

CITY OF TEGA CAY
AUDITED FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2020

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YEAR ENDED SEPTEMBER 30, 2020

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Members of City Council
City of Tega Cay
Tega Cay, South Carolina

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Members
American Institute of Certified Public Accountants
S.C. Association of Certified Public Accountants



To the Honorable Mayor and Members of City Council
City of Tega Cay
January 20, 2021

Opinion

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

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City of Tega Cay, South Carolina's basic financial statements. The supplemental schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

McKinley, Cooper & Co., LLC

Greenville, South Carolina
January 20, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of City of Tega Cay's annual financial report presents our discussion and analysis of the City's financial performance during the fiscal year ended September 30, 2020. Please read it in conjunction with the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$13,284,816 (*net position*). Of this amount, the unrestricted net position balance is \$(2,960,006).
- The City's total net position for governmental activities decreased \$(370,813) over the course of this year's operations. Net position of the business-type activity, which represents the water and sewer and stormwater funds, decreased by \$(214,839).
- The City issued new debt during the year consisting of \$8,694,220 in bond issues and capital leases.
- The City repaid \$9,597,527 of bonds, notes and capital lease payables during the year.
- During the year, the City's governmental activity expenses were \$14,069,402, program revenues were \$6,320,211 and general revenues were \$7,378,378. This resulted in an excess of expenses over revenues of \$370,813 in the governmental activities.
- In the City's business-type activities, operating revenues were \$5,915,156 while expenses were \$6,129,995. This resulted in an operating loss of \$(214,839).
- The City's governmental capital assets, net of depreciation at September 30, 2020, totaled \$22,201,858 while business-type capital assets, net of depreciation, totaled \$20,558,256. The City's governmental capital assets increased by \$335,026 during the year and the business-type capital assets decreased by \$567,095 during the year.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$4,470,367, a decrease of \$124,846 from the prior year. The decrease is primarily due to expenditures in excess of revenues. Approximately 93 percent of this total amount, \$4,139,167 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 \$3,738,941 or 34 percent of total general fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts - *management's discussion and analysis* (this section), the *basic financial statements*, and *supplementary information*. The basic financial statements include two kinds of statements that present different views of the City:

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the City's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the City government, reporting the City's operations in *more detail* than the government-wide statements.
 - The *governmental funds* statements tell how *general government* services like public safety were financed in the *short term* as well as what remains for future spending.

- o *Proprietary fund* statements offer *short-term* and *long-term* financial information about the activities the government operates *like businesses*.

The financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *supplementary information* that further explains and supports the information in the financial statements.

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

Figure A-1
Major Features of City of Tega Cay’s Government-wide and Fund Financial Statements

	Government-wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire City government (except Fiduciary funds)	The activities of the City that are not proprietary or fiduciary	Activities the City operates similar to private businesses
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, expenses, and changes in fund 	<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 asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, 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 STATEMENTS

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes *all* of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the City's *net position* and how they have changed. Net position - the difference between the City's assets and liabilities - is one way to measure the City's financial health, or *position*.

- Over time, increases or decreases in the City's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the City you need to consider additional non-financial factors such as changes in the City's property tax base and the condition of the City's infrastructure.

The government-wide financial statements of the City are divided into two categories:

- *Governmental activities* - Most of the City's basic services are included here, such as the police, fire, public works, parks departments, and general administration. Property taxes and state and federal grants finance most of these activities.
- *Business-type activities* - The City charges fees to customers to help it cover the costs of certain services it provides.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the City's most significant funds - not the City as a whole. Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law and by bond covenants.
- The City Council establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes, bond revenue, contributions and grants.

The City has two kinds of funds:

- *Governmental funds* - Most of the City's basic services are included in governmental funds, which focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explains the relationship (or differences) between them.
- *Proprietary funds* - Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long and short-term financial information.

GOVERNMENT- WIDE FINANCIAL ANALYSIS

Net Position

The City's combined net position decreased \$585,652 or 4.22 percent between fiscal years 2020 and 2019. (See Table A-1.) The largest portion of the City's net position (111%) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Tega Cay's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Table A-1
City of Tega Cay's Net Position

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Current and other	\$ 5,348,803	\$ 5,580,090	\$ 2,281,588	\$ 2,524,587	\$ 7,630,391	\$ 8,104,677
Capital assets	22,201,858	21,866,832	20,558,256	21,125,351	42,760,114	42,992,183
Total assets	27,550,661	27,446,922	22,839,844	23,649,938	50,390,505	51,096,860
Deferred outflows of resources	1,718,525	2,172,339	290,831	380,582	2,009,356	2,552,921
Total deferred outflows of resources	1,718,525	2,172,339	290,831	380,582	2,009,356	2,552,921
Long-term debt	21,064,430	20,978,574	16,879,786	17,478,681	37,944,216	38,457,255
Other liabilities	747,575	850,590	351,786	440,739	1,099,361	1,291,329
Total liabilities	21,812,005	21,829,164	17,231,572	17,919,420	39,043,577	39,748,584
Deferred inflows of resources	58,332	20,435	13,136	10,294	71,468	30,729
Total deferred inflows of resources	58,332	20,435	13,136	10,294	71,468	30,729
Net position						
Invested in capital assets, net of related debt	9,392,583	8,818,258	5,538,396	5,421,658	14,930,979	14,239,916
Restricted	-	-	1,313,843	1,586,354	1,313,843	1,586,354
Unrestricted (deficit)	(1,993,734)	(1,048,596)	(966,272)	(907,206)	(2,960,006)	(1,955,802)
Total net position	\$ 7,398,849	\$ 7,769,662	\$ 5,885,967	\$ 6,100,806	\$ 13,284,816	\$ 13,870,468

Changes in Net Position. The City's total reported revenues increased by \$ 1,400,000 to \$19.6 million. (See Table A-2.) About 30 percent of the City's revenue comes from property taxes. Fees charged for services account for about 61 percent.

The total cost of all programs and services increased approximately \$1.9 million. The City's expenses cover a range of services, with about 24 percent related to public safety and 30 percent related to enterprise fund operations.

Table A-2 and the narrative that follows consider the operations of governmental and business-type activities separately.

Table A-2
Changes in City of Tega Cay's Net Position
(in thousands of dollars)

	Governmental Activities		Business-type Activities		Total		Total Percentage Change
	2020	2019	2020	2019	2020	2019	2020-2019
Revenues							
Program revenues							
Charges for services	\$ 6,119	\$ 5,416	\$ 5,912	\$ 5,368	\$ 12,031	\$ 10,784	11.56%
Grants and contributions	202	2	-	458	202	460	-56.09%
General revenues							
Property taxes	5,967	5,522	-	-	5,967	5,522	8.06%
Other taxes	829	823	-	-	829	823	0.73%
Intergovernmental	195	187	-	-	195	187	4.28%
Other	387	464	3	8	390	472	-17.37%
Total revenues	13,699	12,414	5,915	5,834	19,614	18,248	7.49%
Expenses							
General government	1,947	1,905	-	-	1,947	1,905	2.20%
Building inspection	593	543	-	-	593	543	9.21%
Public works	995	886	-	-	995	886	12.30%
Public safety	2,886	2,854	-	-	2,886	2,854	1.12%
Fire services	1,918	1,648	-	-	1,918	1,648	16.38%
Community events and services	1,361	277	-	-	1,361	277	391.34%
Parks and recreation	581	693	-	-	581	693	-16.16%
Non-departmental	1,704	1,544	-	-	1,704	1,544	10.36%
Beach and Swim Club	168	181	-	-	168	181	-7.18%
Golf course	1,587	1,572	-	-	1,587	1,572	0.95%
Interest and fiscal charges	330	335	-	-	330	335	-1.49%
Water and sewer	-	-	5,544	5,184	5,544	5,184	6.94%
Stormwater	-	-	586	518	586	518	13.13%
Total expenses	14,070	12,438	6,130	5,702	20,200	18,140	10.20%
Excess (deficiency) before transfers	(371)	(24)	(215)	132	(586)	108	-642.59%
Increase (decrease) in net position	\$ (371)	\$ (24)	\$ (215)	\$ 132	\$ (586)	\$ 108	-642.59%

Governmental Activities

Revenues for the City's governmental activities increased \$1,284,000 or 9 percent, while total expenses increased \$1,632,000 or 12 percent.

- Property tax revenues increased approximately \$445 thousand from the prior year primarily due to a growing community.
- Charges for services were \$703 thousand higher than prior year due to an increase in general and developmental activities.

Business-Type Activities

Revenues of the City's business-type activities increased approximately \$81 thousand to \$5.9 million, while expenses increased approximately \$428 thousand to 6.1 million. (Refer to Table A-2.)

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As the City completed the year, its governmental funds reported a combined fund balance of \$4,470,367, a decrease of \$124,841 from the prior year. The reason for the governmental fund's change is due to expenditures in excess of revenues.

General Fund Budgetary Highlights

Actual general fund expenditures were \$255 thousand above budgeted amounts. This is primarily due to capital outlay expenditures.

Resources available for appropriation were \$898 thousand above the budgeted amount. The increases were due primarily to fines, fees, licenses and permits and other revenues in excess of budgeted amounts.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2020, the City had invested \$43 million in a broad range of capital assets, net of depreciation. (See Table A-3.)

Table A-3
City of Tega Cay's Capital Assets
(net of depreciation, in thousands of dollars)

	Governmental Activities		Business-type Activities		Total		Total Percentage Change
	2020	2019	2020	2019	2020	2019	2020-2019
Land and CIP	\$ 5,973	\$ 9,849	\$ 1,200	\$ 823	\$ 7,173	\$ 10,672	-32.79%
Buildings and improvements	17,434	13,223	-	-	17,434	13,223	31.85%
Infrastructure	3,738	3,738	25,570	25,570	29,308	29,308	0.00%
Machinery and equipment	6,312	5,683	1,892	1,836	8,204	7,519	9.11%
Accumulated depreciation	(11,255)	(10,626)	(8,104)	(7,104)	(19,359)	(17,730)	9.19%
	<u>\$ 22,202</u>	<u>\$ 21,867</u>	<u>\$ 20,558</u>	<u>\$ 21,125</u>	<u>\$ 42,760</u>	<u>\$ 42,992</u>	

This year's major capital asset additions included:

- Purchase of vehicles, machinery and equipment, buildings and infrastructure.

More detailed information about the City's capital assets is presented in Notes 1 and 6 to the financial statements.

Long-term Debt

At yearend, the City had \$27.8 million in bonds, notes payable and capital lease obligations outstanding as shown in Table A-4. The City repaid principal of \$9.6 million on bonds, notes and capital leases payable during the year. The City also issued new bonds, notes payable and capital lease obligations totaling \$8.7 million.

More detailed information about the City's long-term debt is presented in Note 8 to the financial statements.

Table A-4
City of Tega Cay's Outstanding Debt
(in thousands of dollars)

	Governmental Activities		Business-type Activities		Total		Total Percentage Change
	2020	2019	2020	2019	2020	2019	2020-2019
Revenue bonds	\$ -	\$ -	\$ 13,609	\$ 14,038	\$ 13,609	\$ 14,038	-3.06%
Notes payable	249	309	-	-	249	309	-19.42%
General obligation bonds	11,185	11,892	-	-	11,185	11,892	-5.95%
Capital lease obligations	1,375	851	1,411	1,666	2,786	2,517	10.69%
	<u>\$ 12,809</u>	<u>\$ 13,052</u>	<u>\$ 15,020</u>	<u>\$ 15,704</u>	<u>\$ 27,829</u>	<u>\$ 28,756</u>	-3.22%

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact the finance department for information, at the City of Tega Cay, 7725 Tega Cay Drive, Tega Cay, South Carolina 29708.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF TEGA CAY
STATEMENT OF NET POSITION
SEPTEMBER 30, 2020

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 4,542,214	\$ 283,129	\$ 4,825,343
Cash and cash equivalents, restricted	240,907	1,313,843	1,554,750
Receivables (net of allowances for uncollectibles)			
Taxes	251,843	-	251,843
Water and sewer	-	568,857	568,857
Intergovernmental	45,166	-	45,166
Other	185,144	-	185,144
Prepays	116,836	25,248	142,084
Inventory	57,204	-	57,204
Internal balances	(90,511)	90,511	-
Capital assets			
Non-depreciable	5,972,563	1,200,170	7,172,733
Depreciable, net	16,229,295	19,358,086	35,587,381
Total Assets	27,550,661	22,839,844	50,390,505
Deferred Outflows of Resources			
Deferred charge on refunding	33,850	-	33,850
Deferred outflows related to pensions	1,684,675	290,831	1,975,506
Total Deferred Outflows of Resources	1,718,525	290,831	2,009,356
Liabilities			
Accounts payable and other current liabilities	611,243	280,036	891,279
Customer water deposits	-	71,750	71,750
Bail bonds	3,385	-	3,385
Due to developers	58,665	-	58,665
Due to other governmental units	11,852	-	11,852
Unearned revenues	62,430	-	62,430
Long-term liabilities			
Due within one year			
General obligation bonds	711,000	-	711,000
Revenue bonds	-	731,409	731,409
Notes payable	60,793	-	60,793
Capital leases	404,631	307,293	711,924
Compensated absences	260,939	31,364	292,303
Due in more than one year			
General obligation bonds	10,259,000	-	10,259,000
Revenue bonds	-	12,877,568	12,877,568
Notes payable	188,070	-	188,070
Capital leases	970,843	1,103,590	2,074,433
Net pension liability	7,994,216	1,828,562	9,822,778
Unamortized bond premium	214,938	-	214,938
Total Liabilities	21,812,005	17,231,572	39,043,577
Deferred Inflows of Resources			
Deferred inflows related to pensions	58,332	13,136	71,468
Total Deferred Inflows of Resources	58,332	13,136	71,468
Net Position			
Net investment in capital assets	9,392,583	5,538,396	14,930,979
Restricted	-	1,313,843	1,313,843
Unrestricted	(1,993,734)	(966,272)	(2,960,006)
Total Net Position	\$ 7,398,849	\$ 5,885,967	\$ 13,284,816

The accompanying notes are an integral part of these financial statements.

CITY OF TEGA CAY
STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2020

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government	
						Business-type Activities	Total
Primary Government							
Governmental Activities:							
General government	\$ 1,946,615	\$ 1,381,377	\$ 201,500	\$ -	\$ (363,738)	\$ -	\$ (363,738)
Developmental services	592,857	1,702,240	-	-	1,109,383	-	1,109,383
Public works	995,476	877,673	-	-	(117,803)	-	(117,803)
Police	2,886,272	153,871	-	-	(2,732,401)	-	(2,732,401)
Fire services	1,917,864	-	-	-	(1,917,864)	-	(1,917,864)
Community events and services	1,360,561	18,900	-	-	(1,341,661)	-	(1,341,661)
Parks and recreation	581,077	427,430	-	-	(153,647)	-	(153,647)
Non-departmental	1,704,482	-	-	-	(1,704,482)	-	(1,704,482)
Beach and swim club	168,216	111,490	-	-	(56,726)	-	(56,726)
Golf course	1,586,462	1,445,730	-	-	(140,732)	-	(140,732)
Interest and fiscal charges	329,520	-	-	-	(329,520)	-	(329,520)
Total Governmental Activities	14,069,402	6,118,711	201,500	-	(7,749,191)	-	(7,749,191)
Business-type Activities:							
Water and sewer	5,543,675	5,355,097	-	-	-	(188,578)	(188,578)
Stormwater	586,320	557,102	-	-	-	(29,218)	(29,218)
Total Business-type Activities	6,129,995	5,912,199	-	-	-	(217,796)	(217,796)
Total Primary Government	\$ 20,199,397	\$ 12,030,910	\$ 201,500	\$ -	(7,749,191)	(217,796)	(7,966,987)
General Revenues							
Taxes							
Property taxes					5,967,322	-	5,967,322
Local hospitality taxes					277,916	-	277,916
Franchise taxes					550,687	-	550,687
Miscellaneous					352,329	-	352,329
Intergovernmental revenue					195,455	-	195,455
Interest revenue					4,501	2,957	7,458
Gain on sale of capital assets					30,168	-	30,168
Total General Revenues					7,378,378	2,957	7,381,335
Change in Net Position					(370,813)	(214,839)	(585,652)
Net Position, beginning					7,769,662	6,100,806	13,870,468
Net Position, ending					\$ 7,398,849	\$ 5,885,967	\$ 13,284,816

The accompanying notes are an integral part of these financial statements.

FUND FINANCIAL STATEMENTS

CITY OF TEGA CAY
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2020

	<u>General</u>	<u>Other Governmental</u>	<u>Totals</u>
Assets			
Cash and cash equivalents	\$ 3,827,428	\$ 714,786	\$ 4,542,214
Cash and cash equivalents, restricted	240,907	-	240,907
Receivables (net of allowances for uncollectibles)			
Taxes	251,843	-	251,843
Intergovernmental	45,166	-	45,166
Other	111,654	73,490	185,144
Prepays	108,538	8,298	116,836
Inventory	-	57,204	57,204
Total Assets	<u>\$ 4,585,536</u>	<u>\$ 853,778</u>	<u>\$ 5,439,314</u>
Liabilities			
Accounts payable	\$ 187,635	\$ 59,665	\$ 247,300
Other accrued liabilities	281,978	49,367	331,345
Bail bonds	3,385	-	3,385
Due to other funds	31,083	59,428	90,511
Due to other governmental units	11,852	-	11,852
Due to developers	58,665	-	58,665
Unearned revenue	-	62,430	62,430
Total Liabilities	<u>574,598</u>	<u>230,890</u>	<u>805,488</u>
Deferred Inflows of Resources			
Unavailable revenue - property taxes	163,459	-	163,459
Total Deferred Inflows of Resources	<u>163,459</u>	<u>-</u>	<u>163,459</u>
Fund Balances			
Nonspendable	108,538	65,502	174,040
Restricted	-	150,349	150,349
Committed	-	6,811	6,811
Unassigned	3,738,941	400,226	4,139,167
Total Fund Balances	<u>3,847,479</u>	<u>622,888</u>	<u>4,470,367</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 4,585,536</u>	<u>\$ 853,778</u>	<u>\$ 5,439,314</u>

The accompanying notes are an integral part of these financial statements.

CITY OF TEGA CAY
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE
SHEET WITH THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2020

Fund Balance - Governmental Funds		\$ 4,470,367
<p>Amounts reported for Governmental Activities in the Statement of Net Position are different because:</p>		
<p>Capital Assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds.</p>		
The cost of capital assets	33,456,839	
Accumulated depreciation	<u>(11,254,981)</u>	22,201,858
<p>Deferred refunding charges in the Statement of Net Position are amortized over the lives of the refunding bonds; however, the costs are recognized in the year incurred in the governmental funds.</p>		
		33,850
<p>Accrued interest on debt in governmental accounting was not due and payable in the current period and, therefore, has not been reported as a liability in the funds.</p>		
		(32,598)
<p>Long-term liabilities, including bonds payable and capital lease obligations, are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds balance sheet. Long-term liabilities at yearend consist of:</p>		
Bonds payable	(10,970,000)	
Capital lease obligations	(1,375,474)	
Notes payable	(248,863)	
Bond premium	(214,938)	
Compensated absences payable	<u>(260,939)</u>	(13,070,214)
<p>Certain other long-term liabilities are not due and payable in the current period, and, therefore, are not reported in the fund financial statement, but are reported in the governmental activities of the Statement of Net Position.</p>		
Net pension liability		(7,994,216)
<p>Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.</p>		
Deferred outflows of resources related to pensions	1,684,675	
Deferred inflows of resources related to pensions	<u>(58,332)</u>	1,626,343
<p>Deferred revenue related to property tax is not a liability in governmental activities.</p>		
		<u>163,459</u>
Total Net Position - Governmental Activities		<u><u>\$ 7,398,849</u></u>

The accompanying notes are an integral part of these financial statements.

CITY OF TEGA CAY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED SEPTEMBER 30, 2020

	General	Other Governmental Funds	Total Governmental Funds
Revenues			
Taxes	\$ 5,967,322	\$ 277,916	\$ 6,245,238
Fines, fees, licenses and permits	5,124,658	-	5,124,658
Intergovernmental	195,455	-	195,455
Golf	-	1,436,808	1,436,808
Event fees	-	18,900	18,900
Grants	81,500	120,000	201,500
Sponsorships	18,514	-	18,514
Membership dues	-	111,310	111,310
Rentals	60,903	180	61,083
Interest	2,617	1,884	4,501
Drug seizures	-	5,528	5,528
Other	237,553	9,856	247,409
Total Revenues	11,688,522	1,982,382	13,670,904
Expenditures			
General government	1,055,761	-	1,055,761
Developmental services	592,857	-	592,857
Public works	854,988	-	854,988
Police	2,677,414	14,152	2,691,566
Fire services	1,805,259	-	1,805,259
Community events and services	-	1,360,561	1,360,561
Parks and recreation	548,219	-	548,219
Non-departmental	1,704,482	-	1,704,482
Beach and swim club	-	133,276	133,276
Golf club management	-	1,270,134	1,270,134
Capital outlay	544,372	860,395	1,404,767
Debt service			
Principal	887,485	351,674	1,239,159
Interest	332,605	13,603	346,208
Total Expenditures	11,003,442	4,003,795	15,007,237
Excess (Deficiency) of Revenues Over Expenditures	685,080	(2,021,413)	(1,336,333)
Other Financing Sources (Uses)			
Proceeds from debt issuance	334,915	684,770	1,019,685
Sale of general capital assets	7,743	184,064	191,807
Transfers in/(out)			
Golf	(37,021)	37,021	-
Beach and Swim Club Fund	8,288	(8,288)	-
Total Other Financing Sources (Uses)	313,925	897,567	1,211,492
Net Change in Fund Balances	999,005	(1,123,846)	(124,841)
Fund Balances, beginning	2,848,474	1,746,734	4,595,208
Fund Balances, ending	\$ 3,847,479	\$ 622,888	\$ 4,470,367

The accompanying notes are an integral part of these financial statements.

CITY OF TEGA CAY
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES OF GOVERNMENTAL
 FUNDS TO THE STATEMENT OF ACTIVITIES
 YEAR ENDED SEPTEMBER 30, 2020

Net Change in Fund Balances - Total Governmental Funds		\$ (124,841)
<p>Amounts reported for Governmental Activities in the Statement of Activities are different because (see Note 1, also)</p>		
<p>Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the Statement of Net Position and allocated over the estimated useful lives as annual depreciation expense in the Statement of Activities. This is the amount by which capital outlay exceeded depreciation in the period.</p>		
Capital outlay	1,404,767	
Depreciation expense	<u>(908,102)</u>	496,665
<p>The net effect of sales and other transactions involving capital assets.</p>		
		(161,639)
<p>Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.</p>		
		1,239,159
<p>In the Statement of Activities, compensated absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures for this item are measured by the amount of financial resources used. This is the change in compensated absences.</p>		
		(35,252)
<p>Interest on long-term debt 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 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.</p>		
		(948)
<p>Governmental funds report the effects of premiums, discounts, deferred charges and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.</p>		
		17,636
<p>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 for its participation in the State Retirement Plans are not reported in the governmental funds but are reported in the Statement of Activities.</p>		
		(779,425)
<p>Deferred revenue is recorded in governmental funds as a reduction in revenue. Deferred revenue related to property tax is not recorded in the Statement of Activities.</p>		
		(2,483)
<p>Issuance of long-term debt is reported as other financing sources in the governmental funds and thus contribute to the change in fund balance. In the Statement of Net Position, however, issuing debt increases long-term liabilities and does not affect the Statement of Activities. Also, governmental funds report the effect of issuance costs when the debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.</p>		
Issuance of capital leases		<u>(1,019,685)</u>
Change in Net Position of Governmental Activities		<u>\$ (370,813)</u>

The accompanying notes are an integral part of these financial statements.

CITY OF TEGA CAY
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
YEAR ENDED SEPTEMBER 30, 2020

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
Revenues				
Taxes	\$ 6,069,974	\$ 6,069,974	\$ 5,967,322	\$ (102,652)
Fines, fees, licenses and permits	4,453,479	4,453,479	5,124,658	671,179
Intergovernmental	180,651	180,651	195,455	14,804
Other	86,374	86,374	401,087	314,713
Total Revenues	10,790,478	10,790,478	11,688,522	898,044
Expenditures				
General government	1,079,174	1,079,174	1,055,761	23,413
Development services	585,291	585,291	592,857	(7,566)
Public works	914,430	914,430	854,988	59,442
Police	2,715,187	2,715,187	2,677,414	37,773
Fire services	1,998,883	1,998,883	1,805,259	193,624
Parks and recreation	668,997	668,997	548,219	120,778
Non-departmental	1,579,856	1,579,856	1,704,482	(124,626)
Capital outlay	-	-	544,372	(544,372)
Debt service				
Principal	1,206,144	1,206,144	887,485	318,659
Interest	-	-	332,605	(332,605)
Total Expenditures	10,747,962	10,747,962	11,003,442	(255,480)
Excess (Deficiency) of Revenues Over Expenditures	42,516	42,516	685,080	642,564
Other Financing Sources				
Proceeds from capital leases	-	-	334,915	334,915
Sale of general capital assets	5,000	5,000	7,743	2,743
Transfers in/(out)				
Capital fund	(56,165)	(56,165)		56,165
Golf	-	-	(37,021)	(37,021)
Beach and Swim Club fund	8,288	8,288	8,288	-
Total Other Financing Sources	(42,877)	(42,877)	313,925	356,802
Net Change in Fund Balances	(361)	(361)	999,005	999,366
Fund Balances, beginning	2,848,474	2,848,474	2,848,474	-
Fund Balances, ending	\$ 2,848,113	\$ 2,848,113	\$ 3,847,479	\$ 999,366

The accompanying notes are an integral part of these financial statements.

CITY OF TEGA CAY
 PROPRIETARY FUNDS
 STATEMENT OF NET POSITION
 SEPTEMBER 30, 2020

Assets	Business-type Activities		Total Enterprise Funds
	Utility Fund	Stormwater Fund	
Current Assets			
Cash and cash equivalents	\$ 281,353	\$ 1,776	\$ 283,129
Receivables (net of allowance for doubtful accounts)			
Water and sewer	568,857	-	568,857
Due from other funds	-	199,577	199,577
Prepaid expenses	14,507	10,741	25,248
Total Current Assets	864,717	212,094	1,076,811
Noncurrent Assets			
Restricted cash	1,313,843	-	1,313,843
Capital assets			
Non-depreciable	1,200,170	-	1,200,170
Depreciable, net	18,927,050	431,036	19,358,086
Total Noncurrent Assets	21,441,063	431,036	21,872,099
Total Assets	22,305,780	643,130	22,948,910
Deferred Outflows of Resources			
Deferred outflows related to pensions	234,401	56,430	290,831
Total Deferred Outflows of Resources	234,401	56,430	290,831
Liabilities			
Current Liabilities			
Accounts payable and accrued expenses	206,204	177	206,381
Accrued interest payable	73,655	-	73,655
Compensated absences	31,364	-	31,364
Customer deposits	71,750	-	71,750
Due to other funds	109,066	-	109,066
Capital leases - current	221,002	86,291	307,293
Revenue bonds - current	731,409	-	731,409
Total Current Liabilities	1,444,450	86,468	1,530,918
Noncurrent Liabilities			
Capital leases - noncurrent	976,793	126,797	1,103,590
Revenue bonds - noncurrent	12,877,568	-	12,877,568
Net pension liability	1,473,766	354,796	1,828,562
Total Noncurrent Liabilities	15,328,127	481,593	15,809,720
Total Liabilities	16,772,577	568,061	17,340,638
Deferred Inflows of Resources			
Deferred inflows related to pensions	10,587	2,549	13,136
Total Deferred Inflows of Resources	10,587	2,549	13,136
Net Position			
Net investment in capital assets	5,320,448	217,948	5,538,396
Restricted	1,313,843	-	1,313,843
Unrestricted (deficit)	(877,274)	(88,998)	(966,272)
Total Net Position	\$ 5,757,017	\$ 128,950	\$ 5,885,967

The accompanying notes are an integral part of these financial statements.

CITY OF TEGA CAY
 PROPRIETARY FUNDS
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND
 NET POSITION
 YEAR ENDED SEPTEMBER 30, 2020

	Business-type Activities		Total Enterprise Funds
	Utility Fund	Stormwater Fund	
Operating Revenues			
Stormwater compliance fees	\$ -	\$ 557,102	\$ 557,102
Tap fees	277,821	-	277,821
Impact fees	213,294	-	213,294
Irrigation tap	11,250	-	11,250
Water fees	2,282,701	-	2,282,701
Sewer fees	2,495,953	-	2,495,953
Water activation fees	25,600	-	25,600
Reconnect fees	11,325	-	11,325
Penalties	9,186	-	9,186
Other	27,967	-	27,967
Total Operating Revenues	5,355,097	557,102	5,912,199
Operating Expenses			
Salaries	869,739	167,870	1,037,609
Employee benefits	512,655	115,630	628,285
Water purchased	849,242	-	849,242
Sewer treatment fees	715,692	-	715,692
Sewer clean-out	21,568	-	21,568
Water testing	3,802	-	3,802
Legal and professional services	121,808	8,420	130,228
Meters and supplies	140,865	-	140,865
Training and education	3,887	-	3,887
Auto expense	20,959	17,358	38,317
Cell phone	8,262	2,232	10,494
Billing	26,147	2,237	28,384
Chemicals	69,630	-	69,630
Sludge hauling	120,373	-	120,373
Treatment plant maintenance	159,380	-	159,380
Miscellaneous	26,663	2,200	28,863
Depreciation	927,241	72,772	1,000,013
Utilities	203,791	-	203,791
Office supplies	1,050	-	1,050
Lift station maintenance	70,794	-	70,794
Vehicle maintenance	14,761	62,791	77,552
Software maintenance	52,607	-	52,607
Dues and subscriptions	1,195	-	1,195
SDW act	15,286	-	15,286
Water tower maintenance	44,895	-	44,895
Drainage maintenance materials	-	115,678	115,678
Information technology	-	5,000	5,000
Insurance	30,925	9,564	40,489
Total Operating Expenses	5,033,217	581,752	5,614,969
Operating Income	321,880	(24,650)	297,230

(continued)

CITY OF TEGA CAY
 PROPRIETARY FUNDS
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND
 NET POSITION (continued)
 YEAR ENDED SEPTEMBER 30, 2020

	Business-type Activities		Total Enterprise Funds
	Utility Fund 1	Stormwater Fund	
Nonoperating Revenues (Expenses)			
Interest revenue	\$ 2,957	\$ -	\$ 2,957
Interest expense and fiscal charges	(510,458)	(4,568)	(515,026)
Total Nonoperating Revenues (Expenses)	<u>(507,501)</u>	<u>(4,568)</u>	<u>(512,069)</u>
Change in Net Position	(185,621)	(29,218)	(214,839)
Net Position, beginning	<u>5,942,638</u>	<u>158,168</u>	<u>6,100,806</u>
Net Position, ending	<u>\$ 5,757,017</u>	<u>\$ 128,950</u>	<u>\$ 5,885,967</u>

The accompanying notes are an integral part of these financial statements.

CITY OF TEGA CAY
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 YEAR ENDED SEPTEMBER 30, 2020

	Business-type Activities		Total Enterprise Funds
	Utility Fund	Stormwater Fund	
Cash Flows from Operating Activities			
Receipts from customers	\$ 5,337,405	\$ 557,102	\$ 5,894,507
Payments to suppliers	(2,598,558)	(377,942)	(2,976,500)
Payments to employees	(1,371,148)	(287,381)	(1,658,529)
Net Cash Provided by Operating Activities	<u>1,367,699</u>	<u>(108,221)</u>	<u>1,259,478</u>
Cash Flows from Capital and Related Financing Activities			
Acquisition and construction of capital assets	(432,918)	-	(432,918)
Bond proceeds	7,619,000	-	7,619,000
Capital lease proceeds	55,535	-	55,535
Principal payments on bonds	(8,047,681)	-	(8,047,681)
Principal payments on leases	(212,644)	(98,043)	(310,687)
Interest and fiscal charges paid	(510,458)	(4,568)	(515,026)
Net Cash (Used) by Capital and Related Financing Activities	<u>(1,529,166)</u>	<u>(102,611)</u>	<u>(1,631,777)</u>
Cash Flows from Investing Activities			
Interest on cash and cash equivalents	2,957	-	2,957
Net Cash Provided by Investing Activities	<u>2,957</u>	<u>-</u>	<u>2,957</u>
Net Increase in Cash	(158,510)	(210,832)	(369,342)
Cash and Cash Investments, Beginning	<u>1,753,706</u>	<u>212,608</u>	<u>1,966,314</u>
Cash and Cash Investments, Ending	<u>\$ 1,595,196</u>	<u>\$ 1,776</u>	<u>\$ 1,596,972</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities			
Operating income	\$ 321,880	\$ (24,650)	\$ 297,230
Adjustments to reconcile operating income to net cash provided by operating activities			
Depreciation expense	927,241	72,772	1,000,013
Changes in assets and liabilities			
Receivables, net	29,861	-	29,861
Prepaid expenses	10,552	(10,741)	(189)
Accounts payable and accrued expenses	(57,614)	(20,939)	(78,553)
Deferred inflows/outflows related to pensions	74,627	17,966	92,593
Compensated absences	5,709	-	5,709
Customer deposits	(10,400)	-	(10,400)
Net pension liability	63,856	15,373	79,229
Due to/from other funds	1,987	(158,002)	(156,015)
Net Cash Provided by Operating Activities	<u>\$ 1,367,699</u>	<u>\$ (108,221)</u>	<u>\$ 1,259,478</u>

The accompanying notes are an integral part of these financial statements.

CITY OF TEGA CAY

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Tega Cay (the "City") is a municipal corporation of the state of South Carolina located in York County, and as such possesses all the general powers granted by the Constitution and laws of South Carolina to municipal corporations.

The financial statements of the City of Tega Cay, South Carolina, have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

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 City's combined financial statements include the accounts of all City operations. The criteria for including organizations as component units within the City's reporting entity include whether: the City is able to impose its will on the organization, the organization has the potential to impose a financial benefit/burden on the City and there is fiscal dependency by the organization on the City. Based in these criteria, the City of Tega Cay has no component units.

Basis of Presentation

The City's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

Government-wide Financial Statements

The statement of net position and the statement of activities display information about the City as a whole. These statements include the financial activities of the City, except for any fiduciary funds. The statements distinguish between those activities of the City that are governmental in nature and those that are considered business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to the external parties for goods and services.

The statement of activities presents a comparison between direct and program revenues for the different business-type activities of the City and for each function of the City's governmental activities. *Direct expenses* are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The City does not allocate indirect cost. *Program revenues* include charges paid by the recipients of goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are reported as *general revenues*.

Fund Financial Statements

Separate fund financial statements are provided for governmental, proprietary and fiduciary funds. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements.

The funds of the City are described below:

Governmental Funds

Governmental funds are those through which most governmental functions of the City are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balances. The General Fund is the City's only major governmental fund.

General Fund

The General Fund accounts for and reports all financial resources of the general government except those required to be accounted for and reported in another fund.

Special Revenue Funds

Special Revenue Funds are used to account for and report specific revenue sources that are restricted or committed to expenditures for specified current purposes other than debt service and capital projects. The City has seven Special Revenue Funds as described below:

Memorial Fund - The Memorial Fund is used to account for the receipt of memorial gifts and expenditures relating to planting of trees and beautification projects on city property.

Police Fund - The Police Fund is used to account for receipts relating to drug seizures.

Beach and Swim Club Fund - The Beach and Swim Club Fund is used to account for the membership dues and expenditures relating to the beach and swim club.

Golf Club Fund - The Golf Club Fund is used to account for the revenues and expenditures of the Tega Cay Golf and Conference Center.

Hospitality Tax Fund - The Hospitality Tax Fund is used to account for receipts from the hospitality tax collected from local businesses and expenditures relating to tourism promotion.

Events and Tourism Fund – The Events and Tourism Fund was established for purposes of providing for orderly administration and funding of Community Events and allocation of hospitality funds collected for tourism and related functions.

Proprietary Funds

Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows. The following is the City's proprietary fund:

Enterprise Funds

Enterprise funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on the net income measurement similar to the private sector. The City has two Enterprise Funds as described below:

Utility Funds - The Utility Funds are used to account for the financial transactions related to the water and sewer service provided to the residents of the City.

Stormwater Fund - The Stormwater Fund is used to account for the financial transactions related to the stormwater services provided to the residents of the City.

Measurement Focus and Basis of Accounting

Measurement Focus

Government-wide Financial Statements

The government-wide financial statements are prepared using a flow of *economic resources measurement focus*. All assets and liabilities associated with the operation of the City are included on the statement of net position.

Fund Financial Statements

All governmental fund financial statements are accounted for using the *current financial resources measurement focus*. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reflect the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the fund financial statements for governmental funds.

Like the government-wide financial statements, the proprietary fund is accounted for using a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of this fund are included on the statement of net position. The statement of revenues, expenses, and changes in net position presents increases and decreases in total net position. The statement of cash flows reflects how the City finances and meets the cash flow of its proprietary fund.

Basis of Accounting

In the government-wide Statement of Net Position and Statement of Activities, both governmental and business-like activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when "measurable and available." Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after yearend. Items such as property taxes, business licenses, franchise fees, grants, and state-shared revenue are considered to be susceptible to accrual. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for the general obligation bond principal and interest which are reported when due.

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.

All proprietary funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic assets used.

Cash, Cash Equivalents and Investments

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, amounts in demand deposits, and restricted cash and short-term investments with original maturities of three months or less.

Investments

Investments are stated at fair value in accordance with GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for Investment Pools. Investment policies of the City must operate within existing state statutes of the State of South Carolina, which authorizes what the City may and may not invest in.

Receivables

In the government-wide statements, receivables consist of all revenues earned at yearend and not yet received. Allowances for uncollectible taxes receivable are based upon historical trends and the aging of taxes receivable.

Nonexchange transactions collectible but not available such as property taxes are deferred in the fund financial statements in accordance with modified accrual, but not deferred in the government-wide financial statements in accordance with the accrual basis.

Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as “due to/from other funds” on the fund financial balance sheet. Interfund balances within governmental activities and within business-type activities are eliminated on the government-wide statement of net position.

Prepaid Items

Certain payments to vendors reflect cost applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Restricted Assets

Certain proceeds of governmental and business-type activities revenue bonds, as well as certain resources set aside for their repayment and maintenance of capital assets, are classified as restricted assets on the statement of net position because their use is limited by applicable bond covenants.

Capital Assets

The accounting treatment over property, plant, and equipment (fixed assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Government-wide Statements

In the government-wide financial statements, fixed assets are accounted for as capital assets. All fixed assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated fixed assets, which are reported at their estimated fair value at the date of donation. Estimated historical cost was used to value many of the assets acquired prior to October 1, 2003. The City maintains a capitalization policy of \$5,000 for its capital assets. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset’s life are not capitalized. Interest incurred during construction is not capitalized for general capital assets.

Prior to October 1, 2003, governmental funds’ infrastructure was not capitalized.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets’ estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Buildings	25-50 years
Improvements	10-50 years
Water and sewer system	40 years
Furniture and equipment	5-10 years
Vehicles	10 years
Infrastructure	40 years

Fund Financial Statements

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Fixed assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

Compensated Absences

The City of Tega Cay reports Compensated Absences in accordance with the provisions of GASB Statement No. 16 "Accounting for Compensated Absences." The City's policies regarding vacation and sick leave permit employees to accumulate earned but unused vacation leave. Upon termination of employment, an employee is reimbursed for accumulated vacation days. Employees, upon termination of employment, do not receive compensation for accumulated and unused sick leave.

The entire compensated absence liability is reported on the government-wide financial statements. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources. For the proprietary fund, the entire amount of compensated absences is reported as a fund liability.

Equity Classifications

Government-wide Statements

Equity is classified as net position and displayed in three components:

Invested in capital assets, net of related debt – consist of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, capital leases or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.

Restricted net position – consists of net position with constraints placed on the use by either external groups such as creditors, grantors, contributors, or laws or regulations of other governments or law through constitutional provisions or enabling legislation.

Unrestricted net position – All other net position that do not meet the definition of "restricted" or "invested in capital assets, net of related debt" are classified as unrestricted.

Fund Equity

The City reports fund balance classifications in accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* ("GASB 54"). 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 it is not in spendable form or because of legal or contractual requirements.

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 City Council, which is the highest level of decision making authority, before the end of the reporting period. Those committed amounts cannot be used for any other purpose unless the government removes or changes the specified use by taking the same type of action it employed to previously commit those amounts.

Assigned – includes amounts that are intended to be used for specific purposes that are neither considered restricted nor committed; in addition, such assignments are made by City Council or by the City Manager.

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.

Unless specifically designated otherwise, fund expenditures and encumbrances are from restricted fund balance to the extent of restricted fund balance revenue, followed by committed fund balance, assigned fund balance, and unassigned fund balance, respectively.

Interfund Transactions

Transactions between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in the governmental funds and nonoperating revenues/expenses in the enterprise fund. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Long-term Obligations

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. Bond issuance costs and bond premiums are deferred and amortized over the life of the bonds using the straight-line method that approximates the effective interest method. Amortization of bond issuance costs and premiums are included in interest expense. The long-term debt consists primarily of bonds payable, capital leases, installment loans and accrued compensated absences.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest are reported as expenditures. The accounting for proprietary funds is the same in the fund statements as it is in the government-wide statements.

Use of Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires the City's management to make estimates and assumptions. The estimates and assumptions affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

Deferred Revenue

Deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Federal, state and private program revenues received and not yet expended by the City are recorded as deferred revenue.

In subsequent periods, when both revenue recognition criteria are met, or when the City has a legal claim to the program proceeds, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Restricted assets in the General Fund include funds set aside for the construction of a community center; and in the Utility Fund, primarily, include reserves for repaying long-term debt and water meter deposits.

Statement of Cash Flows

For purposes of the statement of cash flows, the City's Proprietary Fund type considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Reclassifications

Certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

As required by State statutes, prior to October 1 each year the City Council adopts an annual budget on a basis consistent with accounting principles generally accepted in the United States of America for the General Fund, certain Special Revenue Funds, and the Proprietary Fund. Annual budgets are not adopted for the Memorial and Police funds. There is also no operating budget adopted for the Capital Projects Fund, as funds are budgeted on a total project basis.

The City Manager is authorized to transfer budgeted amounts within any fund as necessary to achieve the goals of the budget provided, however, that no such transfers shall be used to increase the total appropriation of any fund. Any revisions that alter the total expenditures of any fund must be approved by the City Council.

Budgeted amounts are reported as originally adopted and as amended by the City Council.

The Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund presents a comparison of budgetary data to actual results of operations. The General Fund utilizes the same basis of accounting for both budgetary purposes and actual results.

NOTE 3 – DEPOSITS AND INVESTMENTS

The State of South Carolina General Statutes permits the City to invest in certain types of financial instruments. In addition, the State has a Local Government Investment Pool (where the fair value of the position in the pool is the same as the value of the pool shares) which invests in the types of instruments allowed under state laws.

Cash is maintained in demand deposits or savings accounts, certificates of deposits, repurchase agreements, or U.S. Government Securities. There were no deposit or investment transactions during the year that were in violation of either the state statutes or the policy of the City.

As of September 30, 2020, the City had deposits and investments as follows:

Deposits with financial institutions	<u>\$ 6,045,198</u>
--------------------------------------	---------------------

Interest rate risk. In accordance with its investment policy, the City manages its exposure to declines in fair values by limiting its investments to the State's investment pools which do not normally have maturity dates and can be withdrawn on demand.

Concentration of credit risk. The City's investment policy currently does not involve investment in any individual issuers.

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City's policy is that all deposits in excess of federal insurance amounts be collateralized with securities held by the pledging financial institution's trust department or agent in the City's name. As of September 30, 2020, deposits are fully collateralized.

NOTE 4 – PROPERTY TAXES

The City of Tega Cay assesses and levies property taxes in accordance with applicable laws of the State of South Carolina. Real property and personal property of every description owned and used in the City, except that which is exempt from taxation under the Constitution and Laws of the State, is subject to taxation. An annual ordinance establishing the millage rate associated with the levy is adopted each year as a part of the budget adoption process.

Real property and all personal property other than vehicles are assessed for property tax purposes on January 1 of each year. All taxable property is assessed in proportion to its value on that date. The basis for value of taxable property within the City is taken from the records of the York County Auditor and the assessment for City tax purposes is the same as that levied by the County Auditor. Taxes are payable between September 30 and January 15 following their assessment. Unpaid amounts after January 15 are considered to be delinquent and are subject to penalties for late payment. New vehicle property taxes are assessed and levied within 120 days of the registration date of the vehicle and payment is due upon receipt of the property tax notice. Other vehicle property taxes are assessed and levied in the month the vehicle is scheduled for license renewal with the South Carolina Highway Department, and payment is due before the end of the month of the scheduled renewal.

The millage rate was 89.0 for the 2019 tax year and the assessed valuation of real property was \$57,792,728. The purpose of the levies was for current expenditures and to defray public expenditures of the City as well as to meet current indebtedness contracted by the City for general corporate purposes.

NOTE 5 – RECEIVABLES

Property tax receivables and other receivables at September 30, 2020, consist of the following:

	<u>General Fund</u>	<u>Proprietary Fund</u>
Property Tax Receivables:		
Real property	\$ 188,525	\$ -
Vehicle	70,318	-
Less: allowance for uncollectibles	(7,000)	-
Total Property Tax Receivables	<u>\$ 251,843</u>	<u>\$ -</u>
Other Receivables:		
Intergovernmental	\$ 45,166	\$ -
Water and sewer	-	568,857
Franchise fees	111,654	-
Total Other Receivables	<u>\$ 156,820</u>	<u>\$ 568,857</u>

In the fund statements, property taxes have been recorded as an asset, offset by deferred revenues for the amount of delinquent property taxes, which were not collected within 60 days after the fiscal yearend. The modified accrual method of accounting is used and does not recognize revenue, which is not measurable and available to finance expenditures of the fiscal period.

NOTE 6 – CAPITAL ASSETS

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital assets, not being depreciated				
Land	\$ 5,972,563	\$ -	\$ -	\$ 5,972,563
Construction in progress	3,876,766	170,723	(4,047,489)	-
Total Capital Assets, Not Being Depreciated	<u>9,849,329</u>	<u>170,723</u>	<u>(4,047,489)</u>	<u>5,972,563</u>
Capital assets, being depreciated				
Buildings, improvements and fixed structures	13,222,597	4,211,092	-	17,433,689
Infrastructure	3,738,361	-	-	3,738,361
Furniture and equipment	2,728,094	1,070,441	(440,835)	3,357,700
Vehicles	2,954,526	-	-	2,954,526
Total Capital Assets, Being Depreciated	<u>22,643,578</u>	<u>5,281,533</u>	<u>(440,835)</u>	<u>27,484,276</u>
Less: accumulated depreciation				
Buildings, improvements and fixed structures	(5,106,501)	(368,526)	-	(5,475,027)
Infrastructure	(1,114,513)	(120,624)	-	(1,235,137)
Furniture and equipment	(2,158,728)	(209,099)	279,196	(2,088,631)
Vehicles	(2,246,333)	(209,853)	-	(2,456,186)
Total Accumulated Depreciation	<u>(10,626,075)</u>	<u>(908,102)</u>	<u>279,196</u>	<u>(11,254,981)</u>
Total Capital Assets, Being Depreciated, Net	<u>12,017,503</u>	<u>4,373,431</u>	<u>(161,639)</u>	<u>16,229,295</u>
Governmental Activities Capital Assets, Net	<u>\$ 21,866,832</u>	<u>\$ 4,544,154</u>	<u>\$ (4,209,128)</u>	<u>\$ 22,201,858</u>

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

General government	\$ 119,728
Public works	130,644
Fire services	64,006
Police	192,475
Parks and recreation	32,642
Beach and swim	33,719
Golf course	334,888
	<hr/>
Total depreciation	<u>\$ 908,102</u>

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

	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities				
Capital assets, not being depreciated				
Water system	\$ 822,787	\$ 377,383	\$ -	\$ 1,200,170
Total Capital Assets, Not Being Depreciated	<hr/> 822,787	<hr/> 377,383	<hr/> -	<hr/> 1,200,170
Capital assets, being depreciated				
Water system	25,419,862	-	-	25,419,862
Legal and engineering fees	150,289	-	-	150,289
Vehicles and equipment	1,800,283	55,535	-	1,855,818
Software	35,699	-	-	35,699
Total Capital Assets, Being Depreciated	<hr/> 27,406,133	<hr/> 55,535	<hr/> -	<hr/> 27,461,668
Less: accumulated depreciation				
Water system	(6,109,717)	(822,251)	-	(6,931,968)
Legal and engineering fees	(95,183)	(5,010)	-	(100,193)
Vehicles and equipment	(862,970)	(172,752)	-	(1,035,722)
Software	(35,699)	-	-	(35,699)
Total Accumulated Depreciation	<hr/> (7,103,569)	<hr/> (1,000,013)	<hr/> -	<hr/> (8,103,582)
Total Capital Assets, Being Depreciated, Net	<hr/> 20,302,564	<hr/> (944,478)	<hr/> -	<hr/> 19,358,086
Business-Type Activities Capital Assets, Net	<hr/> <u>\$ 21,125,351</u>	<hr/> <u>\$ (567,095)</u>	<hr/> <u>\$ -</u>	<hr/> <u>\$ 20,558,256</u>

NOTE 7 – LONG-TERM DEBT

The City issues bonds and notes to provide funds for the acquisition and construction of major capital facilities. The City uses capital leases to provide funds for the purchase vehicles and equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the government. Revenue bonds are obligations of the City that are secured by revenue from the water and sewer funds.

In March 2013, the City issued its General Obligation Refunding Bonds Series 2013 in the amount of \$7,180,000, with interest rates ranging between 2.00% and 3.00%, to provide resources to currently refund the outstanding General Obligation Bonds Series 2009, General Obligation Bonds Series 2008 and General Obligation Bonds Series 2006 in the amount of \$316,871, \$224,760 and \$407,141, respectively, and to advance refund a portion of the outstanding General Obligation Bonds Series 2005 in the amount of \$5,820,000. The City deposited \$6,382,178 of the net proceeds in an irrevocable trust with an escrow agent to purchase U.S. government securities to provide for all future debt service on the refunded portion of the Series 2005 Bonds.

As a result, the Series 2009, 2008, and 2006 Bonds were redeemed in March 2013. The refunded portion of the Series 2005 Bonds is considered to be defeased until redemption in April 2015. Accordingly, the liability for the refunded bonds has been removed from the governmental activities column in the Statement of Net Position. The reacquisition price exceeded the net carrying amount of the old debt by \$83,957. This amount is being netted against the new debt and is being amortized over the life of the new debt, which has the same life as the old debt. This refunding was undertaken to reduce total debt service payments over the next 17 years by \$554,614 and will result in an economic gain of \$527,024 (the difference between the present values of the debt service payments on the old and new debt). The remaining outstanding balance of the debt considered defeased as of September 30, 2020 was \$4,349,000.

In June 2020, the City issued the Waterworks and Sewer System Revenue Refunding Bond, Series 2020, in the amount of \$7,619,000 to provide resources to refund the Series 2014 Waterworks and Sewer System Improvement and Refunding Revenue Bond and the 2018 Waterworks and Sewer System Revenue Parity Bond. The City redeemed the 2014 and 2018 Bonds immediately upon delivery of the 2020 Bond.

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Principal
Outstanding at
Yearend

General Obligation Bonds

\$850,000 General Obligation Bonds Series 2012 was issued in June 2012 to provide funds to finance the purchase of the new City Hall. Principal payments are due in annual installments ranging from \$45,000 to \$70,000 each June 1. The interest rate of the Series 2012 Bonds is 3.04% and is payable semi-annually on each June 1 and December 1. The bonds range in maturity dates from 2013 to 2027.

\$ 450,000

\$7,180,000 General Obligation Refunding Bonds Series 2013, issued in March 2013, refunded the Series 2006, 2008 and 2008 General Obligation Bonds and partially refunded the Series 2005 General Obligation Bonds. Principal payments are due in annual installments ranging from \$160,000 to \$495,000 each April 1. The interest rates range from 2.0% to 3.0% and are payable semi-annually on each April 1 and October 1. The bonds range in maturity dates from 2014 to 2030.

4,490,000

\$2,184,000 General Obligation Bonds Series 2016 was issued in July 2016 to provide funds to finance the construction of a new fire department. Principal payments are due in annual installments ranging from \$154,000 to \$213,000 each April 1. The interest rate of the Series 2016 Bonds is 2.010% and is payable semi-annually on each April 1 and October 1. The bonds mature in 2031.

2,030,000

\$4,000,000 General Obligation Bond Series 2018 was issued in August 2018 to provide funds to finance the construction of a new police department. Principal payments are due in annual installments ranging from \$59,000 to \$1,000,000 each June 1. The interest rate of the Series 2018 Bonds is 3.610% and is payable semi-annually on each December 1 and June 1. The bonds mature in 2033.

4,000,000

Revenue Bonds

\$619,000 Revenue Refunding Bond Series 2020, issued in June 2020 used to refund the Series 2014 and 2018 Revenue Bonds in the amount of \$7,619,000. The bonds are payable from revenues of the purchased system operations. Principal payments are due in annual installments ranging from \$492,000 to \$517,000 through June 2034 with interest at 2.04%.

7,619,000

On December 17, 2015, the City closed on the Waterworks and Sewer System Revenue Parity Bond, Series 2015, a State Revolving Fund loan, with total available funding in the amount of \$6,757,377. Total drawn against this loan at September 30, 2017 is \$6,492,879. The purpose of the loan is sewer rehabilitation of purchased private utility. Repayment of the principal and interest is due in 120 quarterly installments, with the first payment made April 1, 2017. The loan carries interest at 2.00% per annum.

5,989,977

Total

\$ 24,578,977

The following is a schedule of annual debt service requirements to maturity for the City's Governmental Activities outstanding bonds:

Fiscal Year Ending September 30,	Principal	Interest	Total
2021	\$ 711,000	\$ 321,571	\$ 1,032,571
2022	733,000	301,431	1,034,431
2023	755,000	280,665	1,035,665
2024	778,000	258,953	1,036,953
2025	795,000	240,848	1,035,848
2026-2030	4,297,000	881,301	5,178,301
2031-2032	2,901,000	208,355	3,109,355
	<u>\$ 10,970,000</u>	<u>\$ 2,493,124</u>	<u>\$ 13,463,124</u>

The following is a schedule of annual debt service requirements to maturity for the City's Business-type Activities outstanding bonds and notes payable:

Fiscal Year Ending September 30,	Principal	Interest	Total
2021	\$ 731,409	\$ 260,918	\$ 992,327
2022	740,234	258,578	998,812
2023	752,155	243,538	995,693
2024	764,176	228,256	992,432
2025	778,297	212,731	991,028
2026-2030	4,157,999	818,737	4,976,736
2031-2035	3,839,440	381,984	4,221,424
2036-2040	931,781	130,118	1,061,899
2041-2045	692,048	59,050	751,098
2046-2047	221,438	3,891	225,329
	<u>\$ 13,608,977</u>	<u>\$ 2,597,801</u>	<u>\$ 16,206,778</u>

Capital Leases

The City has entered into lease agreements as lessee for financing the acquisition of software, golf course equipment, police vehicles and equipment for the City's Governmental Activities. The lease agreements qualify as capital leases for accounting purposes. Amortization of assets under capital leases for the year ended September 30, 2020 was \$176,239 and is included in depreciation expense.

The assets acquired through capital leases are as follows:

Vehicles and equipment	\$ 1,592,850
Less: accumulated amortization	<u>(334,309)</u>
	<u>\$ 1,258,541</u>

The future minimum lease obligations and the net present value of these lease payments as of September 30, 2020, were as follows:

Fiscal Year Ending September 30,	General Long-term Debt
2021	\$ 434,490
2022	384,541
2023	329,297
2024	<u>297,280</u>
Total lease payments	1,445,608
Less: amount representing interest	<u>(70,134)</u>
Present value of minimum lease payments	<u>\$ 1,375,474</u>

The City has entered into lease agreements as lessee for financing of the proprietary funds' acquisition of vehicles and equipment. The lease agreements qualify as capital leases for accounting purposes. Amortization of assets under capital leases for the year ended September 30, 2020 was \$166,532 and is included in depreciation expense.

The assets acquired through capital leases are as follows:

Utility vehicles and equipment	\$ 2,125,069
Less accumulated amortization	<u>(521,560)</u>
	<u>\$ 1,603,509</u>

The future minimum lease obligations and the net present value of these lease payments as of September 30, 2020, are as follows:

Fiscal Year Ending September 30,	General Long-term Debt
2021	\$ 342,314
2022	320,379
2023	238,312
2024	175,403
2025	160,778
Thereafter	<u>296,719</u>
Total lease payments	1,533,905
Less: amount representing interest	<u>(123,022)</u>
Present value of minimum lease payments	<u>\$ 1,410,883</u>

Note Payable

The City has entered into note payable agreements for additions of improvements and fixed structures. The notes mature 2021 and 2026.

Annual debt requirements for the notes payable are as follows:

Year Ending September 30,	Principal	Interest	Total
2021	\$ 60,793	\$ 5,942	\$ 66,735
2022	53,366	4,526	57,892
2023	54,651	3,241	57,892
2024	55,967	1,925	57,892
2025	24,086	578	24,664
	\$ 248,863	\$ 16,212	\$ 265,075

NOTE 8 – CHANGES IN LONG-TERM LIABILITIES

The following is a summary of changes in the City's long-term obligations for the year ended September 30, 2020:

Long-term Obligations	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
General Obligation Bonds:					
Series 2012	\$ 505,000	\$ -	\$ 55,000	\$ 450,000	\$ 58,000
Series 2013	4,965,000	-	475,000	4,490,000	435,000
Series 2016	2,184,000	-	154,000	2,030,000	159,000
Series 2018	4,000,000	-	-	4,000,000	59,000
Bond Premium	237,763	-	22,825	214,938	22,825
Total Bonds Payable	11,891,763	-	706,825	11,184,938	733,825
Other Liabilities:					
Capital Leases	850,512	1,019,685	494,723	1,375,474	404,631
Notes Payable	309,299	-	60,436	248,863	60,793
Compensated Absences	225,687	260,939	225,687	260,939	260,939
Total Other Liabilities	1,385,498	1,280,624	780,846	1,885,276	726,363
	\$ 13,277,261	\$ 1,280,624	\$ 1,487,671	\$ 13,070,214	\$ 1,460,188

Long-term Obligations	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type Activities:					
Revenue Bonds:					
Series 2014	\$ 6,558,000	\$ -	\$ 6,558,000	\$ -	\$ -
Series 2015	6,224,658	-	234,681	5,989,977	239,409
Series 2018	1,255,000	-	1,255,000	-	-
Series 2020	-	7,619,000	-	7,619,000	492,000
Total Bonds Payable	14,037,658	7,619,000	8,047,681	13,608,977	731,409
Other Liabilities:					
Capital Leases	1,666,035	55,535	310,687	1,410,883	307,293
Compenstated Absences	25,655	31,364	25,655	31,364	31,364
Total Other Liabilities	1,691,690	86,899	336,342	1,442,247	338,657
	\$ 15,729,348	\$ 7,705,899	\$ 8,384,023	\$ 15,051,224	\$ 1,070,066

NOTE 9 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Interfund balances at September 30, 2020, all of which are expected to be received or paid within one year, consisted of the following individual fund receivables and payables:

	Due From Other Funds	Due To Other Funds
General Fund	\$ -	\$ 31,083
Special Revenue Funds		
Events and Tourism	-	21,199
Beach and Swim Club	-	37,651
Hospitality	-	578
Utility Fund	90,511	-
Total	\$ 90,511	\$ 90,511

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Interfund transfers for the year ended September 30, 2020 were as follows:

	<u>Transfers in</u>	<u>Transfers out</u>
General Fund	\$ 8,288	\$ 37,021
Beach and Swim Club	-	8,288
Hospitality Tax	-	102,323
Events and Tourism	102,323	-
Golf	37,021	-
	<u>\$ 147,632</u>	<u>\$ 147,632</u>

Transfers are used to (1) move unrestricted general fund revenues to finance various programs that the government accounts for in other funds, (2) move revenues from the utility system to the general government to forestall need for tax increases and to finance various programs benefiting the utility system that the government accounts for in other funds, and (3) move other unrestricted revenues to the general fund.

NOTE 10 – EMPLOYEE RETIREMENT SYSTEMS – PENSION FUNDS

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

For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Systems and additions to/deductions from the Systems fiduciary net position have been determined on the accrual basis of accounting as they are reported by the Systems in accordance with generally accepted accounting principles (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.

PEBA issues a Comprehensive Annual Financial Report (CAFR) containing financial statements and required supplementary information for the Systems’ Pension Trust Funds. The CAFR is publicly available through the Retirement Benefits’ link on 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. PEBA is considered a division of the primary government of the state of South Carolina and therefore, retirement trust fund financial information is also included in the comprehensive annual financial report of the state.

Plan Descriptions

- The South Carolina Retirement System (SCRS), a cost-sharing multiple-employer defined benefit pension plan, was established effective July 1, 1945, pursuant to the provisions of Section 9-1-20 of the South Carolina Code of Laws for the purpose of providing retirement allowances and other benefits for 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 subdivision of government and individuals newly elected to the South Carolina General Assembly at or after the 2012 general election.

The State Optional Retirement Program (State ORP) is a defined contribution plan that is offered as an alternative to SCRS to certain newly hired employees of state agencies, institutions of higher education, public school districts and individuals first elected to the General Assembly at or after the general election in November 2012. State ORP participants direct the investment of their funds into an account administered by one of four third party service providers. PEBA assumes no liability for state ORP benefits. Rather, the benefits are the liability of the four third party service providers. For this reason, State ORP assets are not part of the retirement systems' trust funds for financial statement purposes.

- The South Carolina Police Officers Retirement System (PORS), a cost-sharing multiple-employer benefit pension plan, was established July 1, 1962, pursuant to the provisions of Sections 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.

In addition to the plans described above, PEBA also administers three single-employer defined benefit pension plans, which are not covered in this report. They are the Retirement System for Members of the General Assembly of the State of South Carolina (GARS), the Retirement System for judges and Solicitors of the State of South Carolina (JSRS), and the South Carolina National Guard Supplemental Retirement Plan (SCNG).

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.
- State ORP – As an alternative to membership in SCRS, newly hired state, public school, and higher education employees and individuals newly elected to the S.C. General Assembly beginning with the November 2012 general election have the option to participate in the State

ORP. PEBA assumes no liability for State ORP benefits. Rather, the benefits are the liability of the four third party record keepers. For this reason, State ORP assets are not part of the retirement systems' trust funds for financial statement purposes. Contributions to the State ORP are at the same rates as SCRS. A direct remittance is required from the employer to the member's account with the ORP vendor for the employee contribution and a portion of the employer contribution (5 percent). A direct remittance is also required to SCRS for the remaining portion of the employer contribution and an incidental death benefit contribution, if applicable, which is retained by SCRS.

- **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 PORS. Magistrates are required to participate in 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 membership prior to July 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.

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 for the 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 requirements, respectively. An incidental death benefit is also available to beneficiaries of active and retired members of employers who participate in the death benefit program.

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

Contributions

Actuarial valuations are performed annually by an external consulting actuary to ensure applicable contribution rates satisfy the funding parameters specified in Title 9 of the South Carolina Code of Laws. Under these provisions, SCRS and PORS contribution requirements must be sufficient to maintain an amortization period for the financing of the unfunded actuarial accrued liability (UAAL) over a period that does not exceed the number of years scheduled in state statute. Legislation in 2017 increased, but also established a ceiling for SCRS and PORS employee contribution rates. Effective July 1, 2017, employee rates were increased to a capped rate of 9.00 percent for SCRS and 9.75 percent for PORS. The legislation also increased employer contribution rates beginning July 1, 2017 for both SCRS and PORS by two percentage points and further scheduled employer contribution rates to increase by a minimum of one percentage point each year through July 1, 2022. If the scheduled contributions are not sufficient to meet the funding periods set in state statute, the board shall increase the employer contribution rates as necessary to meet the funding periods set for the applicable year. The maximum funding period of SCRS and PORS is scheduled to be reduced over a ten-year schedule from 30 years beginning fiscal year 2018 to 20 years by fiscal year 2028.

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

Required employee contribution rates¹ are as follows:

	<u>Fiscal Year 2020¹</u>	<u>Fiscal Year 2019¹</u>
SCRS		
Employee Class Two	9.00%	9.00%
Employee Class Three	9.00%	9.00%
State ORP		
Employee	9.00%	9.00%
PORS		
Employee Class Two	9.75%	9.75%
Employee Class Three	9.75%	9.75%

Required employer contribution rates¹ are as follows:

	<u>Fiscal Year 2020¹</u>	<u>Fiscal Year 2019¹</u>
SCRS		
Employee Class Two	15.41%	14.41%
Employee Class Three	15.41%	14.41%
Employer Incidental Death Benefit	0.15%	0.15%
State ORP		
Employer Contribution (2)	15.41%	14.41%
Employer Incidental Death Benefit	0.15%	0.15%
PORS		
Employee Class Two	17.84%	16.84%
Employee Class Three	17.84%	16.84%
Employer Incidental Death Benefit	0.20%	0.20%
Employer Accidental Death Program	0.20%	0.20%

- (1) Calculated on earnable compensation as defined in Title 9 of the South Carolina Code of Laws.
- (2) Of this employer contribution, 5% of earnable compensation must be remitted by the employer directly to the ORP vendor to be allocated to the member's account with the remainder of the employer contribution remitted to the SCRS.

Actuarial Assumptions and Methods

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

The June 30, 2019, total pension liability (TPL), net pension liability (NPL), and sensitivity information shown in this report were determined by our consulting actuary, Gabriel, Roeder, Smith and Company (GRS) and are based on an actuarial valuation performed as of July 1, 2018. The total pension liability was rolled-forward from the valuation date to the plans' fiscal year end, June 30, 2019, using generally accepted actuarial principles.

The following provides a summary of the actuarial assumptions and methods used to calculate the TPL as of June 30, 2019:

	SCRS	PORS
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Investment rate of return ¹	7.25%	7.25%
Projected salary increases	3.0% to 12.5% (varies by service) ¹	3.5% to 9.5% (varies by service) ¹
Benefit adjustments	Lesser of 1% or \$500 annually	Lesser of 1% or \$500 annually

¹ Includes inflation at 2.25%

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

Assumptions used in the determination of the June 30, 2019, TPL are as follows:

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

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

At September 30, 2020, the City reported a liability of \$9,822,778 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

For the year ended September 30, 2020, the City recognized pension expense totaling \$1,811,882, which consisted of contributions to the System of \$860,635 and additions in expense of \$951,247, as a result of the increase in the net pension liability related to GASB 68 requirements. At September 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
SCRS		
Differences between expected and actual experience	\$ 3,752	\$ 39,212
Assumption changes	109,995	-
Net difference between projected and actual earnings on pension plan investments	48,325	-
Changes in proportionate share and differences between employer contributions and proportionate share of total plan employer contributions	274,952	-
City contributions subsequent to the measurement date	431,128	-
Total SCRS	868,152	39,212
PORS		
Differences between expected and actual experience	89,741	32,256
Assumption changes	173,070	-
Net difference between projected and actual earnings on pension plan investments	55,338	-
Changes in proportionate share and differences between employer contributions and proportionate share of total plan employer contributions	359,698	-
City contributions subsequent to the measurement date	429,507	-
Total PORS	1,107,354	32,256
Total SCRS and PORS	\$ 1,975,506	\$ 71,468

\$860,635 reported as deferred outflows of resources related to the City's contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended September 30, 2021. Other amounts reported as deferred outflows of resources (deferred pension charges) and deferred inflows of resources (deferred pension credits) will increase (decrease) pension expense as follows:

Year Ended December 31,	SCRS	PORS	Total
2020	\$ 98,811	\$ 160,355	\$ 259,166
2021	98,811	160,355	259,166
2022	98,811	160,355	259,166
2023	98,811	160,355	259,166
2024	2,568	4,171	6,739
Total	\$ 397,812	\$ 645,591	\$ 1,043,403

Net Pension Liability

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 June 30, 2019, for SCRS and PORS are presented below.

<u>System</u>	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Employers' Net Position Liability (Asset)</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u>
SCRS	\$ 50,073,060,256	\$ 27,238,916,138	\$ 22,834,144,118	54.4%
PORS	7,681,749,768	4,815,808,554	2,865,941,214	62.7%

The TPL is calculated by the Systems' actuary, and each plan's fiduciary net position is reported in the Systems' financial statements. The NPL is disclosed in accordance with the requirements of GASB 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.

Long-term Expected Rate of Return

The long-term expected rate of return on pension plan investments is based upon the 30-year capital markets assumptions. The long-term expected rate of returns represent assumptions developed using an arithmetic building block approach, primarily based on consensus expectations and market based inputs. Expected returns are net of investment fees.

The expected returns, along with the expected inflation rate, form the basis for the target asset allocation adopted at the beginning of the 2018 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 table on the following page. For actuarial purposes, the 7.25 percent assumed annual investment rate of return and used in the calculation of the TPL includes a 5.00 percent real rate of return and a 2.25 percent inflation component.

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

Discount Rate

The discount rate used to measure TPL was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers in 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, the System's fiduciary net position was projected to be available to make all the 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 collective NPL of the participating employers calculated using the discount rate of 7.25 percent, as well as what the employers' NPL would be if it were calculated using a discount rate that is 1.00 percent lower (6.25 percent) and 1.00 percent higher (8.25 percent) than the current rate.

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

System	1.00% Decrease (6.25%)	Current Discount Rate (7.25%)	1.00% Increase (8.25%)
SCRS	\$ 6,876,435	\$ 5,458,394	\$ 4,274,958
PORS	\$ 5,914,777	\$ 4,364,384	\$ 3,094,223

Additional Financial and Actuarial Information

Information contained in these Notes to the Schedules of Employer and Nonemployer Allocations and Schedules of Pension Amounts by Employer (Schedules) was compiled from the Systems' audited financial statements for the fiscal year ended June 30, 2019, and the accounting and financial reporting actuarial valuation as of June 30, 2019. Additional financial information supporting the preparation of the Schedules (including the unmodified audit opinion on the financial statements and required supplementary information) is available in the Systems' CAFR.

NOTE 11 – DEFERRED COMPENSATION PLANS

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 401(k). The plan, available to all City employees, permits them to defer a portion of their salary until future years. The employer's plan, created under Internal Revenue Code Section 401(k) is administered by a third party and is included in the Comprehensive Annual Financial Report of the State of South Carolina. Compensation deferred under the Section 401(k) plan is placed in trust for the contributing employee. Employees may also withdraw the current value of their contributions prior to termination if they meet requirements specified by the applicable plan. The City has no liability for losses under the plans.

NOTE 12 – RISK MANAGEMENT AND RETENTION

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered through participation in an insurance purchasing public entity risk pool sponsored by the South Carolina Municipal Association. The City pays an annual premium to the pool and may be subject to supplemental premium assessment should pool claims exceed certain levels. Pool claims have not exceeded those levels in any of the past four years.

There have been no significant reductions in insurance coverage during the fiscal year ended September 30, 2020.

NOTE 13 – FUND BALANCE CLASSIFICATIONS

	Special Revenue Funds							Total Governmental Funds
	General Fund	Memorial	Police	Beach and Swim Club	Hospitality Tax	Golf Club	Events and Tourism	
Fund Balances								
Nonspendable								
Prepaid	\$ 108,538	\$ -	\$ -	\$ -	\$ -	\$ 8,298	\$ -	\$ 116,836
Inventory	-	-	-	-	-	57,204	-	57,204
Restricted								
In accordance with donor stipulations	-	1,616	-	-	-	-	-	1,616
Victims' rights	-	-	-	-	-	-	-	-
Hospitality	-	-	-	-	161,174	-	(12,441)	148,733
Committed								
Police	-	-	5,520	-	-	-	-	5,520
Beach and Swim	-	-	-	1,291	-	-	-	1,291
Unassigned	3,738,981	-	-	-	-	400,226	-	4,139,207
Total	<u>\$ 3,847,519</u>	<u>\$ 1,616</u>	<u>\$ 5,520</u>	<u>\$ 1,291</u>	<u>\$ 161,174</u>	<u>\$ 465,728</u>	<u>\$ (12,441)</u>	<u>\$ 4,470,407</u>

NOTE 14 – COMMITMENTS

The City has entered into various construction contracts for construction of an elevated water tank. As of September 30, 2020, approximately \$600,000 remains on the commitments. The commitments are funded by bond issues and grants obtained by the City.

NOTE 15 – TAX ABATEMENTS

Other Tax Abatements

The City's property tax revenues were reduced by approximately \$366,811 under agreements entered into by York County.

NOTE 16 – SUBSEQUENT EVENTS

In March 2020, the World Health Organization declared the novel Coronavirus (COVID-19) outbreak a public health emergency. The full effect of the City's financial condition cannot be determined at this time

Subsequent events have been evaluated through the date of the auditor's report, which is the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF TEGA CAY

SCHEDULE OF PENSION PLAN CONTRIBUTIONS
 SOUTH CAROLINA RETIREMENT SYSTEM AND POLICE OFFICER RETIREMENT SYSTEM
 LAST 6 FISCAL YEARS

	2020	2019	2018	2017	2016	2015
<u>SCRS</u>						
Contractually required Contribution	\$ 431,128	\$ 381,034	\$ 337,284	\$ 284,612	\$ 234,049	\$ 199,908
Contributions in relation to the contractually required contribution	(431,128)	(381,034)	(337,284)	(284,612)	(234,049)	(199,908)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City's covered-employee payroll	\$ 2,797,715	\$ 2,594,356	\$ 2,464,905	\$ 2,380,264	\$ 2,118,082	\$ 1,852,173
Contributions as a percentage of covered-employee payroll	15.41%	14.69%	13.70%	11.96%	11.05%	10.79%
<u>PORS</u>						
Contractually required Contribution	\$ 429,507	\$ 389,694	\$ 349,421	\$ 279,516	\$ 221,755	\$ 206,535
Contributions in relation to the contractually required contribution	(429,507)	(389,694)	(349,421)	(279,516)	(221,755)	(206,535)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City's covered-employee payroll	\$ 2,407,549	\$ 2,247,744	\$ 2,168,612	\$ 1,941,511	\$ 1,645,502	\$ 1,577,034
Contributions as a percentage of covered-employee payroll	17.84%	17.34%	16.10%	14.40%	13.48%	13.1%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the government will present information for those years for which information is available.

CITY OF TEGA CAY

SCHEDULE OF THE CITY'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
SOUTH CAROLINA RETIREMENT SYSTEM AND POLICE OFFICER RETIREMENT SYSTEM
LAST 6 FISCAL YEARS

	2020	2019	2018	2017	2016	2015
<u>SCRS</u>						
City's proportion of the net pension liability	0.024%	0.023%	0.023%	0.021%	0.018%	0.014%
City's proportionate share of the net pension liability	\$ 5,458,394	\$ 5,221,890	\$ 5,122,742	\$ 4,405,470	\$ 3,417,390	\$ 2,379,518
City's covered-employee payroll	\$ 2,594,356	\$ 2,464,905	\$ 2,380,264	\$ 2,118,082	\$ 1,852,173	\$ 1,367,972
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	210.4%	211.9%	215.2%	207.9%	184.51%	173.9%
Plan fiduciary net position as a percentage of the total pension liability	54.4%	54.1%	53.3%	52.9%	57.0%	59.9%

PORS

	2020	2019	2018	2017	2016	2015
City's proportion of the net pension liability	0.152%	0.149%	0.134%	0.123%	0.116%	0.109%
City's proportionate share of the net pension liability	\$ 4,364,384	\$ 4,228,756	\$ 3,657,834	\$ 3,108,906	\$ 2,531,529	\$ 2,083,223
City's covered-employee payroll	\$ 2,247,744	\$ 2,168,612	\$ 1,941,511	\$ 1,645,502	\$ 1,577,034	\$ 1,385,035
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	194.2%	195.0%	188.4%	188.9%	160.5%	150.4%
Plan fiduciary net position as a percentage of the total pension liability	62.7%	61.7%	60.9%	60.4%	64.6%	67.5%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the government will present information for those years for which information is available.

CITY OF TEGA CAY

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED SEPTEMBER 30, 2020

Method and Assumptions Used in Calculations of Actuarially Determined Contributions: The actuarially determined contribution rates in the schedule of contributions are calculated as of September 30, 2019, one year prior to the end of the fiscal year in which contributions are reported. The actuarial methods and assumptions used to determine the contractually required contributions for the year ended September 30, 2020 reported in that schedule can be found in Note 10 of the basic financial statements.

OTHER SUPPLEMENTARY INFORMATION

GENERAL FUND

The General Fund is the City's main operating fund and is used to account for all financial resources traditionally associated with government except those required to be accounted for in another fund.

**CITY OF TEGA CAY
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (continued)
YEAR ENDED SEPTEMBER 30, 2020**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes				
Real property	\$ 5,459,974	\$ 5,459,974	\$ 5,300,378	\$ (159,596)
Vehicle	600,000	600,000	651,916	51,916
Tax penalties	10,000	10,000	15,028	5,028
Totals	6,069,974	6,069,974	5,967,322	(102,652)
Fines, fees, licenses and permits				
Court fines and forfeitures	188,000	188,000	144,703	(43,297)
Parking tickets	3,000	3,000	9,168	6,168
Franchise fees	555,000	555,000	550,687	(4,313)
Inspection and permit fees	790,000	790,000	881,092	91,092
Business licenses	1,220,000	1,220,000	1,381,377	161,377
Recreation fees	435,341	435,341	427,430	(7,911)
Trash fees	887,040	887,040	877,673	(9,367)
Impact fees	342,298	342,298	821,148	478,850
Waste management fees	800	800	725	(75)
Security fees	32,000	32,000	30,655	(1,345)
Totals	4,453,479	4,453,479	5,124,658	671,179
Intergovernmental				
State shared	180,651	180,651	195,455	14,804
Totals	180,651	180,651	195,455	14,804
Other				
Interest	3,000	3,000	2,617	(383)
Sponsorships	21,000	21,000	18,514	(2,486)
Grants	-	-	81,500	81,500
Rentals	59,374	59,374	60,903	1,529
Other	3,000	3,000	237,553	234,553
Totals	86,374	86,374	401,087	314,713
Total Revenues	\$ 10,790,478	\$ 10,790,478	\$ 11,688,522	\$ 898,044

(continued)

**CITY OF TEGA CAY
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (continued)
YEAR ENDED SEPTEMBER 30, 2020**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Expenditures				
General Government				
Municipal Council				
Salaries	\$ 20,400	\$ 20,400	\$ 20,400	\$ -
Employee benefits	3,401	3,401	3,292	109
Election expense	3,000	3,000	5,943	(2,943)
Travel and training	7,500	7,500	784	6,716
Meeting expense	2,000	2,000	3,280	(1,280)
Flowers	500	500	719	(219)
Dues and subscriptions	150	150	75	75
Total Municipal Council	<u>36,951</u>	<u>36,951</u>	<u>34,493</u>	<u>2,458</u>
Municipal Court				
Salaries	123,440	123,440	116,392	7,048
Employee benefits	37,073	37,073	36,151	922
Video conferencing	-	-	612	(612)
Jurors	300	300	160	140
Supplies	2,500	2,500	2,685	(185)
Travel and training	3,000	3,000	-	3,000
Postage	50	50	166	(116)
Victim's assistance	-	-	11,244	(11,244)
Public defender	-	-	9,191	(9,191)
Reimbursement to other governments	112,000	112,000	79,850	32,150
Total Municipal Court	<u>278,363</u>	<u>278,363</u>	<u>256,451</u>	<u>21,912</u>
Administration				
Salaries	476,158	476,158	447,900	28,258
Employee benefits	156,231	156,231	170,643	(14,412)
Professional services	32,500	32,500	26,162	6,338
Data processing services	20,000	20,000	23,839	(3,839)
Codify ordinances	1,050	1,050	550	500
Contract services	6,000	6,000	8,847	(2,847)
Auto operation	1,200	1,200	910	290
Copier	6,771	6,771	11,931	(5,160)
IT expenses	5,000	5,000	8,924	(3,924)
Office supplies	19,500	19,500	18,277	1,223
Other	6,000	6,000	12,981	(6,981)
Travel and training	10,000	10,000	8,803	1,197
Cell phone	3,000	3,000	5,159	(2,159)
Postage	3,600	3,600	3,874	(274)
Repairs and maintenance	1,100	1,100	848	252
Software maintenance	4,000	4,000	5,141	(1,141)
Legal advertising	3,000	3,000	865	2,135
Dues and subscriptions	8,750	8,750	9,163	(413)
Total Administration	<u>763,860</u>	<u>763,860</u>	<u>764,817</u>	<u>(957)</u>
Total General Government	<u>1,079,174</u>	<u>1,079,174</u>	<u>1,055,761</u>	<u>23,413</u>

(continued)

**CITY OF TEGA CAY
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (continued)
YEAR ENDED SEPTEMBER 30, 2020**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Expenditures				
Developmental Services				
Salaries	\$ 379,242	\$ 379,242	\$ 382,764	\$ (3,522)
Employee benefits	132,899	132,899	147,028	(14,129)
Professional services	15,000	15,000	11,532	3,468
Copier	4,091	4,091	6,327	(2,236)
IT expenses	2,000	2,000	1,846	154
Software maintenance	9,649	9,649	10,019	(370)
Supplies	8,000	8,000	6,609	1,391
Travel and training	8,795	8,795	6,217	2,578
Cell phone	3,500	3,500	2,755	745
Auto operation	2,000	2,000	1,512	488
Vehicle maintenance	750	750	1,783	(1,033)
Comprehensive	18,000	18,000	13,309	4,691
Dues and subscriptions	1,365	1,365	1,156	209
Total Developmental Services	585,291	585,291	592,857	(7,566)
Public Works				
Salaries	437,211	437,211	403,071	34,140
Employee benefits	188,919	188,919	188,933	(14)
Medical	500	500	1,217	(717)
Professional services	5,000	5,000	2,296	2,704
Uniforms	7,000	7,000	3,617	3,383
Auto operation	15,000	15,000	14,140	860
BCAC	9,500	9,500	-	9,500
Other	-	-	7,816	(7,816)
Tree care	9,000	9,000	6,060	2,940
Landfill charges	1,000	1,000	-	1,000
Small tools	1,500	1,500	1,677	(177)
Supplies	22,000	22,000	17,742	4,258
Travel and training	2,500	2,500	1,282	1,218
Cell phone	5,000	5,000	7,024	(2,024)
Repairs - equipment	4,000	4,000	6,292	(2,292)
Building grounds/maintenance	10,000	10,000	12,817	(2,817)
Vehicle maintenance	12,000	12,000	12,183	(183)
Street maintenance	90,000	90,000	89,303	697
Tree work	17,000	17,000	15,110	1,890
Monument costs	-	-	14,861	(14,861)
Contract lawn care	52,000	52,000	49,387	2,613
Dues and subscriptions	300	300	160	140
Landscape Maintenance	25,000	25,000	-	25,000
Total Public Works	914,430	914,430	854,988	59,442

(continued)

**CITY OF TEGA CAY
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (continued)
YEAR ENDED SEPTEMBER 30, 2020**

Expenditures	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Police Department				
Salaries	\$ 1,624,308	\$ 1,624,308	\$ 1,511,805	\$ 112,503
Employee benefits	717,384	717,384	735,580	(18,196)
Medical	2,000	2,000	4,186	(2,186)
Uniforms	20,000	20,000	19,897	103
Auto operation	50,000	50,000	44,765	5,235
Boat operations	3,000	3,000	-	3,000
Postage	400	400	162	238
Software maintenance	35,811	35,811	33,034	2,777
Supplies	25,000	25,000	25,561	(561)
Office supplies	10,000	10,000	11,006	(1,006)
Other	-	-	348	(348)
Travel and training	30,000	30,000	20,478	9,522
Cell phones	26,670	26,670	24,696	1,974
Board and lodge prisoners	12,500	12,500	9,726	2,774
Repairs - equipment	6,000	6,000	6,725	(725)
Building/grounds maintenance	3,000	3,000	8,609	(5,609)
Repairs - vehicle	22,000	22,000	21,324	676
Dues and subscription	2,500	2,500	2,376	124
Copier	16,714	16,714	20,810	(4,096)
IT expenses	15,000	15,000	23,092	(8,092)
Dispatch services	85,400	85,400	148,069	(62,669)
Community relations	7,500	7,500	5,165	2,335
Capital Outlay	-	-	170,723	(170,723)
Total Police Department	2,715,187	2,715,187	2,848,137	(132,950)
Fire Services				
Salaries	1,123,157	1,123,157	1,082,497	40,660
Employee benefits	463,702	463,702	484,242	(20,540)
Medical	6,750	6,750	1,150	5,600
Uniforms	39,542	39,542	15,638	23,904
Fuel	25,000	25,000	11,081	13,919
Supplies	15,880	15,880	8,832	7,048
Travel and training	37,704	37,704	6,650	31,054
Cell phones	1,440	1,440	2,114	(674)
Utilities	14,400	14,400	16,964	(2,564)
Repairs - vehicle	30,360	30,360	33,326	(2,966)
Repairs - equipment	16,407	16,407	7,871	8,536
Contribution	21,000	21,000	21,000	-
Building and grounds maintenance	23,354	23,354	13,460	9,894
Apparatus and equipment	114,422	114,422	63,455	50,967
Volunteer response	6,000	6,000	640	5,360
EMS	3,400	3,400	2,021	1,379
IT expenses	55,185	55,185	33,775	21,410
Dues and subscriptions	1,180	1,180	543	637
Capital outlay	-	-	192,066	(192,066)
Total Fire Services	1,998,883	1,998,883	1,997,325	1,558

(continued)

**CITY OF TEGA CAY
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (continued)
YEAR ENDED SEPTEMBER 30, 2020**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Expenditures				
Parks and Recreation				
Salaries	\$ 247,795	\$ 247,795	\$ 239,048	\$ 8,747
Employee benefits	106,967	106,967	108,057	(1,090)
Medical	250	250	-	250
Professional services	-	-	622	(622)
Sports uniforms	82,575	82,575	68,179	14,396
Uniforms	650	650	648	2
Referees/extra help	45,000	45,000	38,360	6,640
Supplies	8,000	8,000	9,022	(1,022)
Travel and training	3,200	3,200	448	2,752
Auto operations	4,500	4,500	4,008	492
Vehicle maintenance	1,800	1,800	3,021	(1,221)
Cell phones	2,500	2,500	3,957	(1,457)
Equipment repairs and maintenance	2,500	2,500	1,750	750
Contract grounds maintenance	50,000	50,000	522	49,478
Athletic field supplies	3,500	3,500	975	2,525
Recreation equipment	10,000	10,000	7,127	2,873
Professional insurance	7,500	7,500	4,579	2,921
Dues and subscripion	760	760	790	(30)
Entry fees	4,000	4,000	-	4,000
Park maintenance	55,000	55,000	45,019	9,981
Trail maintenance	2,500	2,500	188	2,312
Doggie stations	5,000	5,000	7,199	(2,199)
PARD	12,000	12,000	-	12,000
Field usage	13,000	13,000	4,700	8,300
Capital outlay		-	124,250	(124,250)
Total Parks and Recreation	<u>668,997</u>	<u>668,997</u>	<u>672,469</u>	<u>(3,472)</u>
Non-departmental				
Safety program	30,000	30,000	17,694	12,306
Flags	1,500	1,500	1,477	23
Employees program	2,500	2,500	2,045	455
Street lights	29,000	29,000	26,370	2,630
Computer repair	63,000	63,000	75,824	(12,824)
Operational contingency	110,000	110,000	-	110,000
C-Fund road work	-	-	144,369	(144,369)
Legal fees	85,000	85,000	62,263	22,737
Property insurance	173,000	173,000	213,209	(40,209)
Waste management services	922,596	922,596	943,159	(20,563)
Utilities	132,500	132,500	158,278	(25,778)
Stormwater fees	15,660	15,660	15,660	-
City Hall building expenses	10,000	10,000	3,674	6,326
RFATS	500	500	10,396	(9,896)

(continued)

**CITY OF TEGA CAY
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (continued)
YEAR ENDED SEPTEMBER 30, 2020**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Expenditures				
Non-departmental (continued)				
Other	\$ -	\$ -	\$ 25,064	\$ (25,064)
Stonecrest HOA dues	4,600	4,600	5,000	(400)
Capital outlay	-	-	57,333	(57,333)
Total Non-departmental	<u>1,579,856</u>	<u>1,579,856</u>	<u>1,761,815</u>	<u>(181,959)</u>
Debt Service				
Principal	1,206,144	1,206,144	887,485	318,659
Interest and fiscal charges	-	-	332,605	(332,605)
Total Debt Service	<u>1,206,144</u>	<u>1,206,144</u>	<u>1,220,090</u>	<u>(13,946)</u>
Total Expenditures	<u>10,747,962</u>	<u>10,747,962</u>	<u>11,003,442</u>	<u>(255,480)</u>
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	<u>42,516</u>	<u>42,516</u>	<u>685,080</u>	<u>642,564</u>
Other Financing Sources (Uses)				
Proceeds from debt issuance	-	-	334,915	334,915
Sale of general capital assets	5,000	5,000	7,743	2,743
Transfers in/(out)				
Capital Fund	(56,165)	(56,165)	-	56,165
Golf	-	-	(37,021)	(37,021)
Beach and Swim Club Fund	8,288	8,288	8,288	-
Total Other Financing Sources (Uses)	<u>(42,877)</u>	<u>(42,877)</u>	<u>313,925</u>	<u>356,802</u>
Net Change in Fund Balance	(361)	(361)	999,005	999,366
Fund Balance, beginning	<u>2,848,474</u>	<u>2,848,474</u>	<u>2,848,474</u>	<u>-</u>
Fund Balance, ending	<u>\$ 2,848,113</u>	<u>\$ 2,848,113</u>	<u>\$ 3,847,479</u>	<u>\$ 999,366</u>

SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for the specific revenues that are legally restricted to expenditures for particular purposes. The City of Tega Cay utilizes Six Special Revenue Funds described below:

Memorial Fund - The Memorial Fund was established to account the receipt of memorial gifts and expenditures relating to planting of trees and beautification projects on city property.

Police Fund - The Police Fund was established to account for the receipt of drug-related seizures and the expenditures of those funds, which are used for drug-related crime prevention.

Beach and Swim Club Fund - The Beach and Swim Club Fund was established to account for member dues and the related expenditures associated with the operations of the club.

Golf Club Fund - The Golf Club Fund is used to account for the revenues and expenditures of Tega Cay Golf and Conference Center.

Hospitality Tax Fund - The Hospitality Tax Fund is used to account for receipts from the hospitality tax collected from local businesses and expenditures relating to tourism promotion.

Events and Tourism Fund - The Events and Tourism Fund was established for purposes of providing for orderly administration and funding of Community Events and allocation of hospitality funds collected for tourism and related functions.

CITY OF TEGA CAY
SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET SCHEDULE
SEPTEMBER 30, 2020

	<u>Memorial</u>	<u>Police</u>	<u>Beach and Swim Club</u>	<u>Golf Club</u>	<u>Hospitality Tax</u>	<u>Events and Tourism</u>	<u>Total</u>
Assets							
Cash and cash investments	\$ 1,616	\$ 5,520	\$ 38,942	\$ 528,510	\$ 131,440	\$ 8,758	\$ 714,786
Accounts receivable	-	-	-	43,178	30,312	-	73,490
Inventory	-	-	-	57,204	-	-	57,204
Prepaid expenses	-	-	-	8,298	-	-	8,298
Total Assets	<u>\$ 1,616</u>	<u>\$ 5,520</u>	<u>\$ 38,942</u>	<u>\$ 637,190</u>	<u>\$ 161,752</u>	<u>\$ 8,758</u>	<u>\$ 853,778</u>
Liabilities and Fund Balances							
Liabilities							
Accounts payable	\$ -	\$ -	\$ -	\$ 59,665	\$ -	\$ -	\$ 59,665
Accrued expenses	-	-	-	49,367	-	-	49,367
Unearned revenue	-	-	-	62,430	-	-	62,430
Due to other funds	-	-	37,651	-	578	21,199	59,428
Total Liabilities	<u>-</u>	<u>-</u>	<u>37,651</u>	<u>171,462</u>	<u>578</u>	<u>21,199</u>	<u>230,890</u>
Fund Balances							
Nonspendable	-	-	-	65,502	-	-	65,502
Restricted	1,616	-	-	-	161,174	(12,441)	150,349
Committed	-	5,520	1,291	-	-	-	6,811
Unassigned	-	-	-	400,226	-	-	400,226
Total Fund Balances	<u>1,616</u>	<u>5,520</u>	<u>1,291</u>	<u>465,728</u>	<u>161,174</u>	<u>(12,441)</u>	<u>622,888</u>
Total Liabilities and Fund Balances	<u>\$ 1,616</u>	<u>\$ 5,520</u>	<u>\$ 38,942</u>	<u>\$ 637,190</u>	<u>\$ 161,752</u>	<u>\$ 8,758</u>	<u>\$ 853,778</u>

CITY OF TEGA CAY
SPECIAL REVENUE FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
YEAR ENDED SEPTEMBER 30, 2020

	Memorial	Police	Beach and Swim Club	Golf Club	Hospitality Tax	Events and Tourism	Total
Revenues							
Hospitality tax	\$ -	\$ -	\$ -	\$ -	\$ 277,916	\$ -	\$ 277,916
Event fees	-	-	-	-	-	18,900	18,900
Memberships	-	-	111,310	-	-	-	111,310
Golf	-	-	-	1,436,808	-	-	1,436,808
Pool and tennis	-	-	-	8,922	-	-	8,922
Club rentals	-	-	180	-	-	-	180
Drug seizures	-	5,528	-	-	-	-	5,528
Interest	-	-	13	17	-	1,854	1,884
Grants	-	-	-	-	120,000	-	120,000
Other	-	-	934	-	-	-	934
Total Revenues	-	5,528	112,437	1,445,747	397,916	20,754	1,982,382
Expenditures							
Salaries	-	-	23,184	-	-	-	23,184
Employee benefits	-	-	10,443	-	-	-	10,443
Pool management	-	-	46,400	-	-	-	46,400
Sanitation	-	-	1,950	-	-	-	1,950
Supplies	-	-	2,273	-	-	-	2,273
Advertising	-	-	-	-	5,493	-	5,493
Other	-	14,152	4,607	-	34,083	-	52,842
Cell phone	-	-	276	-	-	-	276
Utilities	-	-	19,494	-	-	-	19,494
Equipment repairs and maintenance	-	-	18,015	-	-	-	18,015
Building and grounds maintenance	-	-	5,234	-	67,319	-	72,553
Professional insurance	-	-	1,400	-	-	-	1,400
Golf club management	-	-	-	1,270,134	-	-	1,270,134
Community Events	-	-	-	-	-	1,253,666	1,253,666
Capital outlay	-	-	-	696,792	163,603	-	860,395
Debt service							
Principal	-	-	8,642	320,777	22,255	-	351,674
Interest	-	-	342	10,898	2,363	-	13,603
Total Expenditures	-	14,152	142,260	2,298,601	295,116	1,253,666	4,003,795
Excess of Revenues Over (Under) Expenditures	-	(8,624)	(29,823)	(852,854)	102,800	(1,232,912)	(2,021,413)
Other Financing Sources (Uses)							
Transfers in/(out)							
Debt proceeds	-	-	-	684,770	-	-	684,770
Sale of capital assets	-	-	-	184,064	-	-	184,064
Special revenue fund	-	-	-	-	(102,323)	102,323	-
General fund	-	-	(8,288)	37,021	-	-	28,733
Total Other Financing Sources (Uses)	-	-	(8,288)	905,855	(102,323)	102,323	897,567
Net Change in Fund Balances	-	(8,624)	(38,111)	53,001	477	(1,130,589)	(1,123,846)
Fund Balances, beginning	1,616	14,144	39,402	412,727	160,697	1,118,148	1,746,734
Fund Balances, ending	\$ 1,616	\$ 5,520	\$ 1,291	\$ 465,728	\$ 161,174	\$ (12,441)	\$ 622,888

CITY OF TEGA CAY
SPECIAL REVENUE FUNDS - GOLF CLUB
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
YEAR ENDED SEPTEMBER 30, 2020

	<u>Final Budgeted</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Revenues			
Golf	\$ 1,350,161	\$ 1,436,808	\$ 86,647
Pool and tennis	6,708	8,922	2,214
Interest	-	17	17
Total Revenues	<u>1,356,869</u>	<u>1,445,747</u>	<u>88,878</u>
Expenditures			
Golf	370,416	459,816	(89,400)
Pool and tennis	10,940	10,564	376
Golf course maintenance	596,132	556,444	39,688
Property operations	16,300	75,245	(58,945)
Sales and marketing	14,740	8,684	6,056
General and administrative	138,584	159,381	(20,797)
Capital outlay	-	696,792	(696,792)
Debt service			
Principal	-	320,777	(320,777)
Interest	-	10,898	(10,898)
Total Expenditures	<u>1,147,112</u>	<u>2,298,601</u>	<u>(1,151,489)</u>
Excess of Revenues Over (Under) Expenditures	<u>209,757</u>	<u>(852,854)</u>	<u>(1,062,611)</u>
Other Financing Sources (Uses)			
Proceeds from debt issuance	-	684,770	684,770
Sale of capital assets	-	184,064	184,064
Transfers in	-	37,021	37,021
Total Other Financing Sources (Uses)	<u>-</u>	<u>905,855</u>	<u>905,855</u>
Net Change in Fund Balances	209,757	53,001	(156,756)
Fund Balances, beginning	<u>412,727</u>	<u>412,727</u>	<u>-</u>
Fund Balances, ending	<u>\$ 622,484</u>	<u>\$ 465,728</u>	<u>\$ (156,756)</u>

ENTERPRISE FUNDS

Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost of providing goods and services to the general public be financed or recovered primarily through user charges. The City of Tega Cay has three Enterprise Funds described below:

Utility Fund - The Utility Fund accounts for the revenues and expenses relating to providing water and sewer to the residents of Tega Cay.

Stormwater Fund - The Stormwater Fund accounts for the revenues and expenses relating to providing stormwater services to the residents of Tega Cay.

CITY OF TEGA CAY
UTILITY FUND
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
BUDGET AND ACTUAL
YEAR ENDED SEPTEMBER 30, 2020

	<u>Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Operating Revenues			
Tap fees	\$ 425,750	\$ 277,821	\$ (147,929)
Impact fees	107,428	213,294	105,866
Irrigation taps	20,000	11,250	(8,750)
Water fees	2,200,211	2,282,701	82,490
Sewer fees	2,405,085	2,495,953	90,868
Water activation fees	20,000	25,600	5,600
Reconnect fees	20,000	11,325	(8,675)
Penalties	7,500	9,186	1,686
Fire Hydrant Rental	1,500	3,125	1,625
Miscellaneous	5,000	24,842	19,842
Total Operating Revenues	<u>5,212,474</u>	<u>5,355,097</u>	<u>142,623</u>
Operating Expenses			
Salaries	913,559	869,739	43,820
Employee benefits	335,396	512,655	(177,259)
Legal and professional services	125,000	121,808	3,192
Water purchased	930,459	849,242	81,217
Sewer treatment fees	620,342	715,692	(95,350)
Sewer clean-out	35,000	21,568	13,432
Water testing	6,000	3,802	2,198
Meters and supplies	150,000	140,865	9,135
Training and education	12,000	3,887	8,113
Auto expense	22,500	20,959	1,541
Cell phone	8,000	8,262	(262)
Miscellaneous	25,613	26,663	(1,050)
Chemicals	75,000	69,630	5,370
Depreciation	-	927,241	(927,241)
Utilities	192,891	203,791	(10,900)
Sludge hauling	120,000	120,373	(373)
Treatment plant maintenance	150,000	159,380	(9,380)
Office supplies	1,000	1,050	(50)
Lift station maintenance	65,000	70,794	(5,794)
Billing	30,000	26,147	3,853
Vehicle maintenance	12,500	14,761	(2,261)
Software maintenance	25,000	52,607	(27,607)
Insurance	21,000	30,925	(9,925)
Water tower maintenance	46,000	44,895	1,105
Dues and subscriptions	1,500	1,195	305
SDW act	20,000	15,286	4,714
Total Operating Expenses	<u>3,943,760</u>	<u>5,033,217</u>	<u>(1,089,457)</u>
Operating Income	<u>1,268,714</u>	<u>321,880</u>	<u>(946,834)</u>

(continued)

CITY OF TEGA CAY
UTILITY FUND
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
BUDGET AND ACTUAL (continued)
YEAR ENDED SEPTEMBER 30, 2020

	<u>Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Nonoperating Revenues (Expenses)			
Interest revenue	\$ 5,000	\$ 2,957	\$ (2,043)
Interest expense and fiscal charges	-	(510,458)	(510,458)
Total Nonoperating Revenues (Expenses)	<u>5,000</u>	<u>(507,501)</u>	<u>(512,501)</u>
Change in Net Position	1,273,714	(185,621)	(1,459,335)
Net Position, beginning	<u>5,942,638</u>	<u>5,942,638</u>	<u>-</u>
Net Position, ending	<u>\$ 7,216,352</u>	<u>\$ 5,757,017</u>	<u>\$ (1,459,335)</u>

CITY OF TEGA CAY
 STORMWATER FUND
 SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
 BUDGET AND ACTUAL
 YEAR ENDED SEPTEMBER 30, 2020

	<u>Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Operating Revenues			
Stormwater compliance fees	\$ 547,000	\$ 557,102	\$ 10,102
Total Operating Revenues	<u>547,000</u>	<u>557,102</u>	<u>10,102</u>
Operating Expenses			
Salaries	185,338	167,870	17,468
Employee benefits	85,129	115,630	(30,501)
Professional services	22,000	8,420	13,580
Travel and training	1,000	-	1,000
Cell phone	2,000	2,232	(232)
Permits	2,000	2,200	(200)
Billing services	2,250	2,237	13
Vehicle maintenance	30,000	62,791	(32,791)
Insurance	4,000	9,564	(5,564)
Auto expense	20,000	17,358	2,642
Drainage maintenance materials	96,347	115,678	(19,331)
Information technology	10,000	5,000	5,000
Dues and subscriptions	150	-	150
Depreciation	-	72,772	(72,772)
Total Operating Expenses	<u>460,214</u>	<u>581,752</u>	<u>(121,538)</u>
Operating Income (Loss)	<u>86,786</u>	<u>(24,650)</u>	<u>(111,436)</u>
Nonoperating Revenues (Expenses)			
Interest expense and fiscal charges	-	(4,568)	(4,568)
Total Nonoperating Revenues (Expenses)	<u>-</u>	<u>(4,568)</u>	<u>(4,568)</u>
Change in Net Position	86,786	(29,218)	(116,004)
Net Position, beginning	<u>158,168</u>	<u>158,168</u>	<u>-</u>
Net Position, ending	<u>\$ 244,954</u>	<u>\$ 128,950</u>	<u>\$ (116,004)</u>

CITY OF TEGA CAY

UNIFORM SCHEDULE OF COURT FINES, ASSESSMENTS
AND SURCHARGES (per ACT 96)
YEAR ENDED SEPTEMBER 30, 2020

FOR THE STATE TREASURER'S OFFICE

COUNTY/MUNICIPAL FUNDS COLLECTED BY THE CLERK OF COURT	General Sessions	Magistrate Court	Municipal Court	Total
Court Fines and Assessments				
Court fines and assessments collected	\$ -	\$ -	\$ 52,667	\$ 52,667
Court fines and assessments remitted to State Treasurer	-	-	47,027	47,027
Total Court Fines and Assessments Retained	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,640</u>	<u>\$ 5,640</u>
Surcharges and Assessments Retained for Victim Services				
Surcharges collected and retained	\$ -	\$ -	\$ 12,149	\$ 12,149
Assessments retained	-	-	5,640	5,640
Total Surcharges and Assessments Retained for Victim Services	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,789</u>	<u>\$ 17,789</u>

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	5,640	-	5,640
Victim Service surcharges retained by City/County Treasurer	12,149	-	12,149
Interest earned	-	-	-
Grant funds received	-	-	-
Grant from:	-	-	-
General funds transferred to Victim Service Fund	-	-	-
Contribution Received from Victim Service Contracts	-	-	-
(1) Town of	-	-	-
(2) Town of	-	-	-
(3) City of	-	-	-
Total Funds Allocated to Victim Service Fund + Beginning Balance (A)	<u>\$ 17,789</u>	<u>\$ -</u>	<u>\$ 17,789</u>

CITY OF TEGA CAY

UNIFORM SCHEDULE OF COURT FINES, ASSESSMENTS
AND SURCHARGES (per ACT 96) - Continued
YEAR ENDED SEPTEMBER 30, 2020

	<u>Municipal</u>	<u>County</u>	<u>Total</u>
Expenditures for Victim Service Program			
Salaries and benefits	\$ -	\$ -	\$ -
Operating expenditures	-	-	-
Victim Service Contract(s)	-	-	-
(1) York County	17,789	-	17,789
(2) Entity's name	-	-	-
Victim Service Donation(s)	-	-	-
(1) Domestic Violence Shelter	-	-	-
(2) Rape Crisis Center	-	-	-
(3) Other local direct crime victims service agency	-	-	-
Transferred to General Fund	-	-	-
Total Expenditures from Victim Service Fund/Program (B)	<u>17,789</u>	<u>-</u>	<u>17,789</u>
Total Victim Service Funds Retained by Municipal/County Treasurer (A-B)	-	-	-
Carryforward Funds - End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**TO THE HONORABLE MAYOR
AND MEMBERS OF CITY COUNCIL**

CITY OF TEGA CAY

SEPTEMBER 30, 2020

CITY OF TEGA CAY
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AUDITOR COMMUNICATIONS

To the Honorable Mayor and Members of City Council
City of Tega Cay
Tega Cay, South Carolina

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate fund information of the City of Tega Cay for the year ended September 30, 2020, and have issued our report thereon dated January 20, 2021. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and government auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our previously issued engagement letter. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City of Tega are described in Note 1 to the financial statements. We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

Management's estimate of uncollectible utility billings is based on historical collection rates and age of overdue balances.

Management's estimate of depreciation is based on the estimated useful lives of associated assets. Purchased or constructed capital assets are reported at cost or estimated historical cost. Assets are depreciated on the straight-line basis. We evaluated the key factors and assumptions used to develop depreciation in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the accrual for the City's net pension liability (along with related deferred outflows and inflows of resources) for its participation in the South Carolina Retirement System and the Police Officer's Retirement System (collectively referred to as the "System") is based on information provided by the South Carolina Public Employee Benefit Authority (PEBA). PEBA

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To the Honorable Mayor and Members of City Council
 City of Tega Cay
 January 20, 2021

administers the retirement System. The net pension liability of each defined benefit pension plan was determined based on actuarial valuations, using membership data, projected forward to the end of the fiscal year, and financial information of the pension trust funds as of June 30, 2019, using generally accepted actuarial procedures.

The net pension liability is calculated separately for each system and represents that particular System's total pension liability determined in accordance with GASB No. 67 less that System's fiduciary net position. We evaluated the key factors and assumptions used to develop the accrual for net pension liability in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

The disclosure of long-term debt in Note 7 to the financial statements summarizes the City's bond activity and annual requirements for debt service on bonds outstanding at September 30, 2020.

The financial statement disclosures are neutral, consistent and clear.

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management.

There were none.

Significant Audit Adjustments

The following adjustments detected as a result of audit procedures were recorded by management:

	General Fund	Special Revenue Fund	Proprietary Fund
Adjust cash	\$ 181,764	\$ -	\$ (377,383)
Adjust receivables	22,328	-	3,349
Adjust prepaids	-	-	(25,466)
Adjust fixed assets and depreciation	-	(89,354)	(567,095)
Adjust accounts payable and accrued expenses	(27,478)	-	42,086
Adjust deferred inflows/outflows	-	-	60,407
Adjust net pension liability	-	-	(79,229)
Adjust long-term debt	-	-	530,832
Adjust unearned revenue	2,283	-	-
Adjust fund balance	-	87,265	-
Total increase (decrease) in net position	<u>\$ 178,897</u>	<u>\$ (2,089)</u>	<u>\$ (412,499)</u>

To the Honorable Mayor and Members of City Council
City of Tega Cay
January 20, 2021

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated January 20, 2021.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

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

Very truly yours,

Mckinley, Cooper & Co., LLC

Greenville, South Carolina
January 20, 2021

To the Honorable Mayor and Members of City Council
City of Tega Cay
Tega Cay, South Carolina

Thank you for the cooperation given during our engagement with the City of Tega Cay.

For the year ended September 30, 2020, we present the following observations and recommendations relating to the accounting operations of the City of Tega Cay.

Review of Financial Statements

Our report for the 2020 audit expresses an **unmodified opinion** on the fair presentation of the financial statements, in all material respects, in conformity with accounting principles generally accepted in the United States of America.

Organizational Structure

In planning and performing our audit of the financial statements of the City of Tega Cay in accordance with auditing standards generally accepted in the United States of America, we considered the City of Tega Cay's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing an opinion 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified. However, as discussed below, we noted certain deficiencies in internal control that we consider to be significant deficiencies.

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 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. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

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To the Honorable Mayor and Members of City Council
City of Tega Cay
January 20, 2021

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. We consider the following deficiencies in the City's internal control to be significant deficiencies:

A fundamental concept in a good system of internal control is the segregation of duties. The basic premise is that no one employee should have access to both physical assets and the related accounting records or to all phases of a transaction. The size of the City's accounting and administrative staff precludes certain internal controls that would be preferred if the office staff were large enough to provide optimum segregation of duties. This situation dictates that the Members of City Council remain involved in the financial affairs of the City to provide oversight and independent review functions.

Absolute segregation of duties is rarely accomplished within small-to-medium-sized organizations simply because the justification for the additional cost necessary for proper segregation of duties is not cost beneficial. In the absence of absolute segregation of duties, management does, however, implement additional procedures which reduce the likelihood of a material misstatement. We understand that in most cases, the added cost of providing absolute segregation of duties will outweigh the projected benefits of the added internal controls and therefore, may be considered unjustified. However, we are obligated by auditing standards to bring this to your attention. The City is obligated to consider the validity of these comments in light of the circumstances surrounding this condition and respond as you consider necessary.

Our comments are based upon conditions noted during our audit and are not intended to be all-inclusive. They are submitted to you as constructive suggestions to assist you in strengthening controls and procedures and are not intended to reflect on the honesty or integrity of any employee.

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

We appreciate the opportunity to present these comments and recommendations for your consideration, and are prepared to discuss them further at your convenience and provide any implementation assistance for changes or improvements you may require.

Respectfully submitted,

McKinley, Cooper & Co., LLC

Greenville, South Carolina
January 20, 2021