)	143,057
NONOPERATING REVENUE (EXPENSES)		
Grant Income	4,822,854	3,494,442
Investment Income	60,901	12,259
Interest Expense and Fiscal Charges	(334,665)	(273,962)
Gain (Loss) on Disposal of Capital Assets	-	110
TOTAL NONOPERATING REVENUE (EXPENSES)	4,549,090	3,232,849
INCOME (LOSS) BEFORE TRANSFERS	3,471,380	3,375,906
Transfers Out	(925,000)	(695,000)
CHANGE IN NET POSITION	2,546,380	2,680,906
NET POSITION, Beginning of Year	22,413,734	19,732,828
NET POSITION, End of Year	\$ 24,960,114	\$ 22,413,734

CITY OF LAKE CITY, SOUTH CAROLINA

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

YEAR ENDED JUNE 30, 2023

FOR THE STATE TREASURER'S OFFICE:

COUNTY / MUNICIPAL FUNDS COLLECTED BY CLERK OF COURT	General Sessions	Magistrate Court	Municipal Court	Total
Court Fines and Assessments:				
Court fines and assessments collected			\$ 78,468	\$ 78,468
Court fines and assessments remitted to State Treasurer			(42,732)	(42,732)
Total Court Fines and Assessments retained			35,736	35,736
Surcharges and Assessments retained for victim services:				
Surcharges collected and retained			1,440	1,440
Assessments retained			3,955	3,955
Total Surcharges and Assessments retained for victim services			\$ 5,395	\$ 5,395

FOR THE DEPARTMENT OF CRIME VICTIM COMPENSATION (DCVC)

VICTIM SERVICE FUNDS COLLECTED	Municipal	County	Total
Carryforward from Previous Year – Beginning Balance	\$ -	-	\$ -
Victim Service Revenue:			
Victim Service Fines Retained by City/County Treasurer			-
Victim Service Assessments Retained by City/County Treasurer	3,955		3,955
Victim Service Surcharges Retained by City/County Treasurer	1,440		1,440
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)	\$ 5,395		\$ 5,395
Expenditures for Victim Service Program:	<u>Municipal</u>	<u>County</u>	<u>Total</u>
Salaries and Benefits	\$ 4,800		\$ 4,800
Operating Expenditures	-		-
Victim Service Contract(s):			
(1) Entity's Name			
(2) Entity's Name			
Victim Service Donations:			
(1) Domestic Violence Shelter:			
(2) Rape Crisis Center:			
(3) Other local direct crime victims service agency: Florence County	2,880		2,880
Transferred to General Fund			
Total Expenditures from Victim Service Fund/Program (B)	\$ 7,680		\$ 7,680
Total Victim Service Funds Retained by Municipal/County Treasurer (A-B)	(2,285)		(2,285)
Less: Prior Year Fund Deficit Repayment			
Carryforward Funds – End of Year	\$ (2,285)		\$ (2,285)

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Compliance Section

CITY OF LAKE CITY, SOUTH CAROLINA**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS****YEAR ENDED JUNE 30, 2023**

Program	Assistance Listing Number	Grant / Contract Number	Expenditures
US DEPARTMENT OF COMMERCE			
Direct Programs: Economic Development Cluster: Economic Adjustment Assistance	11.307	04-79-07564	\$ 730,178
US DEPARTMENT OF TREASURY			
Direct Programs: COVID-19: State and Local Fiscal Recovery Fund	21.027	N/A	530,654
US DEPARTMENT OF HOMELAND SECURITY			
Pass Through - SC Emergency Management Division: Lake City Acline Storm Drainage	97.036	4286-0048	208,259
US DEPARTMENT OF AGRICULTURE			
Direct Programs: Water and Waste Disposal Systems for Rural Communities	10.760	N/A	2,219,245
US ENVIRONMENTAL PROTECTION AGENCY			
Pass Through - South Carolina Department of Health and Environmental Control: Clean Water State Revolving Fund Cluster: Capitalization Grants for Clean Water	66.458	CWVIP-2020-07	246,604
US DEPARTMENT OF JUSTICE			
Pass Through - South Carolina Department of Public Safety: Juvenile Justice and Delinquency Prevention	16.540	5J000419	3,052
US DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Pass Through - Community Development Block Grant Graham Road Pump Station SW Demo	14.218 14.218	04-CI-22-0007 04-CE-21-013	5,000 25,610
NATIONAL PARK SERVICE, LAND AND WATER CONSERVATION FUND			
Pass Through - SC Parks and Recreation and Tourism Blanding Street Park	15.916	LWCF45-01134	32,169
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 4,000,771

Note: There were no federal awards disbursed to subrecipients in the year ended June 30, 2023.

CITY OF LAKE CITY, SOUTH CAROLINA**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS****YEAR ENDED JUNE 30, 2023**

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, 2023. 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.

F. LOANS

During the year ended June 30, 2022, the City issued a Bond Anticipation Note (“BAN”) in the amount of \$4,940,000. The BAN was required by the United States Department of Agriculture (“USDA”) as interim financing, and the loan was repaid through the issuance of a USDA Rural Utilities Service loan in September 2022. The remaining proceeds expended during the year totaling approximately \$770,000 are included in the Schedule.

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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, 2023, 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 5, 2024.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as 2023-001 that we consider to be a material weakness.

Report on Compliance and Other Matters

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

City's Response to Findings

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

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 5, 2024



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

Opinion on Each Major Federal Program

We have audited the City of Lake City, South Carolina's (the "City") compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2023. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

user of the report on compliance about the City's compliance with the requirements of each major federal program as a whole.

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

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

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

Report on Internal Control Over Compliance

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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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

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

Greene Finney Cauley, LLP

Greene Finney Cauley, LLP
Mauldin, South Carolina
March 5, 2024

CITY OF LAKE CITY, SOUTH CAROLINA

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

YEAR ENDED JUNE 30, 2023

FINDING 2022-001: CAPITAL ASSET REPORTING

Condition: For the year ended June 30, 2022, the City did not properly capitalize expenses related to the wastewater treatment plant project. As a result, an audit adjustment of approximately \$4.3 million was required to properly report capital assets, retainage payable and related expenses in the Sewer Fund.

Criteria: The City should have appropriate internal controls in place to ensure that capital assets are being tracked and recorded properly.

Status: The City made progress in this area during the year ended June 30, 2023. However, some similar concerns were identified in the current year and reported as item 2023-001 in the current year schedule of findings and questioned costs.

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

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

Noncompliance material to financial statements noted?

 Yes No***Federal Awards***

Internal control over major programs:

Material weakness(es) identified? Yes NoSignificant deficiencies identified that are not
considered to be material weaknesses? Yes 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 No

Identification of major programs:

<i>Assistance Listing Number(s)</i>	<i>Name of Federal Program or Cluster</i>
10.760	Water and Waste Disposal Systems for Rural Communities

Dollar threshold used to distinguish between type A and type B programs:

 \$ 750,000

Auditee qualified as low-risk auditee?

 Yes No

CITY OF LAKE CITY, SOUTH CAROLINA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2023

Section II – Current Year Financial Statement Findings

FINDING 2023-001: ADJUSTING JOURNAL ENTRIES AND FINANCIAL CLOSEOUT

Condition: The City's financial records were not properly and timely closed out for the year ended June 30, 2023. As a result, significant adjusting journal entries were required. The journal entries in the current year included, but were not limited to:

1. Properly accruing payables and receivables.
2. Properly reporting due from County reimbursements.
3. Properly deferring revenues in grant accounts.

Criteria: In order to ensure the City maintains accurate, complete and timely financial information, the City should ensure processes and procedures are designed and operating effectively to ensure all transactions are properly and timely recorded, all balance sheet accounts are reviewed and reconciled on a regular basis, and revenue and expenditure accounts are reviewed and monitored regularly.

Context/Effect: As noted above, the City was unable to fully close out the trial balance in a timely manner. City officials and management need accurate, complete, and timely financial information in order to make the best decisions for the City. Significant adjustments were required to properly report the City's financial statements as of and for the year ended June 30, 2023.

Cause: The City experienced turnover in the finance director position near year end which contributed to the misstatement.

Recommendation: We recommend that the City develop and implement appropriate procedures to ensure all accounts are closed out and all journal entries are recorded in a timely manner.

Response: The City agrees with this finding and will ensure a reconciliation of balance sheet and income statements occur and that year-end financial closeout is performed in a timely manner.

Section III Findings – Federal Award Findings and Questioned Costs – Major Federal Awards Programs Audit

No matters to report.

CITY OF LAKE CITY, SOUTH CAROLINA

CORRECTIVE ACTION PLAN

YEAR ENDED JUNE 30, 2023

Finding: 2023-001

Contact Person: Brandon Carter, Finance Director, bcarter@cityoflakecity.org

Corrective Action: The City will implement additional controls to ensure financial records are properly and timely closed out.

Proposed Completion

Date: June 30, 2024
