

**TOWN OF LYMAN,  
SOUTH CAROLINA**

**FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2020**



TOWN OF LYMAN, SOUTH CAROLINA

TABLE OF CONTENTS

YEAR ENDED JUNE 30, 2020

---

	<u>Page Number</u>
Table of Contents	i
Listing of Principal Officials	iii

**FINANCIAL SECTION**

<b>INDEPENDENT AUDITOR'S REPORT</b>	1
Management's Discussion and Analysis	3
<b>Basic Financial Statements:</b>	
<i>Government-Wide Financial Statements:</i>	
Statement of Net Position	12
Statement of Activities	13
<i>Fund Financial Statements:</i>	
Balance Sheet - Governmental Funds	14
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	15
Statement of Revenues, Expenditures, and Change in Fund Balance - Governmental Funds	16
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Change in Fund Balance to the Statement of Activities	17
Statement of Net Position - Proprietary Fund	18
Statement of Revenues, Expenses, and Change in Net Position - Proprietary Fund	19
Statement of Cash Flows - Proprietary Fund	20
<i>Notes to the Financial Statements</i>	21
<b>Required Supplementary Information:</b>	
<u>Budgetary Comparison Schedule:</u>	
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budgets and Actual - General Fund	48
Notes to the Budgetary Comparison Schedule	49
<u>Pension Plan Schedules:</u>	
Schedule of the Town's Proportionate Share of the Net Pension Liability - South Carolina Retirement System	50
Schedule of Contributions - South Carolina Retirement System	51
Schedule of the Town's Proportionate Share of the Net Pension Liability - Police Officers Retirement System	52
Schedule of Contributions - Police Officers Retirement System	53

(Continued)

**TOWN OF LYMAN, SOUTH CAROLINA**

**TABLE OF CONTENTS**

**YEAR ENDED JUNE 30, 2020**

---

**FINANCIAL SECTION (CONTINUED)**

Page Number

**Supplementary Information:**

Schedule of Fund Expenditures - Revised Budget and Actual - General Fund	56
Uniform Schedule of Fines, Assessments, and Surcharges (Per Act 96)	58

**COMPLIANCE SECTION**

Independent Auditor's Report - Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	59
Schedule of Findings and Responses	61

**TOWN OF LYMAN, SOUTH CAROLINA**  
**LISTING OF PRINCIPAL OFFICIALS**  
**YEAR ENDED JUNE 30, 2020**

Established

1954

MAYOR

Larry Chappell

TOWN COUNCIL MEMBERS

Dr. Greg Wood

Hoyt Dottry

Glenn Greer

Rick Hellams

Rebecca Martin

Alton Free

TOWN ADMINISTRATOR

Gregg Miller





# Greene Finney, LLP

CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

## INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and Members of Town Council  
Town of Lyman, South Carolina

### Report on the Financial Statements

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

### *Management's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

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

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

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

### *Opinions*

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

### ***Prior Period Adjustment***

As discussed in Note IV.D in the notes to the financial statements, for the year ended June 30, 2020 the Town discovered an error relating to its capital assets that impacted its business-type activities and proprietary fund financial statements as of June 30, 2019. As a result, the beginning net position has been restated in the current year financial statements to correct this error. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, the budgetary comparison schedule, and the pension plan schedules, 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.

#### ***Supplementary Information***

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

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

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated July 15, 2021 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.



Greene Finney, LLP  
Mauldin, South Carolina  
July 15, 2021

## TOWN OF LYMAN, SOUTH CAROLINA

### MANAGEMENT'S DISCUSSION AND ANALYSIS

#### YEAR ENDED JUNE 30, 2020

---

The management of the Town of Lyman ("Town") offers readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2020 ("FY 2020" or "2020") compared to the fiscal year ended June 30, 2019 ("FY 2019" or "2019"). The intent of this management's discussion and analysis ("MD&A") is to look at the Town's financial performance as a whole. Readers are encouraged to not only consider the information presented here, but also the information provided in the financial statements, the notes to the financial statements, the required supplementary information, and the supplementary information to enhance their understanding of the Town's overall financial performance.

#### FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the Town exceeded its liabilities and deferred inflows of resources at the close of the current fiscal year by approximately \$27,427,000 (*net position*). Of this amount, approximately \$6,263,000 and \$21,164,000 were related to the Town's governmental and business-type activities, respectively. In addition, the Town's unrestricted net position (which may be used to meet the government's ongoing obligations to citizens and creditors) was approximately (\$453,000) for its governmental activities and approximately \$1,232,000 for its business-type activities.
- The Town's total revenues of approximately \$10,050,000 exceeded total expenses of approximately \$6,556,000, resulting in an increase in net position of approximately \$3,494,000 for 2020.
- At the close of 2020, the Town's governmental funds reported ending fund balances of approximately \$1,300,000, which was an increase of approximately \$374,000 from the prior year. Of this amount, 72% or approximately \$934,000, is available for spending at the government's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, the unassigned fund balance for the General Fund was approximately \$934,000, or 32% of total General Fund expenditures for 2020.
- Governmental fund revenues and other financing sources were approximately \$3,272,000 for the current fiscal year compared to approximately \$3,014,000 in the prior fiscal year. Governmental fund expenditures and other financing uses were approximately \$2,898,000 for the current fiscal year compared to approximately \$2,672,000 in the prior fiscal year.
- At the close of 2020, the Town's proprietary fund (Wastewater Fund) reported ending net position of approximately \$21,164,000, an increase of approximately \$3,312,000 from the prior year net position.
- The Town recorded a prior period adjustment of approximately \$1,755,000 to the proprietary fund to correct an error primarily related to capital assets not being properly recorded.
- Wastewater Fund revenues were approximately \$6,941,000 for the current fiscal year compared to approximately \$3,629,000 in the prior fiscal year. Wastewater Fund expenditures and transfers out were approximately \$3,629,000 for the current fiscal year compared to approximately \$3,764,000 in the prior fiscal year.
- The Town's total net capital assets of approximately \$27,158,000 increased by approximately \$3,119,000 (13%) during the current fiscal year, primarily due to governmental activities depreciation expense of approximately \$399,000 being partially offset by capital asset additions of approximately \$341,000 and business-type activities capital asset additions of approximately \$4,094,000 being partially offset by depreciation expense of approximately \$917,000.
- The Town's total debt decreased by approximately \$35,000 (5%) during the current fiscal year due to regularly scheduled principal payments.

#### OVERVIEW OF FINANCIAL STATEMENTS

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

#### Financial Statements

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

# TOWN OF LYMAN, SOUTH CAROLINA

## MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2020

---

### OVERVIEW OF FINANCIAL STATEMENTS (CONTINUED)

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

The *Statement of Net Position* presents information on all of the Town's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the differences between these reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating. The *Statement of Activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements are divided into two categories: 1) governmental activities; and 2) business-type activities. The governmental activities include general government, public safety - police, municipal court, and streets. The business-type activities are the Town's wastewater operations. The government-wide financial statements can be found as listed in the table of contents.

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

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

The Town maintains three individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenue, expenditures and change in fund balance for the Town's only major fund, the General Fund, and the Town's two nonmajor funds, the Capital Projects Fund and the Grants Fund. The governmental funds financial statements can be found as listed in the table of contents.

**Proprietary Funds** – The Town maintains one type of proprietary fund. *Enterprise Funds* are used to account for operations that (a) are financed and operated in a manner similar to private business enterprises — where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes. The Town uses an enterprise fund to account for its wastewater operations. The proprietary fund financial statements can be found as listed in the table of contents.

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

**Other Information** – In addition to the financial statements and accompanying notes, this report includes certain required supplementary information and supplementary information. The required supplementary information and the supplementary information can be found as listed in the table of contents.

**TOWN OF LYMAN, SOUTH CAROLINA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**YEAR ENDED JUNE 30, 2020**

**OVERVIEW OF FINANCIAL STATEMENTS (CONTINUED)**

Figure A-1			
Major Features of the Town's Government-Wide and Fund Financial Statements			
	Fund Financial Statements		
	Government-Wide Financial Statements	Governmental Funds	Proprietary Funds
Scope	Entire Town government.	The activities of the Town that are not proprietary.	Activities the Town operates similar to private businesses.
Required Financial Statements	<ul style="list-style-type: none"> <li>▪ Statement of Net Position.</li> <li>▪ Statement of Activities.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Balance Sheet.</li> <li>▪ Statement of Revenues, Expenditures, and Changes in Fund Balances.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Statement of Net Position.</li> <li>▪ Statement of Revenues, Expenses, and Changes in Net Position.</li> <li>▪ Statement of Cash Flows.</li> </ul>
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus.	Modified accrual accounting and current financial resources focus.	Accrual accounting and economic resources focus.
Type of Balance Sheet Information	All assets and deferred outflows and liabilities and deferred inflows, both financial and capital, and short-term and long-term.	Only assets and deferred outflows (if any) expected to be used and liabilities and deferred inflows that come due during the year or soon, thereafter. No capital assets or long-term obligations are included.	All assets and deferred outflows and liabilities and deferred inflows, 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.

**TOWN OF LYMAN, SOUTH CAROLINA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**YEAR ENDED JUNE 30, 2020**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

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

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019 *</b>	<b>2020</b>	<b>2019 *</b>
<b>Assets:</b>						
Current and Other Assets	\$ 1,530,516	1,108,464	2,613,144	2,456,331	4,143,660	\$ 3,564,795
Capital Assets, Net	6,558,488	6,615,965	20,599,397	17,423,261	27,157,885	24,039,226
<b>Total Assets</b>	<b>8,089,004</b>	<b>7,724,429</b>	<b>23,212,541</b>	<b>19,879,592</b>	<b>31,301,545</b>	<b>27,604,021</b>
<b>Deferred Outflows of Resources:</b>						
Deferred Pension Charges	463,740	621,612	167,488	220,455	631,228	842,067
<b>Liabilities:</b>						
Long-Term Obligations	63,638	54,238	738,384	764,421	802,022	818,659
Net Pension Liability	1,945,116	1,924,334	1,255,224	1,201,349	3,200,340	3,125,683
Other	185,344	145,104	202,775	256,364	388,119	401,468
<b>Total Liabilities</b>	<b>2,194,098</b>	<b>2,123,676</b>	<b>2,196,383</b>	<b>2,222,134</b>	<b>4,390,481</b>	<b>4,345,810</b>
<b>Deferred Inflows of Resources:</b>						
Deferred Pension Credits	96,122	141,667	19,355	25,656	115,477	167,323
<b>Net Position:</b>						
Net Investment in Capital Assets	6,558,488	6,615,965	19,899,347	16,687,736	26,457,835	23,303,701
Restricted	157,098	68,852	33,417	33,163	190,515	102,015
Unrestricted	(453,062)	(604,119)	1,231,527	1,131,358	778,465	527,239
<b>Total Net Position</b>	<b>\$ 6,262,524</b>	<b>6,080,698</b>	<b>21,164,291</b>	<b>17,852,257</b>	<b>27,426,815</b>	<b>\$ 23,932,955</b>

\* Certain amounts have been restated due to a prior period adjustment. See Note IV. D in the notes to the financial statements for more details.

The Town's total assets of approximately \$31,302,000 increased approximately \$3,698,000 from the prior year. The increase was primarily due to an increase in net capital assets for business-type activities of approximately \$3,176,000 combined with an increase in total current and other assets. The Town's total liabilities of approximately \$4,390,000 increased by approximately \$45,000 from the prior year primarily due to an increase in the net pension liability offset by a decrease in long-term obligations related to regularly scheduled payments and a decrease in other liabilities. The changes in deferred outflows of resources and deferred inflows of resources were due to differences between expected and actual liability/investment experience, changes in assumptions, and changes in the percentage of the Town's proportionate share of the net pension liability in the State retirement plans.

The Town's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by approximately \$27,427,000 as of June 30, 2020. Approximately 96% of total net position (\$26,458,000) reflects the Town's net investment in capital assets (i.e., land, construction in progress, buildings, improvements, infrastructure, wastewater utility system, equipment, vehicles, etc.) less any related outstanding debt and lease purchase obligations used to acquire those assets. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt and lease purchase obligations, it should be noted that the resources needed to repay these obligations generally must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Approximately 1% of net position (\$191,000) represents resources that are subject to external restrictions on how they may be used. This net position is restricted primarily for tourism related expenditures (hospitality taxes), victims assistance, police forfeitures, debt service reserves, and capital improvements (Startex). The remaining portion of the Town's net position 3% or \$778,000 is unrestricted and may be used to meet the Town's ongoing obligations to citizens and creditors.

The Town's net position increased by approximately \$3,494,000 during the current fiscal year due to revenues exceeding expenses. Please see the discussion following the next table regarding this increase.

**TOWN OF LYMAN, SOUTH CAROLINA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**YEAR ENDED JUNE 30, 2020**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)**

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

	Governmental Activities		Business-Type Activities		Totals	
	2020	2019	2020	2019 *	2020	2019 *
Revenues:						
Program Revenues:						
Charges for Services	\$ 187,792	199,454	3,443,522	3,478,111	3,631,314	\$ 3,677,565
Operating Grants and Contributions	7,787	-	-	-	7,787	-
Capital Grants and Contributions	115,249	46,004	3,470,719	115,849	3,585,968	161,853
General Revenues:						
Taxes	2,452,796	2,322,440	-	-	2,452,796	2,322,440
Other	345,296	292,239	26,319	34,764	371,615	327,003
Total Revenues	<u>3,108,920</u>	<u>2,860,137</u>	<u>6,940,560</u>	<u>3,628,724</u>	<u>10,049,480</u>	<u>6,488,861</u>
Expenses:						
General Government	641,068	523,284	-	-	641,068	523,284
Public Safety - Police	1,117,101	932,542	-	-	1,117,101	932,542
Municipal Court	108,103	101,503	-	-	108,103	101,503
Streets	943,651	763,347	-	-	943,651	763,347
Events	48,219	55,030	-	-	48,219	55,030
Victims Assistance	84,515	81,629	-	-	84,515	81,629
Parks and Recreation	134,437	133,936	-	-	134,437	133,936
Wastewater	-	-	3,478,526	3,764,195	3,478,526	3,764,195
Total Expenses	<u>3,077,094</u>	<u>2,591,271</u>	<u>3,478,526</u>	<u>3,764,195</u>	<u>6,555,620</u>	<u>6,355,466</u>
Change in Net Position Before Transfers	31,826	268,866	3,462,034	(135,471)	3,493,860	133,395
Transfers	150,000	149,768	(150,000)	(149,768)	-	-
Change in Net Position	<u>181,826</u>	<u>418,634</u>	<u>3,312,034</u>	<u>(285,239)</u>	<u>3,493,860</u>	<u>133,395</u>
Net Position - Beginning of Year, as Previously Reported	6,080,698	5,662,064	17,852,257	16,382,361	23,932,955	22,044,425
Prior Period Adjustment *	-	-	-	1,755,135	-	1,755,135
Net Position - Beginning of Year, Restated	<u>6,080,698</u>	<u>5,662,064</u>	<u>17,852,257</u>	<u>18,137,496</u>	<u>23,932,955</u>	<u>23,799,560</u>
Net Position - End of Year	<u>\$ 6,262,524</u>	<u>6,080,698</u>	<u>21,164,291</u>	<u>17,852,257</u>	<u>27,426,815</u>	<u>\$ 23,932,955</u>

\* Certain amounts have been restated due to a prior period adjustment. See note IV. D in the notes to the financial statements for more details.

**Governmental Activities:** Net position related to governmental activities increased approximately \$182,000 in the current year. Total revenues increased by approximately \$249,000 (9%) from the prior year.

Key changes in revenue compared to the prior year were primarily due to the following:

- Total program revenues increased approximately \$65,000 primarily due to higher capital grants and contributions.
- Total general revenues increased approximately \$183,000 primarily due to higher tax revenues (primarily property taxes and business licenses, and MASC fees).

Total expenses related to governmental activities increased by approximately \$486,000, or 19%, from the prior year. This was due primarily to higher salaries/benefits (promotions, raises, and other staff adjustments) and higher operating costs.

# TOWN OF LYMAN, SOUTH CAROLINA

## MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2020

---

### GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

**Business-Type Activities:** Net position related to business-type activities (wastewater operations) increased by approximately \$3,312,000. This increase was primarily due to revenues of approximately \$6,941,000 exceeding expenses and transfers out of approximately \$3,479,000 and \$150,000, respectively. Revenues increased approximately \$3,312,000 from the prior year primarily due to an increase in capital grants and contributions. Capital grants and contributions increased primarily due to the receipt of donated infrastructure assets in the current year and due to increased capital grants revenues for the Startex sewer project. Expenses decreased approximately \$286,000 from the prior year primarily due to a decrease in salaries and benefits expense of approximately \$177,000 and a decrease in other expenses of approximately \$74,000.

### FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

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

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

At the end of the current fiscal year, the Town's governmental funds reported ending fund balance of approximately \$1,300,000, an increase of approximately \$374,000, or 40%, from the prior year fund balance. Approximately 72% of the total fund balance of the governmental funds (\$934,000) constitutes unassigned fund balance, which is available for spending at the Town's discretion. The Town had nonspendable fund balance of approximately \$81,000 related to land held for sale. The Town had restricted fund balance indicating that it is not available for new spending: (1) for tourism-related expenditures (\$150,000), (2) for victims' assistance (\$2,000), and (3) for police forfeitures (\$5,000). The remainder of the fund balance is assigned for capital improvements (\$21,000) and for appropriation for use in the next fiscal year's budget (\$107,000). Total unassigned fund balance of the governmental funds represents approximately 32% of total governmental funds expenditures.

The General Fund is the chief operating fund of the Town. At the end of the current fiscal year, the total fund balance was approximately \$1,279,000. As a measure of the General Fund's liquidity, it may be useful to compare total unassigned fund balance to total General Fund expenditures. The total unassigned fund balance of the General Fund of approximately \$934,000 represents approximately 32% of total General Fund expenditures for 2020. The net increase in the fund balance of the General Fund was approximately \$353,000 during the current year. Highlights for the General Fund were as follows:

- Total General Fund revenues and other financing sources increased approximately \$237,000 from the prior year primarily due to increases in property taxes, hospitality taxes, franchise fees, grants, MASC revenues, state shared revenue, and insurance proceeds.
- Total General Fund expenditures were approximately \$226,000 higher than 2019. The increase was primarily due to increases in expenditures related to capital outlay and increases in salary and benefit expenditures.

**Proprietary Fund:** The Town's proprietary fund provide the same type of information found in the government-wide statements, but in more detail. Please see "Business-Type Activities" discussion in the previous section for details.

**General Fund Budgetary Highlights:** If budget amendments are made, they generally fall into one of three categories: amendments made to adjust the estimates used to prepare the original budget ordinance once exact information is available; amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and increases in appropriations that become necessary to maintain services. The Town had one budget amendment during the year. General Fund revenues for 2020 came in over budget by approximately \$291,000, primarily due to higher than budgeted tax revenues and business licenses, permits, and fees revenue. General Fund total expenditures for 2020 came in over budget by approximately \$60,000 (2%) primarily due to higher than budgeted capital outlay expenditures. The Town Council approved the expenditures in excess of the final budget but chose not to amend the budget.

**TOWN OF LYMAN, SOUTH CAROLINA**

**MANAGEMENT’S DISCUSSION AND ANALYSIS**

**YEAR ENDED JUNE 30, 2020**

**CAPITAL ASSET AND DEBT ADMINISTRATION**

*Capital Assets*

The Town’s capital assets as of June 30, 2020 were approximately \$27,158,000. The Town’s capital assets include land, construction in progress, buildings and improvements, vehicles, equipment, and furnishings, infrastructure, and the wastewater utility system. The Town’s capital assets (net of depreciation) as of June 30, 2020 and 2019 were as follows:

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019 *	2020	2019 *
Land	\$ 282,237	282,237	715,825	715,825	998,062	\$ 998,062
Construction in Progress	99,932	99,932	159,600	115,849	259,532	215,781
Buildings and Improvements	2,535,161	2,483,604	270,900	295,018	2,806,061	2,778,622
Vehicles, Equipment, and Furnishings	393,040	332,787	444,245	641,771	837,285	974,558
Infrastructure - Lyman	3,248,118	3,417,405	16,478,656	12,994,426	19,726,774	16,411,831
Infrastructure - Wellford Acquisition	-	-	1,755,078	1,819,769	1,755,078	1,819,769
Infrastructure - Duncan Acquisition	-	-	775,093	840,603	775,093	840,603
Total	\$ 6,558,488	6,615,965	20,599,397	17,423,261	27,157,885	\$ 24,039,226

\* Certain amounts have been restated due to a prior period adjustment. See Note IV.D in the notes to the financial statements for more details.

The total increase in the Town’s capital assets for 2020 was approximately \$3,119,000 or 13%. Major capital asset events during 2020 included the following:

- Capital asset additions of approximately \$4,435,000 consisted primarily of:
  - Buildings and Improvements - \$178,000
  - Vehicles, Equipment, and Furnishings purchases - \$192,000
  - Donated infrastructure additions - \$2,939,000
  - Other sewer infrastructure additions - \$384,000
  - Construction in Progress on public works building addition - \$160,000
  - Completions of the Startex Infrastructure Project - \$582,000
- Depreciation expense of approximately \$399,000 for governmental activities and \$917,000 for business-type activities

Additional information on the Town’s capital assets can be found in Notes I.C.4 and III.D in the notes to the financial statements.

*Debt*

As of June 30, 2020, the Town had total outstanding debt of approximately \$700,000. Of this total, none was general obligation debt (which is backed by the full faith and credit of the Town). The Town’s total debt as of June 30, 2020 and 2019 were as follows:

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Revenue Bond	\$ -	-	700,024	735,525	700,024	\$ 735,525
Total	\$ -	-	700,024	735,525	700,024	\$ 735,525

The total decrease in the Town’s debt for 2020 was approximately \$35,000 or 5%. Major events during 2020 included the following:

- Regularly scheduled principal payments of approximately \$35,000 on the Series 2016B Revenue Bond.

**TOWN OF LYMAN, SOUTH CAROLINA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**YEAR ENDED JUNE 30, 2020**

---

**CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)**

*Debt (Continued)*

The State of South Carolina limits the amount of general obligation debt that a unit of government can issue to 8% of the total assessed value of taxable property located within that government's boundaries. The Town's statutory debt limit at June 30, 2020 was approximately \$1,585,000. As of June 30, 2020, the Town had no bonded debt subject to the 8% limit resulting in an unused legal debt margin of approximately \$1,585,000.

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

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the "COVID-19 outbreak") and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally. As local and federal governments recommend or mandate restrictions on business and travel in an effort to curb the COVID-19 outbreak by changing consumer behavior, the Town expects such restrictions to negatively impact revenues. Management continues to actively monitor the impact from the COVID-19 outbreak on its financial condition, liquidity, operations, workforce, and customers.

The Town's elected officials and staff considered many factors when setting the fiscal year 2021 ("2021") budget. The state of the economy, tourism activity, anticipated construction activity, future capital needs, and the best interests of the Town's residents were all taken into account.

- Millage: The Town's 2021 millage is still at 54.6 mills. There has not been an increase for several years.
- General Fund revenues and expenditures are budgeted at approximately \$2,805,000, which includes a budgeted use of fund balance of approximately \$108,000.

The safety and welfare of the citizens of Lyman is the Town's number one priority, along with providing needed services to the Town's residents efficiently as possible.

**REQUESTS FOR TOWN INFORMATION**

This financial report is designed to provide a general overview of the Town's finances for all those with an interest in the government's financing. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Town Administrator, 81 Groce Road, Lyman, South Carolina 29365. General information about the Town can also be obtained from our website at [www.lymansc.gov](http://www.lymansc.gov).

# Basic Financial Statements

TOWN OF LYMAN, SOUTH CAROLINA

STATEMENT OF NET POSITION

JUNE 30, 2020

	PRIMARY GOVERNMENT		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 921,078	1,944,471	\$ 2,865,549
Cash and Cash Equivalents, Restricted	157,098	33,417	190,515
Due from County Treasurer	17,214	-	17,214
Property Taxes Receivable, Net	52,397	-	52,397
Accounts Receivable	334,971	597,218	932,189
Internal Balances	(32,874)	32,874	-
Prepays	-	5,164	5,164
Land Held for Sale	80,632	-	80,632
Capital Assets, Net:			
Non-Depreciable	382,169	875,425	1,257,594
Depreciable, Net	6,176,319	19,723,972	25,900,291
<b>TOTAL ASSETS</b>	<b>8,089,004</b>	<b>23,212,541</b>	<b>31,301,545</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred Pension Charges	463,740	167,488	631,228
<b>LIABILITIES</b>			
Accounts Payable	101,732	169,844	271,576
Accrued Salaries and Fringe Benefits	67,615	32,931	100,546
Other Accrued Liabilities	12,115	-	12,115
Unearned Revenue	3,882	-	3,882
Non-Current Liabilities:			
Long-Term Obligations - Due Within One Year	31,819	50,593	82,412
Long-Term Obligations - Due in More Than One Year	31,819	687,791	719,610
Net Pension Liability - Due in More Than One Year	1,945,116	1,255,224	3,200,340
<b>TOTAL LIABILITIES</b>	<b>2,194,098</b>	<b>2,196,383</b>	<b>4,390,481</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred Pension Credits	96,122	19,355	115,477
<b>NET POSITION</b>			
Net Investment in Capital Assets	6,558,488	19,899,347	26,457,835
Restricted For:			
Tourism Related Costs	150,390	-	150,390
Victims' Assistance	2,092	-	2,092
Public Safety - Police	4,616	-	4,616
Debt Service	-	8,105	8,105
Capital Improvements - Startex	-	25,312	25,312
Unrestricted	(453,062)	1,231,527	778,465
<b>TOTAL NET POSITION</b>	<b>\$ 6,262,524</b>	<b>21,164,291</b>	<b>\$ 27,426,815</b>

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

## TOWN OF LYMAN, SOUTH CAROLINA

## STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2020

FUNCTIONS/PROGRAMS	PROGRAM REVENUES				NET (EXPENSE) REVENUE AND CHANGE IN NET POSITION		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-Type Activities	Totals
<b>PRIMARY GOVERNMENT:</b>							
Governmental Activities:							
General Government	\$ 641,068	32,496	-	-	(608,572)	-	\$ (608,572)
Public Safety - Police	1,117,101	149,615	4,236	-	(963,250)	-	(963,250)
Municipal Court	108,103	-	-	-	(108,103)	-	(108,103)
Streets	943,651	-	-	62,685	(880,966)	-	(880,966)
Events	48,219	-	-	-	(48,219)	-	(48,219)
Victims' Assistance	84,515	-	-	-	(84,515)	-	(84,515)
Parks and Recreation	134,437	5,681	3,551	52,564	(72,641)	-	(72,641)
Total Governmental Activities	3,077,094	187,792	7,787	115,249	(2,766,266)	-	(2,766,266)
Business-Type Activities:							
Wastewater	3,478,526	3,443,522	-	3,470,719	-	3,435,715	3,435,715
Total Business-Type Activities	3,478,526	3,443,522	-	3,470,719	-	3,435,715	3,435,715
<b>TOTAL - PRIMARY GOVERNMENT</b>	<b>\$ 6,555,620</b>	<b>3,631,314</b>	<b>7,787</b>	<b>3,585,968</b>	<b>(2,766,266)</b>	<b>3,435,715</b>	<b>669,449</b>
General Revenues:							
Taxes:							
Property Taxes Levied for General Purposes					1,060,785	-	1,060,785
Hospitality Taxes					245,020	-	245,020
Business Licenses and MASC Taxes					834,544	-	834,544
Franchise Fees					312,447	-	312,447
Unrestricted Intergovernmental Revenue					127,630	-	127,630
Unrestricted Investment Earnings					4,861	26,319	31,180
Gain on Disposal of Capital Assets					10,111	-	10,111
Miscellaneous					202,694	-	202,694
Transfers In (Out)					150,000	(150,000)	-
Total General Revenues and Transfers					2,948,092	(123,681)	2,824,411
<b>CHANGE IN NET POSITION</b>					<b>181,826</b>	<b>3,312,034</b>	<b>3,493,860</b>
NET POSITION, Beginning of Year, as Previously Reported					6,080,698	16,097,122	22,177,820
Prior Period Adjustment					-	1,755,135	1,755,135
NET POSITION, Beginning of Year, Restated					6,080,698	17,852,257	23,932,955
<b>NET POSITION, End of Year</b>					<b>6,262,524</b>	<b>21,164,291</b>	<b>\$ 27,426,815</b>

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

TOWN OF LYMAN, SOUTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2020

	NONMAJOR FUNDS			TOTAL GOVERNMENTAL FUNDS
	GENERAL FUND	CAPITAL PROJECTS FUND	GRANTS FUND	
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 900,384	20,347	347	\$ 921,078
Cash and Cash Equivalents, Restricted	157,098	-	-	157,098
Due from County Treasurer	17,214	-	-	17,214
Property Taxes Receivable, Net	52,397	-	-	52,397
Accounts Receivable	334,971	-	-	334,971
Land Held for Sale	80,632	-	-	80,632
<b>TOTAL ASSETS</b>	<b>\$ 1,542,696</b>	<b>20,347</b>	<b>347</b>	<b>\$ 1,563,390</b>
<b>LIABILITIES</b>				
Accounts Payable	\$ 101,732	-	-	\$ 101,732
Accrued Salaries and Fringe Benefits	67,615	-	-	67,615
Interfund Payables	32,874	-	-	32,874
Other Accrued Liabilities	12,115	-	-	12,115
Unearned Revenue	3,882	-	-	3,882
<b>TOTAL LIABILITIES</b>	<b>218,218</b>	<b>-</b>	<b>-</b>	<b>218,218</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable Revenue - Property Taxes	45,587	-	-	45,587
<b>TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>	<b>263,805</b>	<b>-</b>	<b>-</b>	<b>263,805</b>
<b>FUND BALANCES</b>				
Nonspendable - Land Held for Sale	80,632	-	-	80,632
Restricted For:				
Tourism Related Costs	150,390	-	-	150,390
Victims' Assistance	2,092	-	-	2,092
Public Safety - Police Forfeitures	4,616	-	-	4,616
Assigned For:				
Capital Improvements	-	20,347	347	20,694
Appropriated for Use in FY 2021 Budget	107,505	-	-	107,505
Unassigned	933,656	-	-	933,656
<b>TOTAL FUND BALANCES</b>	<b>1,278,891</b>	<b>20,347</b>	<b>347</b>	<b>1,299,585</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>\$ 1,542,696</b>	<b>20,347</b>	<b>347</b>	<b>\$ 1,563,390</b>

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

**TOWN OF LYMAN, SOUTH CAROLINA**

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

**JUNE 30, 2020**

---

<b>TOTAL FUND BALANCE - GOVERNMENTAL FUND</b>	<b>\$ 1,299,585</b>
Amounts reported for the governmental activities in the Statement of Net Position are different because of the following:	
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds. The cost of the assets were \$9,956,481 and the accumulated depreciation was \$3,397,993.	6,558,488
Property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore have been deferred in the governmental funds.	45,587
The Town's proportionate shares of the net pension liability, deferred outflows of resources, and deferred inflows of resources related to its participation in the State Retirement Plans are not recorded in the governmental funds but are recorded in the Statement of Net Position.	(1,577,498)
Long-term obligations are not due or payable in the current period and therefore are not reported as liabilities in the governmental funds. Long-term obligations at year-end consisted of the following: Compensated Absences (Annual Leave)	(63,638)
<b>TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES</b>	<b><u><u>\$ 6,262,524</u></u></b>

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

TOWN OF LYMAN, SOUTH CAROLINA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE - GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2020

	NONMAJOR FUNDS			TOTAL GOVERNMENTAL FUNDS
	GENERAL FUND	CAPITAL PROJECTS FUND	GRANTS FUND	
<b>REVENUES</b>				
Taxes:				
Property Taxes	\$ 1,052,658	-	-	\$ 1,052,658
Hospitality Taxes	245,020	-	-	245,020
MASC Telecommunications and Insurance	502,875	-	-	502,875
Franchise Fees	311,942	-	-	311,942
Business Licenses, Permits, and Fees	336,945	-	-	336,945
Grants	123,037	-	-	123,037
State Shared Revenue	127,630	-	-	127,630
Fines and Forfeitures	150,607	-	-	150,607
Rent Income	27,725	-	-	27,725
Interest	4,861	-	-	4,861
Other	168,426	-	-	168,426
<b>TOTAL REVENUES</b>	<b>3,051,726</b>	<b>-</b>	<b>-</b>	<b>3,051,726</b>
<b>EXPENDITURES</b>				
Current:				
General Government:				
Administration	560,533	153	153	560,839
Public Safety:				
Police	958,546	-	-	958,546
Victims' Assistance	84,240	-	-	84,240
Events	48,219	-	-	48,219
Municipal Court	107,543	-	-	107,543
Streets	704,505	-	-	704,505
Parks and Recreation	70,356	-	-	70,356
Capital Outlay	342,860	-	-	342,860
<b>TOTAL EXPENDITURES</b>	<b>2,876,802</b>	<b>153</b>	<b>153</b>	<b>2,877,108</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>174,924</b>	<b>(153)</b>	<b>(153)</b>	<b>174,618</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	150,000	20,500	500	171,000
Transfers Out	(21,000)	-	-	(21,000)
Insurance Proceeds	38,956	-	-	38,956
Sale of Capital Assets	10,111	-	-	10,111
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>178,067</b>	<b>20,500</b>	<b>500</b>	<b>199,067</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>352,991</b>	<b>20,347</b>	<b>347</b>	<b>373,685</b>
FUND BALANCE, Beginning of Year	925,900	-	-	925,900
<b>FUND BALANCE, End of Year</b>	<b>\$ 1,278,891</b>	<b>20,347</b>	<b>347</b>	<b>\$ 1,299,585</b>

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

TOWN OF LYMAN, SOUTH CAROLINA

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2020

---

TOTAL NET CHANGE IN FUND BALANCE - GOVERNMENTAL FUNDS \$ 373,685

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

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. They are considered revenue in the Statement of Activities. In addition, revenues in the funds that provide current financial resources are reported as revenues in the funds. They are considered revenues in the Statement of Activities. 8,127

Changes in the Town's proportionate share of the net pension liability, deferred outflows of resources, and deferred inflows of resources related to the State Retirement Plans for the current year are not reported in the governmental funds but are reported in the Statement of Activities. (133,109)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds. (9,400)

The governmental funds report capital outlay as expenditures. However, in the Statement of Activities, capital outlay expenditures that qualify as capital assets are allocated over the estimated useful lives as depreciation expense. This is the amount by which depreciation expense of \$398,968 exceeded capital asset additions of \$341,491 in the current period. (57,477)

TOTAL CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 181,826

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

TOWN OF LYMAN, SOUTH CAROLINA

STATEMENT OF NET POSITION - PROPRIETARY FUND

JUNE 30, 2020

	<u>WASTEWATER FUND</u>
<b>ASSETS</b>	
Current Assets:	
Cash and Cash Equivalents	\$ 1,944,471
Cash and Cash Equivalents, Restricted	33,417
Accounts Receivables, Net	597,218
Interfund Receivables	32,874
Prepays	5,164
Total Current Assets	<u>2,613,144</u>
Noncurrent Assets:	
Capital Assets, Net:	
Non-Depreciable	875,425
Depreciable, Net	19,723,972
Total Noncurrent Assets	<u>20,599,397</u>
<b>TOTAL ASSETS</b>	<u>23,212,541</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred Pension Charges	<u>167,488</u>
<b>LIABILITIES</b>	
Current Liabilities:	
Accounts Payable	169,844
Accrued Salaries and Benefits	32,931
Current Portion of Compensated Absences	14,448
Current Portion of Revenue Bond	36,145
Total Current Liabilities	<u>253,368</u>
Noncurrent Liabilities:	
Compensated Absences, Less Current Portion	23,886
Revenue Bond, Less Current Portion	663,905
Net Pension Liability	1,255,224
Total Noncurrent Liabilities	<u>1,943,015</u>
<b>TOTAL LIABILITIES</b>	<u>2,196,383</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred Pension Credits	<u>19,355</u>
<b>NET POSITION</b>	
Net Investment in Capital Assets	19,899,347
Restricted - Debt Service	8,105
Restricted - Capital Improvements - Startex	25,312
Unrestricted	1,231,527
<b>TOTAL NET POSITION</b>	<u>\$ 21,164,291</u>

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

TOWN OF LYMAN, SOUTH CAROLINA

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

YEAR ENDED JUNE 30, 2020

	<b>WASTEWATER FUND</b>
<b>OPERATING REVENUES</b>	
Charges for Services	\$ 3,032,184
Tap Fees	295,939
Transported Waste Fees	10,714
Sale of Treatment Capacity	91,767
Other	12,918
<b>TOTAL OPERATING REVENUES</b>	<b>3,443,522</b>
<b>OPERATING EXPENSES</b>	
Salaries and Benefits	1,036,653
Engineering Services	129,812
Compliance Monitoring	45,401
Materials and Supplies	238,724
Repairs and Maintenance	351,431
Billing Services	173,153
Utilities and Telephones	409,621
Professional Fees	15,794
Insurance	29,596
Community Events	3,335
Sludge Disposal	46,345
Vehicle Expense	45,805
Dues and Meetings	12,841
Bank Charges	2,945
Depreciation	917,200
Other	9,268
<b>TOTAL OPERATING EXPENSES</b>	<b>3,467,924</b>
<b>OPERATING LOSS</b>	<b>(24,402)</b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>	
Interest Income	26,319
Interest Expense	(10,602)
<b>TOTAL NON-OPERATING REVENUES (EXPENSES)</b>	<b>15,717</b>
<b>LOSS BEFORE CONTRIBUTIONS AND TRANSFERS</b>	<b>(8,685)</b>
Donated Capital Assets	2,939,196
Capital Contributions and Grants	531,523
Transfers Out	(150,000)
<b>CHANGE IN NET POSITION</b>	<b>3,312,034</b>
NET POSITION, BEGINNING OF YEAR, as Previously Reported	16,097,122
Prior Period Adjustment	1,755,135
NET POSITION, BEGINNING OF YEAR, as Restated	17,852,257
<b>NET POSITION, END OF YEAR</b>	<b>\$ 21,164,291</b>

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

TOWN OF LYMAN, SOUTH CAROLINA

STATEMENT OF CASH FLOWS - PROPRIETARY FUND

YEAR ENDED JUNE 30, 2020

	<b>WASTEWATER FUND</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash Received from Customers	\$ 3,409,473
Cash Paid to Vendors	(1,581,549)
Cash Paid to Personnel	(915,621)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>912,303</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>	
Transfers From Other Funds	15,352
NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES	<u>15,352</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Purchases of Capital Assets	(1,154,140)
Capital Grants	531,523
Principal Paid on Revenue Bond	(35,475)
Interest and Fees Paid on Bonds	(12,930)
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(671,022)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest Received	26,319
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>26,319</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>282,952</b>
CASH AND CASH EQUIVALENTS (INCLUDING RESTRICTED), BEGINNING OF YEAR	<u>1,694,936</u>
<b>CASH AND CASH EQUIVALENTS (INCLUDING RESTRICTED), END OF YEAR</b>	<b><u>\$ 1,977,888</u></b>
<b>Reconciliation of Operating Loss to Net Cash from Operating Activities:</b>	
Operating Loss	\$ (24,402)
Adjustments to Reconcile Operating Loss to Net Cash from Operating Activities	
Depreciation	917,200
Change in Accounts Representing Operating Activities:	
Accounts Receivable	(34,049)
Accounts Payable	(62,314)
Accrued Salaries and Benefits	11,053
Accrued Compensated Absences	9,438
Net Pension Liability	53,875
Deferred Pension Charges	52,967
Deferred Pension Credits	(6,301)
Net Cash Provided by Operating Activities	<u>\$ 912,303</u>
<b>Noncash Investing and Capital and Related Financing Items:</b>	
Donated Capital Assets	\$ 2,939,196

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

# TOWN OF LYMAN, SOUTH CAROLINA

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

---

The Town of Lyman (“Town”) was incorporated as a municipality in Spartanburg County, South Carolina in 1954. Section 47-26 of the 1962 Code of Laws, as amended (Home Rule Act), requires that municipalities adopt a specific form of government. The Town operates under Council form of government. The Council is composed of a Mayor and six Council members which are elected from the Town at large. The Mayor and Council are elected for four-year staggered terms and are vested with the legislative and policymaking powers of the Town. The Council appoints a Town Administrator who serves as the chief executive officer of the Town and is responsible to the Council for proper administration of all affairs of the Town.

### I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### A. The Reporting Entity

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

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

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

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

#### *Major Operations*

The governmental activities of the Town include general government, public safety (police), municipal court, streets, and parks and recreation. The business-type activities of the Town include its wastewater activities.

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

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the Town (the “Primary Government”). For the most part, the effect of interfund activity (except for interfund services provided and used between functions) has been removed from these financial statements.

TOWN OF LYMAN, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

---

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

*Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely, to a significant extent, on fees and charges for support.

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

The **government-wide financial statements** are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

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

Fund financial statements report detailed information about the Town. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column.

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

TOWN OF LYMAN, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

---

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

*Governmental Fund Types* are those through which all governmental functions of the Town are financed. The Town's expendable financial resources and related assets and deferred outflows of resources (if any) and liabilities and deferred inflows of resources (if any) are accounted for through governmental funds. Governmental funds are accounted for using a current financial resources measurement focus and the modified accrual basis of accounting. The Town's governmental funds and its major funds are as follows:

The *General Fund, a major fund* and a budgeted fund, is the general operating fund of the Town and accounts for all revenues and expenditures of the Town except those required to be accounted for in another fund. All general tax revenues and other receipts that are not allocated by law or contractual agreement to other funds are accounted for in the General Fund.

The *Capital Projects Fund, a non-major capital projects fund* and an unbudgeted fund, is used to account for and report financial resources that are restricted, committed, or assigned for expenditures of capital outlay related to site acquisitions, construction, equipment, and renovation of all major capital facilities except for those financed in the Wastewater Fund.

The *Grants Fund, a non-major special revenue fund* and an unbudgeted fund, is generally used to account for funds received from the federal, state, and local governments (including its agencies) that are restricted for a specified purpose. The Town from time to time may also transfer in other monies in order to meet grant match requirements or to assist with the payment of other non-reimbursable costs.

*Proprietary Fund Types* are accounted for based on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of enterprise funds are primarily charges for services and fees. Operating expenses for enterprise funds include the expense for providing goods and services, administrative expenses, maintenance, and depreciation of capital assets. All revenues and expenses not meeting this definition are generally reported as non-operating items. Proprietary funds are made up of two classes: enterprise funds and internal service funds. The Town does not have any internal service funds and has one enterprise fund.

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

The *Wastewater Fund, a major fund* and budgeted fund, is used to account for all activities of the Town's wastewater operations. All costs are financed through charges to utility customers.

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

1. Cash, Cash Equivalents and Investments

For purposes of the financial statements, the Town considers all highly liquid investments (including restricted assets) with original maturities of three months or less to be cash equivalents. Securities with an initial maturity of more than three months (from when initially purchased) and other non-money market mutual funds are reported as investments.

TOWN OF LYMAN, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

---

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

1. Cash, Cash Equivalents and Investments (Continued)

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

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

The Town's cash and investment objectives are preservation of capital, liquidity, and yield. The Town reports its cash and investments at fair value which is normally determined by quoted market prices. The Town currently or in the past year has primarily used the following investments in its operating activities:

TOWN OF LYMAN, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

---

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

1. Cash, Cash Equivalents and Investments (Continued)

- South Carolina Local Government Investment Pool (“LGIP” or “Pool”) investments are invested with the South Carolina State Treasurer’s Office, which established the South Carolina Pool pursuant to Section 6-6-10 of the South Carolina Code. The Pool is an investment trust fund, in which public monies in excess of current needs, which are under the custody of any Town treasurer or any governing body of a political subdivision of the State, may be deposited. In accordance with GASB Statement No. 31 “*Accounting and Financial Reporting for Certain Investments and for External Investment Pools*” and GASB Statement No. 72 “*Fair Value Measurement and Application*”, investments are carried at fair value determined annually based upon (a) quoted market prices for identical or similar investments or (b) observable inputs other than quoted market prices. The total fair value of the Pool is apportioned to the entities with funds invested on an equal basis for each share owned, which are acquired at a cost of \$1.00. Funds may be deposited by Pool participants at any time and may be withdrawn upon 24 hours’ notice. Financial statements for the Pool may be obtained by writing the Office of State Treasurer, Local Government Investment Pool, P.O. Box 11778, Columbia, SC 29211-1960.
- Money market mutual funds are generally open-ended funds that invest in short term debt securities (including obligations of the United States and related agencies) that generally have a weighted average maturity of 60 days or less and do not invest more than 5% in any one issuer, except for government securities and repurchase agreements.

2. Receivables and Payables

During the course of operations, the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as interfund receivables or interfund payables. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements.

Balances between the funds included in governmental activities are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Other receivables represent amounts due to the Town for franchise fees, hospitality taxes, other fees and charges, and amounts due from citizens for wastewater and other services. All trade and property taxes receivable are shown net of an allowance for uncollectibles (if any).

3. Inventories, Prepaid Items, and Other Assets

Inventories of materials and supplies are accounted for using the purchase method (expensed when purchased). Certain payments to vendors reflect costs that are applicable to future periods and are recorded as prepaid items in both the government-wide and fund financial statements (if material). Prepaid items are recorded as expenditures/expenses when consumed rather than when purchased (consumption method). Other assets consist of land held for sale which are financial assets (will be converted to cash in due course) acquired with the intent to sale.

4. Capital Assets

General capital assets are those assets specifically related to activities reported in the governmental fund. These assets are reported in the governmental activities column of the government-wide Statement of Net Position, but are not reported in the fund financial statements. All capital assets are capitalized at cost (or estimated historical cost) and updated for any additions and retirements during the year. Donated capital assets are recorded at estimated acquisition value (as estimated by the Town) at the date of donation.

TOWN OF LYMAN, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

---

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

4. Capital Assets (Continued)

The Town maintains a capitalization threshold of \$5,000 for furniture and equipment, vehicles, land improvements and buildings and improvements. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Infrastructure capital assets include streets, curbs, sidewalks, sewer lines, streetlights, signs, signals, and storm drains. Major infrastructure assets (i.e. streets, curbs, sewer lines, etc.) have been included in capital assets, less applicable depreciation.

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

Description	Estimated Lives
Buildings and Improvements	10-50 years
Furniture and Equipment	3-25 years
Vehicles	4-10 years
Infrastructure	20-45 years

5. Compensated Absences

The Town's employees earn annual leave (vacation leave) on a monthly basis. Annual leave and compensatory time may be accumulated to a maximum of 180 hours for police department employees and up to 140 hours for all other employees.

The Town's employees earn sick leave on a monthly basis. Sick leave is allowed to accumulate to a maximum of 480 hours for all employees. Sick leave with pay may be taken by an eligible employee but only for a valid illness. Accumulated sick leave is lost upon termination.

The Town reports compensated absences in accordance with the provisions of GASB Statement No. 16 "Accounting for Compensated Absences." The entire compensated absence liability and expense is reported in the government-wide financial statements. If applicable, the portion of the compensated absence liability related to the Town's wastewater activities is also recorded in the proprietary fund financial statements, if material. The Town's governmental fund will only recognize a compensated absences liability if they have matured, for example, as a result of employee resignations or retirements.

6. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements. The portion applicable to its wastewater activities is also recorded in the proprietary fund financial statements. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method (as it approximates the effective interest method) if material. Debt is reported net of applicable bond premiums and discounts.

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

TOWN OF LYMAN, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

---

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

7. *Deferred Outflows/Inflows of Resources*

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

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

8. *Fund Balance*

The Town classifies its governmental fund balances as follows:

**Nonspendable** – includes amounts that inherently cannot be spent either because it is not in spendable form (i.e. prepaids, inventories, land held for sale, etc.) 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 (resolution) made by the highest level of decision-making authority (Town Council) before the end of the reporting period. Those committed amounts cannot be used for any other purpose unless the government removes or changes the specified use by taking the same type of action it employed to previously commit those amounts. The Town recognizes committed fund balances when Town Council has approved a resolution/ordinance before the end of the fiscal year.

TOWN OF LYMAN, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

---

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

8. *Fund Balance (Continued)*

**Assigned** – includes amounts that are intended to be used for specific purposes that are neither considered restricted or committed and that such assignments are made before the report issuance date. Town Council reserves the right to assign fund balance. The Town recognizes assigned fund balances when Town Council has approved a motion before the report date of the financial statements for a particular purpose.

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

The Town generally uses restricted amounts to be spent first when both restricted and unrestricted (committed, assigned, and unassigned) fund balance is available unless there are legal documents, contracts, or agreements that prohibit doing such. Additionally, the Town generally would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

The Town's fund balance policy requires the General Fund to maintain unassigned fund balance of at least two months (17% - 20%) of total General Fund operating expenditures.

9. *Net Position*

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

10. *Pensions*

In government-wide financial statements, pensions are required to be recognized and disclosed using the accrual basis of accounting (see Note IV.B and the required supplementary information immediately following the notes to the financial statements for more information), regardless of the amount recognized as pension expenditures on the modified accrual basis of accounting. The Town recognizes a net pension liability for its participation in the Plans, which represents the Town's proportionate share of the total pension liability over the fiduciary net position of the Plans, measured as of the Town's preceding fiscal year-end. Changes in the net pension liability during the period are recorded as pension expense, or as deferred outflows or inflows of resources depending on the nature of the change, in the period incurred. Those changes in net pension liability that are recorded as deferred outflows/inflows of resources that arise from changes in actuarial assumptions or other inputs and differences between expected or actual experience are amortized over the weighted average remaining service life of all participants in the respective qualified pension plan and recorded as a component of pension expense beginning with the period in which they are incurred. Projected earnings on qualified pension plan investments are recognized as a component of pension expense. Differences between projected and actual investment earnings are reported as deferred outflows or inflows of resources and amortized as a component of pension expense on a closed basis over a five-year period beginning with the period in which the difference occurred.

TOWN OF LYMAN, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

---

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

*11. Fair Value*

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

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

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

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

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

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

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

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

*12. Accounting Estimates*

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

*13. Comparative Data*

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

TOWN OF LYMAN, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

The Town has elected to present its budgetary comparison information (required supplementary information) for the General Fund as a separate schedule and not as basic financial statements. The General Fund is the only fund for which the Town has a legally adopted budget. The other remaining funds do not have legally adopted budgets. See the notes to the budgetary comparison schedule for details regarding the Town’s budgetary information and process.

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES

A. Deposits and Investments

*Deposits*

**Custodial Credit Risk for Deposits:** Custodial credit risk for deposits is the risk that, in the event of a bank failure, the Town’s deposits might not be recovered. The Town does not have a formal deposit policy for custodial credit risk but follows the investment policy statutes of the State of South Carolina. As of June 30, 2020, none of the Town’s bank balances of approximately \$1,003,000 (with a carrying value of approximately \$928,000) were exposed to custodial credit risk.

*Investments*

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

Investment Type	Credit Rating*	Fair Value Level (1)	Fair Value	Weighted Average Maturity (Years)
First American Government Obligations	AAAm, Aaa-mf, AAAMmf	Level 1	\$ 8,084	< 1 Year
LGIP	Unrated	N/A	2,119,644	< 1 Year
Totals			<u>\$ 2,127,728</u>	

\* If available, credit ratings are for Moody's Investors Service, Standard & Poor's, and Fitch Ratings.

(1) See Note I.C.11 for details on the City's fair value hierarchy.

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

**Custodial Credit Risk for Investments:** Custodial credit risk for investments is the risk that, in the event of a bank failure, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Town does not have an investment policy for custodial credit risk but follows the investment policy statutes of the State of South Carolina.

**Credit Risk for Investments:** Credit risk for investments is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Town does not have an investment policy for credit risk but follows the investment policy statutes of the State of South Carolina.

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

Certain cash, cash equivalents and investments of the Town are legally restricted for specified purposes. The major types of restrictions at June 30, 2020 were those imposed by the revenue source (i.e., hospitality taxes, victims’ assistance, debt service reserve, etc.).

**TOWN OF LYMAN, SOUTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2020**

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

**B. Receivables and Unavailable Revenue**

Spartanburg County, South Carolina (the “County”) is responsible for levying and collecting sufficient property taxes to meet funding obligations for the Town. This obligation is established each year by the Town Council. Assessed values are established by the County Assessor, the County Auditor, and the South Carolina Department of Revenue and taxation at various rates of 4 to 10.5 percent of the estimated market value. Property taxes are levied and billed by the County on real and personal properties based on an assessed value of approximately \$19.8 million on January 1<sup>st</sup> based on a rate of 54.6 mills (same rate as prior year).

Real property and all personal property taxes other than vehicle property taxes attach as an enforceable lien on property as of January 16th. Taxes are levied and billed in October on all property other than vehicles and are payable without penalty until January 15<sup>th</sup> of the following year. Penalties are assessed on unpaid taxes on the following dates:

January 16 through February 1	-	3% of tax
February 2 through March 15	-	10% of tax
After March 15	-	15% of tax plus collection cost

Current year real and personal property taxes become delinquent on March 16. Unpaid property taxes become a lien against the property as of June 1 of the calendar year following the levy date. The levy date for motor vehicles is the first day of the month in which the motor vehicle license expires. These taxes are due by the last day of the same month.

Property taxes receivable of approximately \$52,000 represents current real and personal property as well as delinquent real and personal property taxes and is net of an allowance for uncollectible amounts of approximately \$13,000 at June 30, 2020. All property taxes receivable at year end, except those collected within 60 days, are recorded as unavailable revenues (component of deferred inflows of resources) and thus not recognized as revenue until collected in the governmental funds. Property taxes of approximately \$46,000 were recorded as unavailable revenues at June 30, 2020.

Other receivables represent amounts due to the Town for business licenses, franchise fees, intergovernmental revenue, and amounts due from citizens for sewer and other services. All trade and property taxes receivable are shown net of an allowance for uncollectibles (if any). The Town’s net receivables at June 30, 2020 consisted of the following:

Description	General Fund	Wastewater Fund	Totals
Property Taxes	\$ 52,397	-	\$ 52,397
Utilities	-	558,358	558,358
Hospitality Fees	26,296	-	26,296
MASC Revenues	94,820	-	94,820
Business Licenses	21,202	-	21,202
Franchise Fees	61,898	-	61,898
Aid to Subdivisions	19,222	-	19,222
Grant	67,278	38,860	106,138
School Resource Officer	29,220	-	29,220
Other	15,035	-	15,035
Net Receivables	<u>\$ 387,368</u>	<u>597,218</u>	<u>\$ 984,586</u>

TOWN OF LYMAN, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

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

C. Interfund Receivables, Payables, and Transfers

Interfund balances at June 30, 2020, consisted of the following individual fund receivables and payables (all are expected to be repaid within one year):

Fund	Interfund Receivables	Interfund Payables
<b><u>Major Governmental Fund:</u></b>		
General Fund	\$ -	\$ 32,874
<b><u>Major Enterprise Fund:</u></b>		
Wastewater Fund	32,874	-
Totals	<u>\$ 32,874</u>	<u>\$ 32,874</u>

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

Interfund transfers for the year ended June 30, 2020, consisted of the following:

Fund	Transfers In	Transfers Out
<b><u>Major Governmental Fund:</u></b>		
General Fund	\$ 150,000	\$ 21,000
<b><u>Major Enterprise Fund:</u></b>		
Wastewater Fund	-	150,000
<b><u>Other Non-Major Governmental Funds:</u></b>		
Grants Fund	500	-
Capital Projects Fund	20,500	-
Totals	<u>\$ 171,000</u>	<u>\$ 171,000</u>

The Wastewater Fund transferred funds to the General Fund in lieu of property taxes and franchise fees (to cover the costs of direct and indirect costs the Town's governmental operations incur related to providing services to its wastewater operations). The General Fund transferred funds to the Grants Fund and Capital Projects Fund to set up these new funds in the current year.

**TOWN OF LYMAN, SOUTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2020**

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

**D. Capital Assets**

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

<b>Governmental Activities:</b>	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Capital Assets, Non-Depreciable:					
Land	\$ 282,237	-	-	-	\$ 282,237
Construction In Progress	99,932	-	-	-	99,932
<b>Total Capital Assets, Non-Depreciable</b>	<b>382,169</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>382,169</b>
Capital Assets, Depreciable:					
Buildings and Improvements	3,296,823	178,398	-	-	3,475,221
Vehicles, Equipment, and Furnishings	1,272,304	163,093	-	-	1,435,397
Infrastructure	4,663,694	-	-	-	4,663,694
<b>Total Capital Assets, Depreciable</b>	<b>9,232,821</b>	<b>341,491</b>	<b>-</b>	<b>-</b>	<b>9,574,312</b>
Less: Accumulated Depreciation for:					
Buildings and Improvements	813,219	126,841	-	-	940,060
Vehicles, Equipment, and Furnishings	939,517	102,840	-	-	1,042,357
Infrastructure	1,246,289	169,287	-	-	1,415,576
<b>Total Accumulated Depreciation</b>	<b>2,999,025</b>	<b>398,968</b>	<b>-</b>	<b>-</b>	<b>3,397,993</b>
<b>Total Capital Assets, Depreciable, Net</b>	<b>6,233,796</b>	<b>(57,477)</b>	<b>-</b>	<b>-</b>	<b>6,176,319</b>
<b>Governmental Activities Capital Assets, Net</b>	<b>\$ 6,615,965</b>	<b>(57,477)</b>	<b>-</b>	<b>-</b>	<b>\$ 6,558,488</b>

Construction in progress in the Town’s governmental activities is related to the Rail Trail project.

Capital asset additions and depreciation expense for governmental activities were charged to functions/programs as follows:

Functions/Programs	Capital Asset Additions	Depreciation Expense
General Government	\$ 120,277	\$ 62,376
Public Safety - Police	163,094	54,156
Streets	9,274	220,017
Parks and Recreation	48,846	62,419
<b>Total - Governmental Activities</b>	<b>\$ 341,491</b>	<b>\$ 398,968</b>

**TOWN OF LYMAN, SOUTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2020**

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

**D. Capital Assets (Continued)**

Capital asset activity for the Town’s business-type activities (wastewater activities) for the year ended June 30, 2020, was as follows:

<b>Business-Type Activities:</b>	Restated Beginning Balance*	Increases	Decreases	Transfers	Ending Balance
<b>Capital Assets, Non-Depreciable:</b>					
Land	\$ 715,825	-	-	-	\$ 715,825
Construction In Progress	115,849	741,990	-	(698,239)	159,600
<b>Total Capital Assets, Non-Depreciable</b>	<b>831,674</b>	<b>741,990</b>	<b>-</b>	<b>(698,239)</b>	<b>875,425</b>
<b>Capital Assets, Depreciable:</b>					
Buildings and Improvements	489,185	-	-	(24,204)	464,981
Vehicles, Equipment, and Furnishings	1,459,516	28,670	-	(136,032)	1,352,154
Infrastructure - Lyman	23,615,674	3,322,676	-	858,475	27,796,825
Infrastructure - Wellford Acquisition	2,845,307	-	-	-	2,845,307
Infrastructure - Duncan Acquisition	2,620,395	-	-	-	2,620,395
<b>Total Capital Assets, Depreciable</b>	<b>31,030,077</b>	<b>3,351,346</b>	<b>-</b>	<b>698,239</b>	<b>35,079,662</b>
<b>Less: Accumulated Depreciation for:</b>					
Buildings and Improvements	194,167	15,595	-	(15,681)	194,081
Vehicles, Equipment, and Furnishings	817,745	108,031	-	(17,867)	907,909
Infrastructure - Lyman	10,621,248	663,373	-	33,548	11,318,169
Infrastructure - Wellford Acquisition	1,025,538	64,691	-	-	1,090,229
Infrastructure - Duncan Acquisition	1,779,792	65,510	-	-	1,845,302
<b>Total Accumulated Depreciation</b>	<b>14,438,490</b>	<b>917,200</b>	<b>-</b>	<b>-</b>	<b>15,355,690</b>
<b>Total Capital Assets, Depreciable, Net</b>	<b>16,591,587</b>	<b>2,434,146</b>	<b>-</b>	<b>698,239</b>	<b>19,723,972</b>
<b>Business-Type Activities Capital Assets, Net</b>	<b>\$ 17,423,261</b>	<b>3,176,136</b>	<b>-</b>	<b>-</b>	<b>\$ 20,599,397</b>

\* Certain amounts have been restated due to a prior period adjustment. See disclosure in Note IV.D for more details.

Construction in progress in the Town’s business-type activities is related to the public works building project.

**E. Long-Term Obligations**

The Town issues bonds to provide funds for the acquisition and construction of major capital facilities. General Obligation Bonds (“GOB”) are direct obligations and pledge the full faith and credit of the Town and are subject to the 8% debt limit requirement if not issued under a bond referendum. Revenue Bonds (“RB”) are obligations of the Town that are secured by revenue from a specific source (wastewater activities). The full faith, credit, and taxing powers of the Town are not pledged for the payment of RB or RFL obligations nor the interest thereon.

All of the Town’s outstanding debt has been issued/obtained through direct borrowings/placements (“DBP”). Obligations through DBP are generally secured/collateralized by the underlying assets and contain provisions that in an event of default (a) outstanding amounts can become immediately due if the Town is unable to make payment and (b) the lender could exercise its option to demand return of the financed asset.

TOWN OF LYMAN, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

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

E. Long-Term Obligations (Continued)

Details on the Town’s outstanding debt as of June 30, 2020 are as follows:

	<u>Balance at June 30, 2020</u>
<b>Revenue Bond</b>	
\$813,109 state revolving fund loan, payable to US Bank, issued in 2018 (“Series 2016B Revenue Bond”), due in quarterly installments of \$8,513 to \$12,071 beginning May 1, 2018 through February 1, 2037, plus interest at 1.80% due quarterly. Collateralized by a statutory lien on the net revenues of the derived from the operation of the sewer system. The proceeds from the direct borrowing/placement were primarily used for the construction of the River Street Pump Station and Force Main.	\$ 700,050

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

Long-Term Obligations	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities:</b>					
Compensated Absences	\$ 54,238	36,519	27,119	63,638	\$ 31,819
Total Governmental Activities	\$ 54,238	36,519	27,119	63,638	\$ 31,819
<b>Business-Type Activities:</b>					
Debt:					
Series 2016B Revenue Bond - DBP	\$ 735,525	-	35,475	700,050	\$ 36,145
Total Debt	735,525	-	35,475	700,050	36,145
Compensated Absences	28,896	23,840	14,402	38,334	14,448
Total Business-Type Activities	\$ 764,421	23,840	49,877	738,384	\$ 50,593

Resources from the General Fund have typically been used to liquidate the long-term obligations of the Town’s governmental activities. Resources from the Wastewater enterprise fund have been used to liquidate the respective long-term obligations of the Town’s business-type activities.

Interest paid on the debt issued by the Town is generally exempt from federal income tax. The Town sometimes temporarily reinvests the proceeds of such tax-exempt debt in higher-yielding taxable securities, especially during construction projects. The federal tax code refers to this practice as arbitrage. Excess earnings (the difference between the interest on the debt and the investment earnings received) resulting from arbitrage must be rebated to the federal government. The Town does not believe it has an arbitrage liability at June 30, 2020.

Article Eight, Section Seven of the South Carolina Constitution of 1895, as amended, provides that no Town or Town shall incur any bonded debt which shall exceed eight percent (8%) of the assessed value of the property therein and no such debt shall be created without the electors of such Town or Town voting in favor of such further bonded debt. Prior to Home Rule Act of July 1, 1976, the bonded debt exemption was thirty five percent (35%). In 1976, the General Assembly reduced the general obligation debt limit without voter approval to eight percent (8%) of assessed valuation; whereas, with a referendum any amount can be floated. As of June 30, 2020, the Town had no outstanding general obligation bonds subject to the 8% limit of approximately \$1,585,000 resulting in an unused legal debt margin of approximately \$1,585,000.

TOWN OF LYMAN, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

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

E. Long-Term Obligations (Continued)

Presented below is a summary of debt service requirements to maturity by year for the Town’s business-type activities as of June 30, 2020:

Year Ended June 30,	Direct Borrowing/Placement Debt		Total
	Principal	Interest	
<b><u>Business-Type Activities</u></b>			
2021	\$ 36,145	12,357	\$ 48,502
2022	36,800	11,702	48,502
2023	37,467	11,035	48,502
2024	38,146	10,356	48,502
2025	38,837	9,665	48,502
2026-2030	205,001	37,509	242,510
2031-2035	224,259	18,251	242,510
2036-2037	83,395	1,507	84,902
Totals	<u>\$ 700,050</u>	<u>112,382</u>	<u>\$ 812,432</u>

IV. OTHER INFORMATION

A. Risk Management

*Participation in Public Entity Risk Pools for Property and Casualty Insurance*

The Town is exposed to various risks of loss related to workers’ injuries, torts, theft of, damage to, and destruction of assets, errors and omissions, and natural disasters. The Town continues to carry commercial insurance coverage for property and casualty insurance, workers’ compensation, and other general insurance and has effectively managed risk through various employee education and prevention programs. All risk management activities are accounted for in the General Fund. Expenditures and claims are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. In determining claims, events that might create claims, but for which none have been reported, are considered.

There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage in the past three fiscal years.

*Health Insurance and Other Postemployment Benefits*

The Town provides a health insurance program through the State for its eligible employees. The Town pays a monthly premium to the State for its health coverage (insured plan) with the insurer being responsible for claims.

In 2015, the GASB issued Statement No. 75 “Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions” (“GASB #75”). GASB #75 establishes standards for the measurement, recognition and display of Other Postemployment Benefits (“OPEB”) expenditures and related liabilities, note disclosures, and, if applicable, required supplementary information in the financial reports of state and local governmental employers. The Town adopted GASB #75 for the year ended June 30, 2018 and its implementation had no impact, as the Town currently does not provide any significant OPEB benefits (i.e. retiree health benefits, etc.) to its retirees.

TOWN OF LYMAN, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

---

IV. OTHER INFORMATION (CONTINUED)

**B. Retirement Plans**

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

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

The PEBA issues a Comprehensive Annual Financial Report (“CAFR”) containing financial statements and required supplementary information for the System’ Pension Trust Funds. The CAFR is publicly available through the Retirement Benefits’ link on the PEBA’s website at [www.peba.sc.gov](http://www.peba.sc.gov), or a copy may be obtained by submitting a request to PEBA, 202 Arbor Lake Drive, Columbia, SC 29223. The PEBA is considered a division of the primary government of the state of South Carolina and therefore, retirement trust fund financial information is also included in the comprehensive annual financial report of the state.

*Plan Description*

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

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

*Plan Membership*

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

- SCRS – Generally, all employees of covered employers are required to participate in and contribute to the system as a condition of employment. This plan covers general employees and teachers and individuals newly elected to the South Carolina General Assembly beginning with the November 2012 general election. An employee member of the system with an effective date of membership prior to July 1, 2012, is a Class Two member. An employee member of the system with an effective date of membership on or after July 1, 2012, is a Class Three member.

TOWN OF LYMAN, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

---

IV. OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

*Plan Membership (Continued)*

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

*Plan Benefits*

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

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

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

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

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

**TOWN OF LYMAN, SOUTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2020**

**IV. OTHER INFORMATION (CONTINUED)**

**B. Retirement Plans (Continued)**

*Plan Contributions*

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

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

As noted earlier, both employees and the Town are required to contribute to the Plans at rates established and as amended by the PEBA. The Town’s contributions are actuarially determined but are communicated to and paid by the Town as a percentage of the employees’ annual eligible compensation. Required employer and employee contribution rates for the past three years are as follows:

	SCRS Rates			PORS Rates		
	2018	2019	2020	2018	2019	2020
Employer Contribution Rate: <sup>^</sup>						
Retirement	13.41%	14.41%	15.41%	15.84%	16.84%	17.84%
Incidental Death Benefit	0.15%	0.15%	0.15%	0.20%	0.20%	0.20%
Accidental Death Contributions	0.00%	0.00%	0.00%	0.20%	0.20%	0.20%
	<u>13.56%</u>	<u>14.56%</u>	<u>15.56%</u>	<u>16.24%</u>	<u>17.24%</u>	<u>18.24%</u>
Employee Contribution Rate	<u>9.00%</u>	<u>9.00%</u>	<u>9.00%</u>	<u>9.75%</u>	<u>9.75%</u>	<u>9.75%</u>

<sup>^</sup> Calculated on earnable compensation as defined in Title 9 of the South Carolina Code of Laws.

TOWN OF LYMAN, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

---

IV. OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

*Plan Contributions (Continued)*

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

Year Ended June 30,	SCRS Contributions		PORS Contributions	
	Required	% Contributed	Required	% Contributed
2020	\$ 161,866	100%	\$ 108,375	100%
2019	144,698	100%	90,635	100%
2018	\$ 131,858	100%	\$ 77,141	100%

In an effort to help offset a portion of the burden of the increased contribution requirement for employers, the State General Assembly (“State”) funded 1 percent of the SCRS and PORS contribution increases for the year ended June 30, 2019. The State’s budget appropriated these funds directly to the PEBA for the South Carolina Retirement System Trust Fund and the Police Officers Retirement System Trust Fund. The amount of funds appropriated by the State (nonemployer contributing entity) for the year ended June 30, 2019 (measurement date) to the Town were approximately \$8,000 and \$4,000 for the SCRS and PORS, respectively.

The Town recognized contributions (on-behalf benefits) from the State of approximately \$8,000 and \$4,000 for the year ended June 30, 2020. Due to immateriality, these contributions by the State are recognized as a reduction of pension expenditures in the Town’s governmental fund financial statements.

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

Year Ended June 30,	SCRS Payroll	PORS Payroll	Total Payroll
2020	\$ 1,040,272	594,161	\$ 1,634,433
2019	993,803	525,727	1,519,530
2018	\$ 972,401	475,009	\$ 1,447,410

*Actuarial Assumptions and Methods*

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

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

**TOWN OF LYMAN, SOUTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2020**

**IV. OTHER INFORMATION (CONTINUED)**

**B. Retirement Plans (Continued)**

*Actuarial Assumptions and Methods (Continued)*

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

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

\* Includes inflation at 2.25%.

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

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

*Long-Term Expected Rate of Return*

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

The expected returns, along with the expected inflation rate, form the basis for the target asset allocation adopted at the beginning of the 2019 fiscal year. The long-term expected rate of return is produced by weighting the expected future real rates of return by the target allocation percentage and adding expected inflation and is summarized in the following table. For actuarial purposes, the 7.25 percent assumed annual investment rate of return used in the calculation of the TPL includes a 5.00 percent real rate of return and a 2.25 percent inflation component.

TOWN OF LYMAN, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

IV. OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

*Long-Term Expected Rate of Return (Continued)*

Allocation/Exposure	Policy Target	Expected Arithmetic Real Rate of Return	Long-Term Expected Portfolio Real Rate of Return
<b>Global Equity</b>	<b>51.0%</b>		
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%
<b>Real Assets</b>	<b>12.0%</b>		
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%
<b>Opportunistic</b>	<b>8.0%</b>		
Global Tactical Asset Allocation	7.0%	3.09%	0.22%
Other Opportunistic Strategies	1.0%	3.82%	0.04%
<b>Credit</b>	<b>15.0%</b>		
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%
<b>Rate Sensitive</b>	<b>14.0%</b>		
Core Fixed Income	13.0%	1.62%	0.21%
Cash and Short Duration (Net)	1.0%	0.31%	0.00%
Total Expected Real Return	100.0%		5.41%
Inflation for Actuarial Purposes			2.25%
Total Expected Nominal Return			7.66%

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

The NPL is calculated separately for each system and represents that particular system's TPL determined in accordance with GASB No. 67 less that System's fiduciary net position. NPL totals, as of the June 30, 2019 measurement date, for the SCRS and PORS, are presented in the following table:

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

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

TOWN OF LYMAN, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

IV. OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

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

At June 30, 2020, the Town reported liabilities of approximately \$2,162,000 and \$1,039,000 for its proportionate share of the NPL for the SCRS and PORS, respectively. The NPL were measured as of June 30, 2019, and the TPL for the Plans used to calculate the NPL were determined based on the most recent actuarial valuation report as of July 1, 2018 that was projected forward to the measurement date. The Town’s proportion of the NPL were based on a projection of the Town’s long-term share of contributions to the Plans relative to the projected contributions of all participating South Carolina state and local governmental employers, actuarially determined. At the June 30, 2019 measurement date, the Town’s SCRS proportion was 0.00947 percent, which was an increase of 0.00009 from its proportion measured as of June 30, 2018. At the June 30, 2019 measurement date, the Town’s PORS proportion was 0.03625 percent, which was an increase of 0.00014 from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the Town recognized pension expense of approximately \$308,000 and \$197,000 for the SCRS and PORS, respectively. At June 30, 2020, the Town reported deferred outflows of resources (deferred pension charges) and deferred inflows of resources (deferred pension credits) related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
<b>SCRS</b>		
Differences Between Expected and Actual Experience	\$ 1,486	\$ 15,528
Changes in Assumptions	43,559	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	19,137	-
Changes in Proportionate Share and Differences Between Employer Contributions and Proportionate Share of Total Plan Employer Contributions	70,739	17,802
Employer Contributions Subsequent to the Measurement Date	153,502	-
Total SCRS	<u>288,423</u>	<u>33,330</u>
<b>PORS</b>		
Differences Between Expected and Actual Experience	21,359	7,677
Changes in Assumptions	41,193	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	13,171	-
Changes in Proportionate Share and Differences Between Employer Contributions and Proportionate Share of Total Plan Employer Contributions	163,130	74,470
Employer Contributions Subsequent to the Measurement Date	103,952	-
Total PORS	<u>342,805</u>	<u>82,147</u>
Total SCRS and PORS	<u>\$ 631,228</u>	<u>\$ 115,477</u>

TOWN OF LYMAN, SOUTH CAROLINA

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

IV. OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

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

Approximately \$154,000 and \$104,000 that were reported as deferred outflows of resources related to the Town’s contributions subsequent to the measurement date to the SCRS and PORS, respectively, will be recognized as a reduction of the NPL in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources (deferred pension charges) and deferred inflows of resources (deferred pension credits) related to the SCRS and PORS will increase (decrease) pension expense as follows:

Year Ended June 30,	SCRS	PORS	Total
2021	\$ 108,063	71,914	\$ 179,977
2022	(19,092)	52,701	33,609
2023	5,161	27,626	32,787
2024	7,459	4,465	11,924
Total	<u>\$ 101,591</u>	<u>156,706</u>	<u>\$ 258,297</u>

*Discount Rate*

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

*Sensitivity Analysis*

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

System	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
The Town's proportionate share of the net pension liability of the SCRS	\$ 2,723,118	2,161,564	\$ 1,692,914
The Town's proportionate share of the net pension liability of the PORS	1,407,788	1,038,776	736,462
Total	<u>\$ 4,130,906</u>	<u>3,200,340</u>	<u>\$ 2,429,376</u>

*Plans Fiduciary Net Position*

Detailed information regarding the fiduciary net position of the Plans administered by the PEBA is available in the separately issued CAFR containing financial statements and required supplementary information for the SCRS and PORS. The CAFR is publicly available through the Retirement Benefits’ link on the PEBA’s website at [www.peba.sc.gov](http://www.peba.sc.gov), or a copy may be obtained by submitting a request to PEBA, 202 Arbor Lake Drive, Columbia, SC 29223.

**TOWN OF LYMAN, SOUTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2020**

---

**IV. OTHER INFORMATION (CONTINUED)**

**B. Retirement Plans (Continued)**

*Payable to Plans*

The Town reported a payable of approximately \$21,000 to the PEBA as of June 30, 2020, representing required employer and employee contributions for the month of June 2020 for the SCRS and PORS. This amount is included in Accrued Salaries and Fringe Benefits on the financial statements and was paid in August 2020.

*Subsequent Event to the Plans Measurement Date*

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

**C. Contingent Liabilities and Commitments**

*Litigation*

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

*Grants*

The Town receives financial assistance from various federal, state, and local governmental agencies in the form of grants. Disbursements of funds received under these programs generally require compliance with the terms and conditions specified in the grant agreements. The disbursements are also subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the Town. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements included herein or on the overall financial position of the Town at June 30, 2020.

*COVID-19 Health Pandemic*

On January 30, 2020, the World Health Organization announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China, and in March 2020, classified the outbreak as a pandemic, based on the rapid increase in exposure globally. The full impact of the outbreak continues to evolve as of the date of these financial statements. Management continues to actively monitor the impact from this health crisis on its financial condition, liquidity, operations, workforce and citizens.

As local and federal governments recommended or mandated restrictions on business and travel in an effort to curb the pandemic by changing consumer behavior, the Town's revenues were negatively impacted. Such restrictions are currently expected to be temporary; however, there is considerable uncertainty about their duration. Given the daily evolution of the pandemic, the Town cannot estimate the duration or gravity of its impact at this time. If the pandemic continues for a long period of time, it may have a material adverse effect on the Town's results of operations, net position/fund balance and liquidity for the year ended June 30, 2021.

*Solid Waste Pickup*

In September 2018, the Town entered into a five-year agreement ("Agreement") with Waste Industries related to solid waste pickup. The Agreement's initial term began in October 2018 and ends in September 2023 and will automatically be extended for subsequent additional one-year periods unless either party provides written notice to terminate the agreement. The Town will pay a rate of \$8.20 per month per cart. The total costs for the year ended June 30, 2020 was approximately \$221,000.

**TOWN OF LYMAN, SOUTH CAROLINA**

**NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2020**

---

**IV. OTHER INFORMATION (CONTINUED)**

**C. Contingent Liabilities and Commitments (Continued)**

*Construction Commitment*

In June 2020, the Town awarded a bid for repair work on the Maplewood Drive Culvert to Larry Green Grading, Inc. The estimated cost for these services to be paid in fiscal year 2021 is approximately \$62,000.

**D. Prior Period Adjustment**

In connection with the Town's review of its capital asset balances, capital asset listing, and capital asset rollforward, the Town became aware of a misstatement in its prior year balances in its business-type activities and proprietary fund financial statements. The Town recorded a prior period adjustment totaling approximately \$1,755,000 to correct this error. This error primarily relates to unrecorded pump stations and other capital assets which had not been properly recorded in prior years on the business-type activities and proprietary fund financial statements.

**E. Subsequent Events**

In October 2020, the Town paid off the outstanding balance of the Series 2016B Revenue Bond in the amount of approximately \$694,000.

In November 2020, the Town awarded a three year IT service contract to SmartTech PC Consulting in the amount of approximately \$38,000 annually.

In March 2021, the Town approved the installation of a Peracetic Acid System at the Wastewater Plant with Greenstone Construction LLC for approximately \$140,000 that will be paid from the Wastewater Fund.

In March and April 2021, the Town accepted the donation of several pump stations. The Town will assume ownership, operations, and maintenance of these pump stations. These pump stations will be added to the Town's capital assets based on the estimated acquisition value (once they have been determined).

# Required Supplementary Information

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

- Budgetary Comparison Schedule
  - General Fund
- Pension Plan Schedules

TOWN OF LYMAN, SOUTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE

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

YEAR ENDED JUNE 30, 2020

	ORIGINAL BUDGET	REVISED BUDGET	ACTUAL	VARIANCE
<b>REVENUES</b>				
Taxes:				
Property Taxes	\$ 977,464	977,464	1,052,658	\$ 75,194
Hospitality Taxes	222,815	222,815	245,020	22,205
MASC Telecommunications and Insurance	430,116	430,116	502,875	72,759
Franchise Fees	275,040	275,040	311,942	36,902
Business Licenses, Permits, and Fees	293,795	293,795	336,945	43,150
Grants	69,844	122,408	123,037	629
State Shared Revenue	111,980	111,980	127,630	15,650
Fines and Forfeitures	149,630	149,630	150,607	977
Rent Income	44,000	44,000	27,725	(16,275)
Interest	4,800	4,800	4,861	61
Other	128,702	128,702	168,426	39,724
<b>TOTAL REVENUES</b>	<b>2,708,186</b>	<b>2,760,750</b>	<b>3,051,726</b>	<b>290,976</b>
<b>EXPENDITURES</b>				
Current:				
Administration	513,664	513,664	560,533	(46,869)
Police	983,943	983,943	958,546	25,397
Municipal Court	106,583	106,583	107,543	(960)
Streets	711,937	711,937	704,505	7,432
Events	55,552	55,552	48,219	7,333
Parks and Recreation	70,280	70,280	70,356	(76)
Victims' Assistance	86,477	86,477	84,240	2,237
Capital Outlay	236,250	288,814	342,860	(54,046)
<b>TOTAL EXPENDITURES</b>	<b>2,764,686</b>	<b>2,817,250</b>	<b>2,876,802</b>	<b>(59,552)</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(56,500)</b>	<b>(56,500)</b>	<b>174,924</b>	<b>231,424</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	137,500	137,500	150,000	12,500
Transfers Out	(85,000)	(85,000)	(21,000)	64,000
Insurance Proceeds	-	-	38,956	38,956
Sale of Capital Assets	4,000	4,000	10,111	6,111
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>56,500</b>	<b>56,500</b>	<b>178,067</b>	<b>121,567</b>
<b>NET CHANGES IN FUND BALANCES</b>	<b>-</b>	<b>-</b>	<b>352,991</b>	<b>352,991</b>
FUND BALANCES, Beginning of Year	925,900	925,900	925,900	-
<b>FUND BALANCES, End of Year</b>	<b>\$ 925,900</b>	<b>925,900</b>	<b>1,278,891</b>	<b>\$ 352,991</b>

Note: The notes to the budgetary comparison schedule are an integral part of this schedule.

**TOWN OF LYMAN, SOUTH CAROLINA**

**NOTES TO THE BUDGETARY COMPARISON SCHEDULE**

**YEAR ENDED JUNE 30, 2020**

---

**A. BASIS OF ACCOUNTING**

The budgetary comparison schedule has been presented on the modified accrual basis of accounting, which is consistent with accounting principles generally accepted in the United States of America.

**B. BUDGETARY INFORMATION**

The Town follows the following procedures in establishing the budgetary data reflected in the budgetary comparison schedule:

1. During the months of February and March, the Town department heads develop operating budgets while the management and finance departments develop revenue forecasts.
2. During March and April, the Town Administrator reviews the department budgets and revenue forecasts. After various refinements and reviews, a proposed budget is presented to the Town Council.
3. After two readings in June, for which public notices have been announced, the Town Council adopts an annual budget ordinance for the General Fund.
4. During the year, accountability for the budget for each department is primarily the responsibility of the department head. The Town Administrator has the authority to transfer funds within departments, but funds can only be transferred between departments by approval of the Town Council. The legal level of budgetary control is at the department level, as reflected in the required supplementary information.
5. The presented budgetary information is as originally adopted or as amended by the Town Council. During the year, the Town Council revised the budget. Town Council approved the expenditures in excess of revised budget (which was primarily due to higher capital outlay) but chose not to amend the budget.
6. At the year-end, unencumbered balances of appropriations lapse into the unappropriated fund balance.

**TOWN OF LYMAN, SOUTH CAROLINA**

**REQUIRED SUPPLEMENTARY INFORMATION - PENSION PLAN SCHEDULES**

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

**LAST SIX FISCAL YEARS**

	Year Ended June 30,					
	2020	2019	2018	2017	2016	2015
Town's Proportion of the Net Pension Liability	0.00947%	0.00938%	0.00955%	0.00847%	0.00803%	0.00889%
Town's Proportionate Share of the Net Pension Liability	\$ 2,161,564	2,102,563	2,150,759	1,808,752	1,522,982	\$ 1,530,735
Town's Covered Payroll	\$ 993,803	972,401	873,042	806,070	741,752	\$ 807,190
Town's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	217.50%	216.22%	246.35%	224.39%	205.32%	189.64%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	54.40%	54.10%	53.34%	52.91%	56.99%	59.92%

**Notes to Schedule:**

The amounts presented for each fiscal year were determined as of June 30th of the preceding year. The Town implemented GASB #68/71 during the year ended June 30, 2015. Information before that date is not readily available. The discount rate was lowered from 7.50% to 7.25% beginning with the year ended June 30, 2017 measurement date.

**TOWN OF LYMAN, SOUTH CAROLINA**

**REQUIRED SUPPLEMENTARY INFORMATION - PENSION PLAN SCHEDULES**

**SCHEDULE OF CONTRIBUTIONS  
SOUTH CAROLINA RETIREMENT SYSTEM**

**LAST SIX FISCAL YEARS**

	Year Ended June 30,					
	2020	2019	2018	2017	2016	2015
Contractually Required Contribution	\$ 161,866	144,698	131,858	100,924	89,151	\$ 80,851
Contributions in Relation to the Contractually Required Contribution						
Contributions from the Town	153,502	136,334	123,494	100,924	89,151	80,851
Contributions from the State	8,364	8,364	8,364	-	-	-
Contribution Deficiency (Excess)	\$ -	-	-	-	-	\$ -
Town's Covered Payroll	\$ 1,040,272	993,803	972,401	873,042	806,070	\$ 741,752
Contributions as a Percentage of Covered Payroll	15.56%	14.56%	13.56%	11.56%	11.06%	10.90%

**Notes to Schedule:**

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

**TOWN OF LYMAN, SOUTH CAROLINA**

**REQUIRED SUPPLEMENTARY INFORMATION - PENSION PLAN SCHEDULES**

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

**LAST SIX FISCAL YEARS**

	<b>Year Ended June 30,</b>					
	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Town's Proportion of the Net Pension Liability	0.03625%	0.03611%	0.02387%	0.03374%	0.03214%	0.02739%
Town's Proportionate Share of the Net Pension Liability	\$ 1,038,776	1,023,120	654,015	855,908	700,490	\$ 524,266
Town's Covered Payroll	\$ 525,727	475,009	411,483	430,190	398,166	\$ 329,377
Town's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	197.59%	215.39%	158.94%	198.96%	175.93%	159.17%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	62.69%	61.73%	60.94%	60.44%	64.57%	67.55%

**Notes to Schedule:**

The amounts presented for each fiscal year were determined as of June 30th of the preceding year. The Town implemented GASB #68/71 during the year ended June 30, 2015. Information before that date is not readily available. The discount rate was lowered from 7.50% to 7.25% beginning with the year ended June 30, 2017 measurement date.

**TOWN OF LYMAN, SOUTH CAROLINA**

**REQUIRED SUPPLEMENTARY INFORMATION - PENSION PLAN SCHEDULES**

**SCHEDULE OF CONTRIBUTIONS  
POLICE OFFICERS RETIREMENT SYSTEM**

**LAST SIX FISCAL YEARS**

	Year Ended June 30,					
	2020	2019	2018	2017	2016	2015
Contractually Required Contribution	\$ 108,375	90,635	77,141	58,595	59,108	\$ 53,394
Contributions in Relation to the Contractually Required Contribution						
Contributions from the Town	103,952	86,212	72,718	58,595	59,108	53,394
Contributions from the State	4,423	4,423	4,423	-	-	-
Contribution Deficiency (Excess)	\$ -	-	-	-	-	\$ -
Town's Covered Payroll	\$ 594,161	525,727	475,009	411,483	430,190	\$ 398,166
Contributions as a Percentage of Covered Payroll	18.24%	17.24%	16.24%	14.24%	13.74%	13.41%

**Notes to Schedule:**

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

(This page intentionally left blank.)

## Supplementary Information

TOWN OF LYMAN, SOUTH CAROLINA

SCHEDULE OF FUND EXPENDITURES - REVISED BUDGET AND ACTUAL  
GENERAL FUND

YEAR ENDED JUNE 30, 2020

EXPENDITURES	REVISED BUDGET	ACTUAL	VARIANCE
Current:			
Administration:			
Salaries	\$ 208,909	201,864	\$ 7,045
Employee Benefits	61,384	63,663	(2,279)
Vehicle Expenditures	3,652	2,680	972
Facilities	94,746	116,760	(22,014)
Equipment and Supplies	19,600	22,355	(2,755)
Outside Vendors	112,842	137,131	(24,289)
Dues, Meetings, and Books	8,231	8,996	(765)
Community Activity	4,300	7,084	(2,784)
Total Administration	<u>513,664</u>	<u>560,533</u>	<u>(46,869)</u>
Police:			
Salaries and Wages	567,749	553,184	14,565
Employee Benefits	265,897	261,055	4,842
Vehicle Expenditures	75,148	67,852	7,296
Facilities	17,784	17,080	704
Equipment and Supplies	35,208	42,908	(7,700)
Outside Vendors	11,607	6,775	4,832
Dues, Meetings, and Books	6,550	5,735	815
Community Activity	4,000	3,957	43
Total Police	<u>983,943</u>	<u>958,546</u>	<u>25,397</u>
Municipal Court:			
Salaries and Wages	75,744	76,088	(344)
Employee Benefits	22,242	23,125	(883)
Facilities	960	1,043	(83)
Equipment and Supplies	1,750	790	960
Outside Vendors	3,812	3,849	(37)
Dues, Meetings, and Books	2,075	2,153	(78)
Community Activity	-	495	(495)
Total Municipal Court	<u>106,583</u>	<u>107,543</u>	<u>(960)</u>
Streets:			
Salaries	138,506	133,914	4,592
Employee Benefits	57,003	56,316	687
Vehicle Expenditures	38,362	45,101	(6,739)
Facilities	140,080	122,643	17,437
Equipment and Supplies	7,000	5,814	1,186
Outside Vendors	219,736	230,702	(10,966)
Dues, Meetings, and Books	250	165	85
Community Activity	111,000	109,850	1,150
Total Streets	<u>\$ 711,937</u>	<u>704,505</u>	<u>\$ 7,432</u>

(Continued)

TOWN OF LYMAN, SOUTH CAROLINA

SCHEDULE OF FUND EXPENDITURES - REVISED BUDGET AND ACTUAL  
GENERAL FUND

YEAR ENDED JUNE 30, 2020

	<b>REVISED BUDGET</b>	<b>ACTUAL</b>	<b>VARIANCE</b>
Events:			
Employee Benefits	\$ 4,132	3,691	\$ 441
Facilities	23,390	25,639	(2,249)
Equipment and Supplies	2,950	4,692	(1,742)
Outside Vendors	24,080	14,197	9,883
Total Events	<u>55,552</u>	<u>48,219</u>	<u>7,333</u>
Parks and Recreation:			
Equipment and Supplies	-	1,500	(1,500)
Community Activity	46,280	68,856	(22,576)
Total Parks and Recreation	<u>70,280</u>	<u>70,356</u>	<u>(76)</u>
Victims' Assistance:			
Salaries and Wages	52,510	52,914	(404)
Employee Benefits	25,736	26,823	(1,087)
Vehicle Expenditures	2,852	1,587	1,265
Facilities	1,280	680	600
Outside Vendors	599	527	72
Dues, Meetings, and Books	3,500	1,709	1,791
Total Victims' Assistance	<u>86,477</u>	<u>84,240</u>	<u>2,237</u>
Total Current Expenditures	<u>2,528,436</u>	<u>2,533,942</u>	<u>(5,506)</u>
Capital Outlay	<u>288,814</u>	<u>342,860</u>	<u>(54,046)</u>
<b>TOTAL EXPENDITURES</b>	<b><u>\$ 2,817,250</u></b>	<b><u>2,876,802</u></b>	<b><u>\$ (59,552)</u></b>

TOWN OF LYMAN, SOUTH CAROLINA

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

YEAR ENDED JUNE 30, 2020

FOR THE STATE TREASURER'S OFFICE:

COUNTY / MUNICIPAL FUNDS COLLECTED BY CLERK OF COURT	General Sessions	Magistrate Court	Municipal Court	Total
<b>Court Fines and Assessments:</b>				
Court fines and assessments collected			\$ 300,452	\$ 300,452
Court fines and assessments remitted to State Treasurer			(169,844)	(169,844)
<b>Total Court Fines and Assessments retained</b>			<b>130,608</b>	<b>130,608</b>
<b>Surcharges and Assessments retained for victim services:</b>				
Surcharges collected and retained			4,030	4,030
Assessments retained			15,344	15,344
<b>Total Surcharges and Assessments retained for victim services</b>			<b>\$ 19,374</b>	<b>\$ 19,374</b>

FOR THE DEPARTMENT OF CRIME VICTIM COMPENSATION (DCVC)

VICTIM SERVICE FUNDS COLLECTED	Municipal	County	Total
Carryforward from Previous Year – Beginning Balance	\$ 4,273		\$ 4,273
<b>Victim Service Revenue:</b>			
Victim Service Fines Retained by City/County Treasurer			
Victim Service Assessments Retained by City/County Treasurer	15,344		15,344
Victim Service Surcharges Retained by City/County Treasurer	4,030		4,030
Interest Earned			
Grant Funds Received			
Grant from: South Carolina Attorney General	62,685		62,685
General Funds Transferred to Victim Service Fund			
<b>Contribution Received from Victim Service Contracts:</b>			
(1) Town of			
(2) Town of			
(3) City of			
<b>Total Funds Allocated to Victim Service Fund + Beginning Balance (A)</b>	<b>\$ 86,332</b>		<b>\$ 86,332</b>
<b>Expenditures for Victim Service Program:</b>	<b>Municipal</b>	<b>County</b>	<b>Total</b>
Salaries and Benefits	\$ 52,914		\$ 52,914
Operating Expenditures	31,326		31,326
<b>Victim Service Contract(s):</b>			
(1) Entity's Name			
(2) Entity's Name			
<b>Victim Service Donation(s):</b>			
(1) Domestic Violence Shelter:			
(2) Rape Crisis Center:			
(3) Other local direct crime victims service agency:			
Transferred to General Fund			
<b>Total Expenditures from Victim Service Fund/Program (B)</b>	<b>84,240</b>		<b>84,240</b>
Total Victim Service Funds Retained by Municipal/County Treasurer (A-B)	2,092		2,092
Less: Prior Year Fund Deficit Repayment			
<b>Carryforward Funds – End of Year</b>	<b>\$ 2,092</b>		<b>\$ 2,092</b>



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

**INDEPENDENT AUDITOR'S REPORT**

The Honorable Mayor and Members of Town Council  
Town of Lyman, South Carolina

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Lyman, South Carolina (the "Town"), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated July 15, 2021.

**Internal Control Over Financial Reporting**

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

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

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses as items 2020-001 and 2020-002 to be material weaknesses.

*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 deficiency described in the accompanying schedule of findings and responses as item 2020-003 to be a significant deficiency.

## **Compliance and Other Matters**

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

## **Town's Responses to the Findings**

The Town's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The Town's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

## **Purpose of this Report**

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

A handwritten signature in cursive script that reads "Greene Finney, LLP".

Greene Finney, LLP  
Mauldin, South Carolina  
July 15, 2021

**TOWN OF LYMAN, SOUTH CAROLINA**

**SCHEDULE OF FINDINGS AND RESPONSES**

**YEAR ENDED JUNE 30, 2020**

---

**2020-001: CUTOFF OF RECEIVABLES**

**Condition:** The Town inadvertently failed to accrue receivables for approximately \$95,000 that were received subsequent to year end that should have been recorded as revenues and receivables for the year ended June 30, 2020 (“2020”). These items were appropriately recorded when brought to the Town’s attention.

**Criteria:** The Town should record transactions in accordance with generally accepted accounting principles and should have adequate internal controls in place that would prevent or detect material misstatements from the day-to-day transactions all the way to the reporting of those transactions in the annual financial statements. It should have appropriate internal controls in place to ensure that all transactions are recorded in the appropriate period in a timely manner.

**Context, Cause and Effect:** Due to the health crisis, the Municipal Association of South Carolina (“MASC”) delayed payment requirements from businesses for insurance taxes. These collections were generally received by the MASC and remitted to the Town before June 30th in preceding years. For the current year, the MASC received significant tax collections in June/July 2020, that were not remitted to the Town until August/September 2020. Approximately \$79,000 of the missed accrual was related to the insurance taxes and, due to the unusual delay, the Town did not realize these cash receipts were related to 2020. The remaining approximately \$16,000 was related to the MASC broker’s tax collection program, and the Town just inadvertently missed this accrual in 2020.

**Recommendation:** The Town should expand its procedures at the end of the year to ensure that cutoff is complete and that all transactions have been recorded to the appropriate accounting period. Reports should be run out of the accounting system (or bank statements subsequent to year end should be reviewed) to make sure that items haven’t been missed.

**Response:** The Town agrees with the audit recommendations and the addition of a Staff Accountant will assist us in this area.

---

**2020-002: CAPITAL ASSET ACTIVITY**

**Condition:** We noted several items in capital assets that need to be addressed. The following issues were noted in our review and testing of capital assets:

- The Town capitalized two items that are below the Town's capitalization threshold of \$5,000.
- The Town does not perform a regular inventory of its capital assets to ensure that all assets are correctly recorded and still in use.
- The Town does not dispose of its police vehicles once they are sold. The Town has had issues tracking them in the capital asset system due to their descriptions in the system not being specific.
- We discovered approximately \$3,200,000 million in capital asset additions that had not been added to the capital asset listing during the year ended June 30, 2020. Approximately \$2,939,000 of these additions were donated pump stations and sewer lines that the Town had accepted from new developments.

**TOWN OF LYMAN, SOUTH CAROLINA**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**YEAR ENDED JUNE 30, 2020**

---

**2020-002: CAPITAL ASSET ACTIVITY (CONTINUED)**

**Condition (Continued):**

- During the audit, the Town discovered that several pump stations that had been acquired in prior years were not listed in the Wastewater capital asset listing and were not recorded in the general ledger, and a prior period adjustment had to be made for approximately \$1,755,000 to add these pump stations.

**Criteria:** The Town should record transactions in accordance with generally accepted accounting principles and should have proper controls and review in place to ensure that capital assets are being tracked and recorded correctly.

**Context, Cause and Effect:** If capital assets are not properly reviewed and recorded, there is risk of material misstatement as assets and expenses could be misstated on the government-wide and enterprise fund statements. Due to limited time, resources, and staff, the Town is unable to always keep track of its capital assets. Further, the Town was unaware until 2020 that it had been accepting donated infrastructure from new developments.

**Recommendation:** In light of the above conditions, we recommend that the Town implement the following procedures to ensure that capital assets are properly tracked and recorded in the general ledger (for the enterprise fund) and capital asset system:

- We recommend that the Town remain consistent with its capitalization threshold policy and only capitalize items (or groups of items) that are over their threshold. If the Town wants to track inventory items (i.e. items that are less than the capitalization threshold), the Town could maintain a separate schedule or else put these as "non-depreciable" assets in the capital asset system.
- We recommend that an inventory of capital assets (particularly the wastewater infrastructure assets) be completed at least annually in order to best track assets and to ensure that the Town has an accurate representation of all assets still owned and in use. The listing could be sent to department heads to review.
- We recommend that when an asset is sold or disposed, it be removed from the capital asset listing and the general ledger (for the enterprise fund). We recommend that the Town start using each vehicle's VIN number to identify the vehicle in the capital asset system in order to easily identify each vehicle.
- We recommend that the Town review all purchases (including repairs and maintenance items) to determine if they should be capitalized. We also recommend that the Town formally approve (i.e. Town Council) and retain documentation for any donated assets.

**Response:** The Town agrees with the audit recommendations, and Town Council is approving all donations prior to acceptance as an agenda item.

---

**2020-003: LACK OF SEGREGATION OF DUTIES**

**Condition:** In large part due to the Town's limited staff, the Town does not have adequate segregation of duties over its general accounting processes (i.e. accounts payable, payroll, journal entries, etc.). Many accounting and financial responsibilities are handled by the Town Administrator, and there is a lack of review and approval and/or evidence of review and approval. However, the Town has made significant improvements in this area with the addition of a staff accountant.

**TOWN OF LYMAN, SOUTH CAROLINA**

**SCHEDULE OF FINDINGS AND RESPONSES**

**YEAR ENDED JUNE 30, 2020**

---

**2020-003: LACK OF SEGREGATION OF DUTIES (CONTINUED):**

**Criteria:** Adequate segregation of accounting duties should be in place that provides reasonable assurance for the prevention or early detection of fraud or error. Further, there should be adequate review and approval of transactions and processes and documented evidence of that review.

**Context, Cause and Effect:** Because of the lack of segregation of duties and review/approval (or evidence thereof), there is a higher risk that material misstatements (due to error or fraud) in the financial statements will go undetected. This lack of segregation of duties and review is primarily due to the limited time, staff, and resources of the Town.

**Recommendation:** We recommend that the Town continue improving its internal controls over its general accounting processes by continuing to separate roles to ensure that more than one individual is responsible or a part of each process. This could be accomplished by continuing to delegate tasks to (a) another employee at the Town, (b) a Council member, or (c) a hired outside accountant/consultant to provide these checks and balances. Further, we recommend that the Town ensure that transactions and processes be properly reviewed and approved and that there is proper evidence of this review.

**Response:** The Town acknowledges that there is a lack of segregation of duties. The Town has hired a full-time accountant who started on March 1, 2020, which should help with segregation of duties.