

LAKE CITY BOROUGH

Annual Audit & Financial Statements

For the Year Ended December 31, 2021



Buseck · Barger · Bleil & Co. Inc.

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MEMBERS
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INDEPENDENT AUDITOR'S REPORT

Members of Council of the Borough of Lake City, Pennsylvania
Borough of Lake City, Commonwealth of Pennsylvania

Adverse Opinion on U.S. Generally Accepted Accounting Principles

We have audited the accompanying financial statements of the general fund, special revenue funds, enterprise funds, and trust and agency funds, included in the Department of Community and Economic Development's (DCED) prescribed form, of the Borough of Lake City, Pennsylvania, as of and for the year ended December 31, 2021, which collectively comprise the basic financial statements as shown in the DCED prescribed form.

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles" paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Borough of Lake City, Pennsylvania, as of December 31, 2021, or the changes in its financial position for the year then ended.

Opinion on Cash Basis of Accounting Used to Prepare the DCED Prescribed Form

In our opinion, the financial statements included in the prescribed form referred to above present fairly, in all material respects, the respective assets, liabilities, and fund balances of the general fund, special revenue funds, enterprise funds, and trust and agency funds, of the Borough of Lake City, Pennsylvania, as of December 31, 2021 and its revenues and expenditures for the year then ended, on the basis of accounting described in the first paragraph under the "Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles" heading.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described below, the Borough prepared these financial statements included in DCED's prescribed form using the cash basis of accounting that is permitted by the Pennsylvania Department of Community and Economic Development, Governor's Center for Local Government Services, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statements of the variances between the cash basis of accounting and accounting principles generally accepted in the United States of America are that fixed assets, improvements and infrastructure assets are not capitalized; instead, capital acquisitions and construction are reflected as expenditures. Long-term debt is not recognized as liabilities under the cash basis. When the proceeds of the debt are received, they are recorded as revenues and other financing sources. As the debt and expenses are paid, the principal payments are recorded as expenditures.

Also, the DCED prescribed format does not include a management's discussion and analysis and a budget versus actual report that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not 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. Our opinion on the basic financial statements is not affected by this missing information.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements included in DCED's prescribed form in accordance with the cash basis of accounting, which is permitted by the Pennsylvania Department of Community and Economic Development, Governor's Center for Local Government Services as described in section entitled "Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles". This includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements included in the DCED's prescribed format as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is high than one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error and design and perform audit procedures responsive to those risks. Such

procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Borough's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Borough's ability to continue as a going concern for a reasonable period of time.

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

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The DCED required accompanying financial schedules listed as the "Debt Statement" and the "Statement of Capital Expenditures" is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Restriction on Use

This report is intended solely for the information and use of the governing body and management of the Borough of Lake City, Pennsylvania, and for filing with the Pennsylvania Department of Community and Economic Development and the Erie County Prothonotary and is not intended to be and should not be used by anyone other than these specified parties.

Buseck, Banger, Bleil & Co. Inc.

Certified Public Accountants
Erie, Pennsylvania

February 13, 2022

**2021 MUNICIPAL ANNUAL AUDIT
AND
FINANCIAL REPORT**

250603 LAKE CITY BOROUGH, ERIE COUNTY

BOROUGH OF LAKE CITY, ERIE COUNTY
BALANCE SHEET
December 31, 2021

	GOVERNMENTAL FUNDS					PROPRIETARY FUNDS			FID. FUND			ACCOUNT GROUPS		TOTAL
	GENERAL FUND	SPECIAL REVENUE (INCLUDING STATE LIQUID FUELS)	CAPITAL PROJECTS	DEBT SERVICE	ENTERPRISE	INTERNAL SERVICE	TRUST AND AGENCY	GENERAL FIXED ASSETS	GENERAL LONG TERM DEBT	MEMORANDUM ONLY				
ASSETS AND OTHER DEBITS														
100-120	1,078,760	53,415			449,936		1,758,984							3,341,095
140-144	104,718													104,718
121-129, 145-149					166,137									166,137
130-00					99,924									99,924
131-139, 150-159	39,324													39,324
160-169					6,721,540									6,721,540
180-189														-
	1,222,802	53,415	-	-	7,437,537	-	1,758,984	-	-	-	-	-	-	10,472,738

LIABILITIES AND OTHER CREDITS														
210-229	9,219				2,367									11,586
200-209, 231-239	33,038				8,932									41,970
230-00					99,924									99,924
260-269					4,211,325									4,211,325
240-259														-
	42,257	-	-	-	4,322,548	-	-	-	-	-	-	-	-	4,364,805

FUND AND ACCOUNT GROUP EQUITY														
281-284														
290-00														
270-289	1,180,545	53,415	-	-	3,114,989	-	1,758,984	-	-	-	-	-	-	6,107,933
291-299														
	1,180,545	53,415	-	-	3,114,989	-	1,758,984	-	-	-	-	-	-	6,107,933

TOTAL LIABILITIES AND FUND AND ACCOUNT EQUITY **10,472,738**

BOROUGH OF LAKE CITY, ERIE COUNTY
STATEMENT OF REVENUES AND EXPENDITURES
December 31, 2021

	GOVERNMENTAL FUNDS					FID. FUND	TOTAL
	GENERAL FUND	SPECIAL REVENUE (INCLUDING STATE LIQUID FUELS)	CAPITAL PROJECTS	DEBT SERVICE	ENTERPRISE		
REVENUES							
TAXES							
301.00	REAL ESTATE TAXES	360,509					360,509
305.00	OCCUPATION TAXES (LEVIED)						-
308.00	RESIDENCE TAXES (LEVIED)						-
309.00	REGIONAL ASSET DISTRICT SALES TAX						-
310.00	PER CAPITA TAXES	6,786					6,786
310.10	REAL ESTATE TRANSFER TAXES	38,306					38,306
310.20	EARNED INCOME TAXES/WAGE TAX	291,466					291,466
310.30	BUSINESS GROSS RECEIPTS TAXES						-
310.40	OCCUPATION TAXES (ACT 511)						-
310.50	LOCAL SERVICES TAX	44,195					44,195
310.60	AMUSEMENT/ADMISSION TAXES						-
310.70	MECHANICAL DEVICE TAX						-
310.90	OTHER:						-
	OTHER:						-
	TOTAL TAXES	741,262	-	-	-	-	741,262

LICENSES AND PERMITS							
320.322	ALL OTHER LICENSES & PERMITS						-
321.80	CABLE TV FRANCHISE FEES	38,062					38,062
	TOTAL LICENSES AND PERMITS	38,062	-	-	-	-	38,062

FINES AND FORFEITS							
330.332	FINES AND FORFEITS	13,271	-	-	-	-	13,271
	TOTAL FINES AND FORFEITS	13,271	-	-	-	-	13,271

	GOVERNMENTAL FUNDS				PROPRIETARY FUNDS		FID. FUND	TOTAL
	GENERAL FUND	SPECIAL REVENUE (INCLUDING STATE LIQUID)	CAPITAL PROJECTS	DEBT SERVICE	ENTERPRISE	INTERNAL SERVICE		
REVENUES								
INTEREST, RENTS, & ROYALTIES								
341.00	651	78			359		189,638	190,726
342.00	3,918							3,918
TOTAL INTEREST, RENTS & ROYALTIES	4,569	78	-	-	359	-	189,638	194,644

FEDERAL	
351.03	HIGHWAYS AND STREETS
351.09	COMMUNITY DEVELOPMENT
351.00	ALL OTHER FEDERAL CAPITAL & OP.
352.01	NATIONAL FOREST
352.00	ALL OTHER FED SHARED REVENUE
353.00	FEDERAL PAYMENTS IN LIEU OF TAX
TOTAL FEDERAL	

STATE	
354.03	HIGHWAYS AND STREETS
354.09	COMMUNITY DEVELOPMENT
354.15	RECYCLING / ACT 101
354.00	ALL OTHER FEDERAL CAPITAL & OP.
355.01	PUBLIC UTILITY REALTY TAX (PURTA)
355.002 -	MOTOR VEHICLE FUEL TAX (LIQUID FUELS TAX)
355.03	AND STATE ROAD TURNBACK
355.04	ALCOHOLIC BEVERAGE LICENSES
355.05	GENERAL MUNICIPAL PENSION SYS.
355.07	FOREIGN FIRE INSURANCE TAX DIST.
355.08	LOCAL SHARE ASSESS/GAMING
355.09	MARCELLUS SHALE IMPACT FREE DIS
355.00	ALL OTHER STATE SHARED REVENUE
356.00	STATE PAYMENTS IN LIEU OF TAXES
TOTAL STATE	

REVENUES	GOVERNMENTAL FUNDS					PROPRIETARY FUNDS		FID. FUND	TOTAL
	GENERAL FUND	SPECIAL REVENUE (INCLUDING STATE LIQUID)	CAPITAL PROJECTS	DEBT SERVICE	ENTERPRISE	INTERNAL SERVICE			
UNCLASSIFIED OPERATING REVENUES									
383.00 SPECIAL ASSESSMENTS									-
386.00 ESCHEATS (SALE OF PERSONAL PROP)									-
387.00 CONTR. & DONATIONS - PRIVATE									-
388.00 FID. FUND PENSION CONTRIB.						85,451			85,451
389.00 ALL OTHER UNCLASSIFIED OP. REV.	1,253				980				2,233
TOTAL UNCLASSIFIED OP. REVENUES	1,253	-	-	-	980	-	85,451		87,684

OTHER FINANCING SOURCES									
391.00 PROCEEDS OF GEN. FIXED ASSET DISP					4,200				4,200
392.00 INTERFUND OPERATING TRANSFERS	374,669				1,183				375,852
393.00 PROCEEDS OF GENERAL LTD									-
394.00 PROCEEDS OF SHORT TERM DEBT									-
395.00 REFUNDS OF PRIOR YEAR EXP.	9,044				21,762				30,806
TOTAL OTHER FINANCING SOURCES	383,713	-	-	-	27,145	-	-	-	410,858

TOTAL REVENUES	1,443,573	93,913	-	-	844,736	-	275,089		2,657,311
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EXPENDITURES

GENERAL GOVERNMENT									
400.00 LEGISLATIVE (GOVERNING) BODY	62,629								62,629
401.00 EXECUTIVE (MANAGER OR MAYOR)									-
402.00 AUDITING SERVICES/FINANCIAL									-
403.00 TAX COLLECTION	14,523								14,523
404.00 SOLICITOR/LEGAL SERVICES									-
405.00 SECRETARY/CLERK									-
406.00 OTHER GENERAL GOV'T ADMIN	93,968						15,539		109,507
407.00 IT-NETWORKING SERVICES									-
408.00 ENGINEERING SERVICES									-
409.00 GENERAL GOV'T BUILDINGS & PLANT	13,917								13,917
TOTAL GENERAL GOVERNMENT	185,037	-	-	-	-	-	15,539		200,576

	GOVERNMENTAL FUNDS							TOTAL
	GENERAL FUND	SPECIAL REVENUE (INCLUDING STATE LIQUID)	CAPITAL PROJECTS	DEBT SERVICE	PROPRIETARY FUNDS		TRUST AND AGENCY	
					ENTERPRISE	INTERNAL SERVICE		
EXPENDITURES								
PUBLIC SAFETY								
410.00	POLICE	310,044						310,044
411.00	FIRE	33,279						33,279
412.00	AMBULANCE/RESCUE							-
413.00	UCC AND CODE FORCE							-
414.00	PLANNING AND ZONING	2,820						2,820
415.00	EMERGENCY MGMT & COMM.							-
416.00	MILITIA AND AMMO							-
417.00	EXAMINATION OF LIC. OCCUPAT.							-
418.00	PUBLIC SCALES (WEIGHTS/MEAS)							-
419.00	OTHER PUBLIC SAFETY							-
	TOTAL PUBLIC SAFETY	346,143	-	-	-	-	-	346,143

HEALTH & HUMAN SERVICES								
420.00 -	HEALTH AND HUMAN SERVICES							-
425.00								-
	TOTAL HEALTH & HUMAN SERVICES	-	-	-	-	-	-	-

PUBLIC WORKS - SANITATION								
426.00	RECYCLING COLLECTION & DISPOSAL							-
427.00	SOLID WASTE COLLECTION AND DISP							-
428.00	WEED CONTROL							-
429.00	WASTEWATER/SEWAGE TREATMENT			668,228				668,228
	TOTAL PUBLIC WORKS - SANITATION	-	-	668,228	-	-	-	668,228

EXPENDITURES	GOVERNMENTAL FUNDS							TOTAL
	GENERAL FUND	SPECIAL REVENUE (INCLUDING STATE LIQUID)	CAPITAL PROJECTS	DEBT SERVICE	PROPRIETARY FUNDS		TRUST AND AGENCY	
					ENTERPRISE	INTERNAL SERVICE		
PUBLIC WORKS - HIGHWAYS AND STREETS								
430.00 GENERAL SERVICES - ADMIN	115,826							115,826
431.00 CLEANING OF STREETS/GUTTERS								-
432.00 WINTER MAINT. - SNOW REMOVAL	7,630							7,630
433.00 TRAFFIC CONTROL DEVICES	1,189							1,189
434.00 STREET LIGHTING	39,794							39,794
435.00 SIDEWALKS AND CROSSWALKS	20							20
436.00 STORM SEWERS AND DRAINS	64							64
437.00 REPAIRS OF TOOLS AND MACHINERY								-
438.00 MAINT. & REP OF ROADS/BRIDGES	237,474							237,474
439.00 HIGHWAY CONSTRUCTION AND REBUILDING								-
TOTAL PUBLIC WORKS - HIGHWAYS & STREETS	401,997	-	-	-	-	-	-	401,997

OTHER PUBLIC WORKS ENTERPRISES		TOTAL	
440.00 AIRPORTS			-
441.00 CEMETERIES			-
442.00 ELECTRIC SYSTEM			-
443.00 GAS SYSTEM			-
444.00 MARKETS			-
445.00 PARKING			-
446.00 STORM WATER AND FLOOR CONTROL			-
447.00 TRANSIT SYSTEM	1,500		1,500
448.00 WATER SYSTEM		109,255	109,255
449.00 WATER TRANSPORT AND TERMINALS		30,279	30,279
TOTAL OTHER PUBLIC WORK ENTERPRISES	1,500	139,534	141,034

EXPENDITURES	GOVERNMENTAL FUNDS						TOTAL
	GENERAL FUND	SPECIAL REVENUE (INCLUDING STATE LIQUID)	CAPITAL PROJECTS	DEBT SERVICE	PROPRIETARY FUNDS		
					ENTERPRISE	INTERNAL SERVICE	
FID. FUND		TRUST AND AGENCY		MEMORANDUM ONLY			
CULTURE AND RECREATION							
451.00	CULTURE - REC. ADMINISTRATION						-
452.00	PARTICIPANT RECREATION	1,200					1,200
453.00	SPECTATOR RECREATION						-
454.00	PARKS						-
455.00	SHADE TREES						-
456.00	LIBRARIES	1,000					1,000
457.00	CIVIL AND MILITARY CELEBRATIONS						-
458.00	SENIOR CITIZENS' CENTERS						-
459.00	ALL OTHER CULTURE AND RECREATION	222					222
	TOTAL CULTURE AND RECREATION	2,422	-	-	-	-	2,422

COMMUNITY DEVELOPMENT							
461.00	CONSERVATION OF NATURAL RESOURCES						-
462.00	COMMUNITY DEVELOPMENT & HOUSING						-
463.00	ECONOMIC DEVELOPMENT						-
464.00	ECONOMIC OPPORTUNITY						-
465.469	ALL OTHER COMMUNITY DEVELOPMENT						-
	TOTAL COMMUNITY DEVELOPMENT	-	-	-	-	-	-

DEBT SERVICE							
471.00	DEBT PRINCIPAL (SHORT & LONG TERM)						-
472.00	DEBT INTEREST (SHORT & LONG TERM)			43,840			43,840
475.00	FISCAL AGENT FEES						-
	TOTAL DEBT SERVICE	-	-	43,840	-	-	43,840

EXPENDITURES	GOVERNMENTAL FUNDS							TOTAL
	GENERAL FUND	SPECIAL REVENUE (INCLUDING STATE LIQUID)	CAPITAL PROJECTS	DEBT SERVICE	PROPRIETARY FUNDS		FID. FUND	
					ENTERPRISE	INTERNAL SERVICE		
EMPLOYER PAID BENEFITS & WITHHOLDING								
481.00 EMPLOYER PAID W/H TAXES & UNEMP COMP	49,183							49,183
482.00 JUDGEMENTS AND LOSSES								-
483.00 PENSION/RETIREMENT FUND CONTRIB.	63,611					51,961		115,572
484.00 WORKER COMPENSATION INSURANCE	10,866							10,866
487.00 OTHER GROUP INSURANCE BENEFITS	75,519							75,519
TOTAL EMPLOYER PAID BENE. & WITHHOLDING	199,179	-	-	-	-	51,961		251,140

INSURANCE	
484.00 INSURANCE, CASUALTY, AND SURETY	18,143
TOTAL INSURANCE	18,143

UNCLASSIFIED OPERATING EXPENDITURES	
488.00 FID. FUND BENEFITS/REFUNDS PAID	-
489.00 ALL OTHER UNCLASSIFIED EXPENSES	3,569
TOTAL UNCLASSIFIED OP. EXPENDITURES	3,569

OTHER FINANCING USES	
491.00 REFUND OF PRIOR YEAR REVENUES	904
492.00 INTERFUND OPERATING TRANSFERS	72,112
493.00 ALL OTHER FINANCING USES	236,116
TOTAL OTHER FINANCING USES	309,132

TOTAL EXPENDITURES	1,231,006	236,116	-	919,308	-	67,500	2,453,930
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EXCESS/DEFICIT OF REVENUES OVER EXPENDITURES	212,567	(142,203)	-	(74,572)	-	207,589	203,381
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**BOROUGH OF LAKE CITY, ERIE COUNTY
DECEMBER 31, 2021**

DEBT STATEMENT

OUTSTANDING BONDS AND NOTES

Listed below are all currently outstanding bond and note issues according to our files, excluding bond issues redeemed or refunded and defeased. Please show the principal payments and make any other necessary corrections and additions.

Purpose	Bond (B) Capital Lease (C), Lease Rental (L), Note (N)	Issue Year (yyyy)	Maturity Year (yyyy)	Original Amount of Issue	Outstanding Beginning of Year (1)	Principal Incurred this Year	Principal Paid this Year	Current Year Accretion on Compound Int. Bond	Outstanding at Year End (1)	Plus (less) Unamortized Premium (Discount)
GENERAL OBLIGATION BONDS AND NOTES										
Redevelopment Authority Loan	N	2016	2021	125,000	13,322	-	43,322	-	-	-
REVENUE BONDS AND NOTES										
LEASE RENTAL DEBT										
Pennvest Loan MS #71105	N	2000	2020	605,000	31,657	-	31,657	-	-	-
Pennvest Loan MS #71105	N	2018	2019	4,315,018	4,428,948	-	217,623	-	4,211,325	-
OTHER										

(1) excludes unamortized premium/discount

Total bonds and notes outstanding

Capitalized lease obligations

Net debt

4,211,325
\$ 4,211,325

BOROUGH OF LAKE CITY, ERIE COUNTY
STATEMENT OF CAPITAL EXPENDITURES
DECEMBER 31, 2021

Category	Capital Purchases	Capital Construction	Total
Community Development			-
Electric			-
Fire			-
Gas System			-
General Government			-
Health			-
Housing			-
Libraries			-
Mass Transit			-
Parks			-
Police			-
Recreation			-
Sewer	44,978		44,978
Solid Waste			-
Streets/Highways		237,474	237,474
Water		93,968	93,968
Other: _____			-
TOTAL CAPITAL EXPENDITURES	44,978	331,442	376,420

EMPLOYEE COMPENSATION

Total salaries, wages, commissions, etc. paid this year (including all employees and elected officials)

587,432