

CITY OF LAMAR, SOUTH CAROLINA

**BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTAL SCHEDULES**

Year Ended June 30, 2018

TABLE OF CONTENTS

	Page
Independent Auditors' Report	2
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	5
Statement of Activities	6
Fund Financial Statements:	
Governmental Fund:	
Balance Sheet	7
Statement of Revenues, Expenditures and Changes in Fund Balances	8
Statement of Revenues, Expenditures and Changes in Fund Balances- Budget and Actual-General Fund	10
Proprietary Fund:	
Statement of Net Position	11
Statement of Revenues, Expenses and Changes in Fund Net Position	12
Statement of Cash Flows	13
Notes to the Basic Financial Statements	14
Required Supplementary Information:	
Pension Plan Schedules:	
Schedule of the City's Proportionate Share of the Net Pension Liability - South Carolina Police Officer Retirement System	29
Schedule of the City's Contributions - South Carolina Police Officer Retirement System	30
Supplementary Schedules:	
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund	31
Compliance Section	
Independent Auditors' 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>	33
Schedule of Findings and Responses	35
Schedule of Prior Year Findings	36
Schedule of Fines, Assessments, and Surcharges	37

Phillips, Currin & Company, CPA's, LLC

300 West Home Avenue, Hartsville, South Carolina 29550, Tele (843) 332-3585 Fax (843)383-8829

INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor
and members of City Council
City of Lamar, South Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lamar, South Carolina, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City of Lamar, South Carolina'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 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.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Lamar, South Carolina, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, the Schedule of the Commissions Proportionate Share of the Net Pension Liability – South Carolina Retirement System, and the Schedule of the Commission's Contributions – South Carolina Retirement System 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 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.

Management has omitted the management's discussion and analysis 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 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Lamar, South Carolina's basic financial statements. The schedule of police fines and the detailed budget for general fund are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of police fines and the detailed budget for general fund are the responsibility of management and were derived from and related 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 schedule of police fines and the detailed budget for general fund are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 27, 2020, on our consideration of the City of Lamar, South Carolina's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Lamar, South Carolina's internal control over financial reporting and compliance.

Phillips, Curran & Company, CPAs, LLC

Hartsville, South Carolina
May 27, 2020

City of Lamar, South Carolina
STATEMENT OF NET POSITION
June 30, 2018

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash	\$ 195,409	\$ 60,955	\$ 256,364
Accounts receivable (net of allowance)	2,193	24,913	27,106
Taxes receivable (net of allowance)	17,174	-	17,174
Local option sales tax receivable	11,106	-	11,106
Notes receivable	6,384	-	6,384
Assets held for resale	50,000	-	50,000
Capital assets (net of accumulated depreciation)	446,140	1,522,703	1,968,843
Total Assets	<u>728,406</u>	<u>1,608,571</u>	<u>2,336,977</u>
DEFERRED OUTFLOWS OR RESOURCES			
Deferred pension charges	48,742	-	48,742
LIABILITIES			
Accounts payable	20,758	14,901	35,659
Accrued liabilities	6,731	-	6,731
Note payable - current portion	51,896	-	51,896
Deferred income	-	33,639	33,639
Customer deposit	-	36,809	36,809
Net pension liability	219,302	-	219,302
Total Liabilities	<u>298,687</u>	<u>85,349</u>	<u>384,036</u>
DEFERRED INFLOWS OR RESOURCES			
Deferred inflows related to net pension liability	52,714	-	52,714
NET POSITION			
Invested in capital assets, net of related debt	446,140	1,522,703	1,968,843
Unrestricted	(20,393)	519	(19,874)
Total Net Position	<u>\$ 425,747</u>	<u>\$ 1,523,222</u>	<u>\$ 1,948,969</u>

The notes to the financial statements are an integral part of this statement.

City of Lamar, South Carolina
STATEMENT OF ACTIVITIES
Year Ended June 30, 2018

Functions/Programs	Program Revenues				Net (Expense) Revenue and Change in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- type Activities	Total
Governmental activities:							
General government	\$ 226,725	\$ 48,461	\$ 11,773	\$ -	\$ (166,491)	\$ -	\$ (166,491)
Public safety	238,848	995	-	-	(237,853)	-	(237,853)
Total Governmental Activities	<u>465,573</u>	<u>49,456</u>	<u>11,773</u>	<u>-</u>	<u>(404,344)</u>	<u>-</u>	<u>(404,344)</u>
Business-type activities:							
Water and sewer	388,628	295,782	-	96,157	-	3,311	3,311
Total Business-type Activities	<u>388,628</u>	<u>295,782</u>	<u>-</u>	<u>96,157</u>	<u>-</u>	<u>3,311</u>	<u>3,311</u>
Total Government	<u>\$ 854,201</u>	<u>\$ 345,238</u>	<u>\$ 11,773</u>	<u>\$ 96,157</u>	<u>(404,344)</u>	<u>3,311</u>	<u>(401,033)</u>
General revenue:							
Property taxes					28,084	-	28,084
Other taxes					231,999	-	231,999
Licenses and permits					8,373	-	8,373
Franchise taxes					66,025	-	66,025
Rents					2,250	-	2,250
Interest income					4	-	4
Miscellaneous					3,941	3,500	7,441
Transfers:					(21,731)	21,731	-
Total general revenue and transfers					<u>318,945</u>	<u>25,231</u>	<u>344,176</u>
Change in net assets					<u>(85,399)</u>	<u>28,542</u>	<u>(56,857)</u>
Net position - beginning					511,146	1,494,680	2,005,826
Net position - ending					<u>\$ 425,747</u>	<u>\$ 1,523,222</u>	<u>\$ 1,948,969</u>

The notes to the financial statements are an integral part of this statement.

City of Lamar, South Carolina
BALANCE SHEET
GOVERNMENTAL FUND
June 30, 2018

	<u>General</u>	<u>Total Governmental Funds</u>
ASSETS		
Cash	\$ 195,409	\$ 195,409
Receivables (net of allowance):		
Sanitation receivable	2,193	2,193
Taxes receivable	3,373	3,373
Local option sales tax receivable	11,106	11,106
Notes receivable	6,384	6,384
Total Assets	<u>\$ 218,465</u>	<u>\$ 218,465</u>
LIABILITIES		
Accounts payable	\$ 20,758	\$ 20,758
Accrued liabilities	6,731	6,731
Total Liabilities	<u>27,489</u>	<u>27,489</u>
FUND BALANCES		
Unassigned	190,976	190,976
Total Fund Balances	<u>190,976</u>	<u>190,976</u>
Total Liabilities and Fund Balances	<u>\$ 218,465</u>	

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets used in government activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation of \$642,815	446,140
Land held for investment	50,000
Other long-term assets are not available to pay current expenditures and deferred revenue in the funds	
Long-term accounts receivable - property tax	13,801
The proportionate share of the net pension liability, deferred outflows of resources, and deferred inflows of resources related to its participation in the state pension plans are not recorded in the governmental funds but are recorded in the statement of net position	(223,274)
Other liabilities are not due and payable currently and therefore not reported in the funds	
Note payable	(51,896)
	<u>\$ 425,747</u>

The notes to the financial statements are an integral part of this statement.

City of Lamar, South Carolina
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
GENERAL FUND
Year Ended June 30, 2018

	General Fund	Total Governmental Fund
REVENUES		
Property taxes	\$ 28,084	\$ 28,084
Other taxes	242,899	242,899
Franchise fees	66,025	66,025
Licenses and permits	8,373	8,373
Charges for services	48,461	48,461
Fines and forfeitures	995	995
Rents	2,250	2,250
Contributions and donations	11,773	11,773
Interest	4	4
Miscellaneous	3,941	3,941
Total Revenues	<u>412,805</u>	<u>412,805</u>
EXPENDITURES		
General government	175,113	175,113
Public safety	232,439	232,439
Debt service		
Principal	6,232	6,232
Interest	3,645	3,645
Capital outlay		
General government	10,773	10,773
Total Expenditures	<u>428,202</u>	<u>428,202</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(15,397)</u>	<u>(15,397)</u>
OTHER FINANCING SOURCES (USES)		
Proceeds from debt	15,000	15,000
Transfer to proprietary fund	(21,731)	(21,731)
Total other financing sources and uses	<u>(6,731)</u>	<u>(6,731)</u>
Net change in fund balance	(22,128)	(22,128)
Fund balance - beginning	<u>213,104</u>	<u>213,104</u>
Fund balance - ending	<u>\$ 190,976</u>	<u>\$ 190,976</u>

The notes to the financial statements are an integral part of this statement.

City of Lamar, South Carolina
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
GENERAL FUND
Year Ended June 30, 2018

Reconciliation of the change in fund balances - total governmental funds to the change in net assets of governmental activities

Net change in fund balance - total governmental funds \$ (22,128)

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

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate expenditures over the life of the assets:

Capital assets purchased	10,773
Depreciation	(47,967)
	(37,194)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenue in the funds:

Long-term receivable - property tax	4,242
Long-term receivable - other tax	(15,142)
	(10,900)

Change in the proportionate share of the net pension liability, deferred outflows of resources, and deferred inflows of resources for the current year are not reported in the governmental funds but are recorded in the statement of activities:	(6,409)
--	---------

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets:

Principal payments on debt	6,232
----------------------------	-------

Proceeds from debt are a source of funds in the governmental funds, but the proceeds increase liabilities in the Statement of Net Assets:	(15,000)
---	----------

Change in Net Assets of Governmental Activities	\$ (85,399)
---	-------------

The notes to the financial statements are an integral part of this statement.

City of Lamar, South Carolina
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
Year Ended June 30, 2018

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Property taxes	\$ 40,968	\$ 40,968	\$ 28,084	\$ (12,884)
Other taxes	160,904	160,904	242,899	81,995
Franchise fees	68,500	68,500	66,025	(2,475)
Licenses and permits	88,500	88,500	8,373	(80,127)
Charges for services	25,965	25,965	48,461	22,496
Fines and forfeitures	2,500	2,500	995	(1,505)
Rents	2,400	2,400	2,250	(150)
Contributions and donations	-	-	11,773	11,773
Interest	-	-	4	4
Miscellaneous	4,580	4,580	3,941	(639)
Total Revenues	<u>394,317</u>	<u>394,317</u>	<u>412,805</u>	<u>18,488</u>
EXPENDITURES				
General government	107,764	107,764	175,113	(67,349)
Public safety	257,242	257,242	232,439	24,803
Debt service				
Principal	-	-	6,232	(6,232)
Interest	-	-	3,645	(3,645)
Capital outlay				
General government	-	-	10,773	(10,773)
Total Expenditures	<u>365,006</u>	<u>365,006</u>	<u>428,202</u>	<u>(63,196)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>29,311</u>	<u>29,311</u>	<u>(15,397)</u>	<u>(44,708)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from debt	-	-	15,000	15,000
Transfer to proprietary fund	(29,311)	(29,311)	(21,731)	7,580
Total other financing sources and uses	<u>(29,311)</u>	<u>(29,311)</u>	<u>(6,731)</u>	<u>7,580</u>
Net change in fund balance	-	-	(22,128)	(22,128)
Fund balance - beginning	-	-	213,104	213,104
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 190,976</u>	<u>\$ 190,976</u>

The notes to the financial statements are an integral part of this statement.

City of Lamar, South Carolina
STATEMENT OF NET POSITION
PROPRIETARY FUND
 June 30, 2018

	<u>Utility Fund</u>	<u>Total Proprietary Fund</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 60,955	\$ 60,955
Accounts receivable (net of allowance)	24,913	24,913
Total current assets	<u>85,868</u>	<u>85,868</u>
Noncurrent Assets		
Land	81,762	81,762
Capital assets (net of accumulated depreciation)	1,440,941	1,440,941
Total noncurrent assets	<u>1,522,703</u>	<u>1,522,703</u>
Total Assets	<u>1,608,571</u>	<u>1,608,571</u>
LIABILITIES		
Current Liabilities		
Accounts payable	14,901	14,901
Deferred revenue	33,639	33,639
Customer deposits	36,809	36,809
Total current liabilities	<u>85,349</u>	<u>85,349</u>
Total Liabilities	<u>85,349</u>	<u>85,349</u>
NET POSITION		
Invested in capital assets, net of related debt	1,522,703	1,522,703
Unrestricted	519	519
Total Net Position	<u>\$ 1,523,222</u>	<u>\$ 1,523,222</u>

The notes to the financial statements are an integral part of this statement.

City of Lamar, South Carolina
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
FUND NET POSITION
PROPRIETARY FUND
Year Ended June 30, 2018

	<u>Utility Fund</u>	<u>Total Proprietary Fund</u>
Operating Revenues		
Charge for sales and services		
Water and sewer charges	\$ 278,669	\$ 278,669
Water and sewer taps	1,190	1,190
Other fees and charges	850	850
Miscellaneous	15,073	15,073
Total Operating Revenues	<u>295,782</u>	<u>295,782</u>
Operating Expenses		
Depreciation	82,989	82,989
Salaries and taxes	63,940	63,940
Utilities	47,472	47,472
Repairs and maintenance	50,992	50,992
Supplies	16,498	16,498
Water purchases	87,662	87,662
Insurance	6,463	6,463
Permits and fees	4,339	4,339
Professional fees	638	638
Postage	2,770	2,770
Bad debt	7,500	7,500
Bank charge	25	25
Other	17,340	17,340
Total Operating Expenses	<u>388,628</u>	<u>388,628</u>
Net Operating Loss	<u>(92,846)</u>	<u>(92,846)</u>
Net loss before capital grants and transfers	<u>(92,846)</u>	<u>(92,846)</u>
Capital Grants and Transfers		
Grants	96,157	96,157
Disposal of asset	3,500	3,500
Transfer from general fund	21,731	21,731
Total Capital Grants and Transfers	<u>121,388</u>	<u>121,388</u>
Net Loss	28,542	28,542
Net Position - beginning of year	<u>1,494,680</u>	<u>1,494,680</u>
Net Position - end of year	<u>\$ 1,523,222</u>	<u>\$ 1,523,222</u>

The notes to the financial statements are an integral part of this statement.

City of Lamar, South Carolina
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
Year Ended June 30, 2018

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from customers	\$ 292,501
Payments to suppliers	(260,971)
Payments to employees	<u>(63,940)</u>
Net cash provided by operating activities	<u>(32,410)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Operating transfers from other funds	<u>21,731</u>
Net cash provided by noncapital financing activities	<u>21,731</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Capital grants	34,796
Disposal of asset	3,500
Purchase of capital assets	<u>(91,945)</u>
Net cash provided by capital and related financing activities	<u>(53,649)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Net cash provided by investing activities	<u>-</u>
---	----------

Net increase in cash and cash equivalents (64,328)

Balances - beginning of the year 125,283

Balances - end of the year \$ 60,955

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES

Operating loss	\$ (92,846)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	82,989
(Increase) decrease in accounts receivable	(4,706)
Increase (decrease) in accounts payable	(19,272)
Increase (decrease) in customer deposits	<u>1,425</u>
Total adjustments	<u>60,436</u>
Net cash provided by operating activities	<u><u>\$ (32,410)</u></u>

The notes to the financial statements are an integral part of this statement.

**SUPPLEMENTARY SCHEDULES
AND COMPLIANCE INFORMATION**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Lamar operates under the Mayor-Council form of government and offers public safety, streets and sanitation, and general administrative services. The City owns and operates its water and sewer service. The City complies with generally accepted accounting principles (GAAP).

A. Financial Reporting Entity

The financial statements of the City present the financial activities of the City. The criteria used in determining the scope of the reporting entity are based on the provisions of Governmental Accounting Standards Board (GASB) Statement No. 14. The City is the primary government unit. The City has no component units to report.

B. Basis of Presentation

Government-wide Financial Statements:

The statement of net assets and statement of activities displays information about the reporting government as a whole. They include all funds of the reporting entity except fiduciary funds. The statements distinguish between governmental and business - type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenue are reported instead as *general revenues*.

Fund Financial Statements:

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into two major categories: governmental and proprietary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are a least ten percent of the corresponding total for all funds of that category or type; and
- b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least five percent of the corresponding total for all governmental and enterprise funds combined.

The funds of the financial reporting entity are described below:

Governmental Funds

General Fund

The General Fund is the primary operating fund of the City and is always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

Proprietary Fund

Water and Sewer Fund

Enterprise funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector.

Major and Nonmajor Funds

The funds are further classified as major or nonmajor as follows:

Fund	Brief Description
Major:	
General	See above for description
Proprietary Fund:	
Water and Sewer Fund	Accounts for activities associated with providing water and sewer services to the public.

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. Revenues are recognized 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.

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. For this purpose, the government considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Property taxes, interest, and rents associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

D. ASSETS, LIABILITIES, AND EQUITY

Deposits and Investments

The City’s cash and cash equivalents are considered to be cash on hand, demand deposits, and certificates of deposit.

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.” Any residual balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

In the government-wide statements, receivables consist of revenues earned at year-end and not yet received. In the fund financial statements, receivables consist of revenue accruals for property taxes that are expected to be received within sixty days of year-end. Allowances for uncollectibles are based upon historical trends and the periodic aging of receivables.

Prepaid Items

Prepaid items consist of expenditures/expenses that have been paid but benefit future periods. They are recorded as expenditures/expenses as the items are used.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The government defines capital assets as assets with an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical costs if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of capitalized value of the assets constructed.

Property, plant, and equipment of the primary government are depreciated using the straight-line method over the following range of estimated useful lives by asset type:

Equipment	3-10 years
Building	25 years
Sewage System	33 years
Water and Sewer Improvement	39 years

Compensated Absences

Full-time employees accrue one day of sick leave per month up to a total of ten days. Upon termination, all unused sick leave is cancelled with no reimbursement to the employee. Payment of sick leave is charged off at the time of payment and no accrual is made on the City's financial statements for unused sick leave.

Full-time employees earn from one to two weeks vacation per year based on their number of years of service. The City's policy is to not accrue vacation pay in the City's financial statements but to charge to the period in which it is actually paid.

Long-term Debt

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

All long-term debt to be repaid from governmental and business-type resources is reported as liabilities in the government-wide statements.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. Debt proceeds are reported as other financing sources and payments of principle and interest are reported as

expenditures. The accounting for long-term debt of the proprietary fund is the same in the fund statements as it is in the government-wide statements.

Deferred Revenue

Deferred revenues arise when potential revenue does not meet both the measurable and available criteria for recognition in the current period. In subsequent periods, when both revenue recognition criteria are met, the liability for deferred revenue is removed and the revenue is recognized.

Equity Classifications

Government-wide Statements

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

- a. Invested in capital assets, net of related debt – Consists of capital assets net of accumulated depreciation and reduced by outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, constructions, or improvements of those assets.
- b. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

Fund Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as nonspendable, restricted, committed, assigned, or unassigned. Nonspendable fund balance is inherently nonspendable from the vantage point of the current period. Restricted fund balance is subject to externally enforceable legal restrictions. Committed fund balance describes limitations the City imposes upon itself at its highest level of decision making. Assigned fund balance describes the portion that reflects the City’s intended use of resources. The remaining fund balance is classified as unassigned. Proprietary fund equity is classified the same as in the government-wide statements.

E. DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES

In addition to assets, the statement of net position 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 and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has only one item that qualifies for reporting in this category. It is the net difference between expected and actual experience in the pension plan account.

In addition to liabilities, the statement of net position 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 and so will not be recognized as an inflow of resources (revenue) until that time. The City has one item that qualifies for reporting in this category. It is the net difference between projected and actual investment earnings in the pension plan account; the amount is deferred and recognized as an inflow of resources in the period that the amounts become available.

F. REVENUES, EXPENDITURES, AND EXPENSES

Property Tax

According to South Carolina law, *ad valorem* taxes on real and personal property other than motor vehicles are levied on July 1, the beginning of the fiscal year, and are due January 15, after which time penalties accrue. At March 15, delinquent costs also begin to accrue and the County assigns delinquent property taxes into execution for collection.

The County of Darlington has adopted the provisions of State statutes, which allow the collection of a one-percent sales tax on essentially all consumer goods sold at retail in the County. The State collects the revenue and distributes it monthly to the County. By ordinance the County has decreed that all monies received will be used to reduce *ad valorem* taxes.

Operating Revenues and Expenses

Operating revenues and expenses for the proprietary fund are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities.

Expenditures/Expenses

In the government-wide financial statements, expenses are classified by function for governmental and business-type activities.

In the fund financial statements, expenditures are classified as follows:

Governmental Funds – By Character	General government
	Public safety
	Capital outlay

Proprietary – By Operating and Nonoperating

In the fund financial statements, governmental funds report expenditures of financial resources. Proprietary funds report expenses relating to use of economic resources.

Interfund Transfers

Permanent reallocation of resources between funds of the reporting entity is classified as interfund transfers. For the purpose of the Statement of Activities, all interfund transfers between individual governmental funds have been eliminated.

G. USE OF ESTIMATES

The preparation of basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

H. POLICY REGARDING RESTRICTED AND UNRESTRICTED RESOURCES

It is the City's policy to apply available resources that meet all criteria of the fund classifications in the following order: 1) restricted funds, 2) committed funds, 3) assigned funds and 4) unassigned funds.

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

The difference between the cash basis (budget basis) and the modified accrual basis (generally accepted accounting principles (GAAP) basis) are that revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP) and expenditures are recorded when paid (budget) as opposed to when incurred (GAAP).

The actual results of the General Fund as presented in the financial statements have not been adjusted to the budgetary basis due to the immaterial effect of such adjustments.

NOTE 3. DETAILED NOTES ON ALL FUNDS

A. CASH AND INVESTMENTS

Deposits

The City's policies regarding deposits of cash are discussed in Note 1.D. The City maintains cash that is available for use by all funds with unrestricted cash. At June 30, 2018 the carrying amount of the City's deposits totaled \$256,364 and the bank balances totaled \$275,451. Of the bank balance, \$250,000 was covered by Federal Depository Insurance. At June 30, 2018, \$100,000 of collateral was pledged for deposits exceeding \$250,000.

B. RECEIVABLES

Accounts receivable for 2018 consists of receivables due from water, sewer, garbage customers, property taxes, and local optional sales tax. An allowance for doubtful accounts is maintained in the water and sewer fund. It is approximately 30% of the accounts receivable from water and sewer sales, in addition to certain accounts with an allowance account of 100% due to the days receivable.

At June 30, 2018, receivables for the governmental funds, including applicable allowance for amounts estimated to uncollectible, are as follows:

	<u>General</u>	<u>Water and Sewer</u>	<u>Total</u>
Receivable			
Taxes	\$ 14,479	\$ -	\$ 14,479
Accounts	3,093	45,413	48,506
	<u>17,572</u>	<u>45,413</u>	<u>62,985</u>
Less allowance for uncollectibles	(900)	(20,500)	(21,400)
	<u>\$ 16,672</u>	<u>\$ 24,913</u>	<u>\$ 41,585</u>

City of Lamar, South Carolina
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2018

C. CAPITAL ASSETS

	Beginning Balance	Increase	Decrease	Ending Balance
Governmental activities:				
Capital assets being depreciated:				
Infrastructure	\$ 806,953	\$ 10,773	\$ -	\$ 817,726
Vehicles	107,770	-	-	107,770
Machinery and equipment	163,459	-	-	163,459
Total capital assets being depreciated	<u>1,078,182</u>	<u>10,773</u>	<u>-</u>	<u>1,088,955</u>
Less accumulated depreciation for:				
Infrastructure	339,041	44,416	-	383,457
Vehicles	107,770	-	-	107,770
Machinery and equipment	148,037	3,551	-	151,588
Total accumulated depreciation	<u>594,848</u>	<u>47,967</u>	<u>-</u>	<u>642,815</u>
Net capital assets being depreciated	<u>483,334</u>	<u>(37,194)</u>	<u>-</u>	<u>446,140</u>
Governmental activities capital assets, net	<u>\$ 483,334</u>	<u>\$ (37,194)</u>	<u>\$ -</u>	<u>\$ 446,140</u>
	Beginning Balance	Increase	Decrease	Ending Balance
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 81,762	\$ -	\$ -	\$ 81,762
Construction in progress	64,563	91,945	-	156,508
	<u>146,325</u>	<u>91,945</u>	<u>-</u>	<u>238,270</u>
Capital assets being depreciated:				
Buildings	17,824	-	-	17,824
Water and sewer improvement	2,787,728	-	-	2,787,728
Sewage system	1,508,962	-	-	1,508,962
Machinery and equipment	239,219	-	(12,025)	227,194
Total capital assets being depreciated	<u>4,553,733</u>	<u>-</u>	<u>(12,025)</u>	<u>4,541,708</u>
Less accumulated depreciation for:				
Buildings	10,337	713	-	11,050
Water and sewer improvement	1,459,967	72,840	-	1,532,807
Sewage system	1,478,501	7,724	-	1,486,225
Machinery and equipment	237,506	1,712	(12,025)	227,193
Total accumulated depreciation	<u>3,186,311</u>	<u>82,989</u>	<u>(12,025)</u>	<u>3,257,275</u>
Net capital assets being depreciated	<u>1,367,422</u>	<u>(82,989)</u>	<u>-</u>	<u>1,284,433</u>
Business-type capital activities, net	<u>\$ 1,513,747</u>	<u>\$ 8,956</u>	<u>\$ -</u>	<u>\$ 1,522,703</u>

D. NOTES RECEIVABLE

1. A note receivable in the amount of \$6,384 is due from an individual. The money arose from the sale of a building owned by the City. It is a 15-year note. The interest rate is 6% with monthly payments of \$169.

E. SHORT TERM DEBT

	<u>Balance</u> <u>July 1, 2016</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2017</u>
Governmental Activities:				
Note payable CB&T	\$ 30,733	\$ 15,000	\$ (1,366)	\$ 44,367
Note payable CB&T	13,043	-	(5,514)	7,529
	<u>\$ 43,776</u>	<u>\$ 15,000</u>	<u>\$ (6,880)</u>	<u>\$ 51,896</u>

The loans are interest only, renewable annually.

F. INTERFUND TRANSFERS

Interfund transfers are made as necessary to meet operational requirements. The composition of interfund balance as of June 30, 2018, is as follows:

<u>Transfers out</u>	<u>Transfers in</u>	<u>Amounts</u>
General	Enterprise	\$ 21,731

NOTE 4. EMPLOYEE RETIREMENT PLANS

The South Carolina Public Employee Benefit Authority (PEBA), which was created July 1, 2012, administers the various retirement systems and retirement programs managed by its Retirement Division. PEBA has an 11-member Board of Directors, appointed by the Governor and General Assembly leadership, which serves as co-trustee and co-fiduciary of the systems and the trust funds. By law, the State Fiscal Accountability Authority (SFAA), which consists of five elected officials, also reviews certain PEBA Board decisions regarding the funding of the Systems (Systems) and serves as a co-trustee of the Systems in conducting that review. Effective July 1, 2017, the Retirement System Funding and Administration Act of 2017 assigned the PEBA Board of Directors as the Custodian of the Retirement Trust Funds and assigned SC PEBA and the Retirement Systems Investment Commission (RSIC) as co-trustees of the Retirement Trust Funds.

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

PEBA issues a Comprehensive Annual Financial Report (CAFR) containing financial statements and required supplementary information for the South Carolina Retirement Systems' Pension Trust Funds. The CAFR is publicly available on the Retirement Benefits' link on PEBA's website at www.peba.sc.gov or a copy may be obtained by submitting a request to PEBA, PO Box 1196, Columbia, SC 29211-1960. 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.

The City of Lamar only participates in the PORS, however, both the SCRS and the PORS is presented in this note disclosure to give a complete picture of the SC Retirement System.

Plan Descriptions

The South Carolina Retirement System (SCRS), a cost-sharing multiple-employer defined benefit pension plan, was established effective July 1, 1945, pursuant to the provisions of Section 9-1-20 of the South Carolina Code of Laws for the purpose of providing retirement allowances and other benefits for employees of the state, its public school districts, and political subdivisions.

The State Optional Retirement Program (ORP) is a defined contribution plan that is offered as an alternative to certain newly hired state, public school, and higher education employees. State ORP participants direct the investment of their funds into a plan administered by one of four investment providers.

The South Carolina Police Officers Retirement System (PORS), is 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 allowances and other benefits for police officers and firemen of the state and its political subdivisions.

Membership

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

- SCRS – Generally, all employees of covered employers are required to participate in and contribute to the system as a condition of employment. This plan covers general employees and teachers and individuals newly elected to the South Carolina General Assembly beginning with the November 2012 general election. An employee member of the system with an effective date of membership prior to July 1, 2012, is a Class Two member. An employee member of the system with an effective date of membership on or after July 1, 2012 is a Class Three member.
- State ORP – As an alternative to membership in SCRS, newly hired state, public school, and higher education employees and individuals newly elected to the S.C. General Assembly beginning with the November 2012 general election have the option to participate in the State Optional Retirement Program (State ORP), which is a defined contribution plan. State ORP participants direct the investment of their funds into a plan administered by one of four investment providers. PEBA assumes no liability for State ORP benefits. Rather, the benefits are the liability of the investment providers. For this reason, State ORP programs are not considered part of the retirement systems for financial statement purposes. Employee and Employer contributions to the State ORP are at the same rates as SCRS. A direct remittance is required from the employers to the member's account with investment providers for the employee contribution (8 percent) and a portion of the employer contribution (5 percent). A direct remittance is also required to SCRS for the remaining portion of the employer contribution and an incidental death benefit contribution (.15 percent), if applicable, which is retained by SCRS.
- PORS – To be eligible for PORS membership, an employee must be required by the terms of his employment, by election or appointment, to preserve public order, protect life and property, and detect crimes in the state; to prevent and control property destruction by fire; or to serve as a peace officer employed by the Department of Corrections, the Department of Juvenile Justice, or the Department of Mental Health. Probate judges and coroners may elect membership in PORS. Magistrates are required to participate in PORS for service as a magistrate. PORS members, other than magistrates and probate judges, must also earn at least \$2,000 per year and devote at least 1,600 hours per year to this work, unless exempted by statute. An employee member of the system with an effective 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.

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. 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 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.

Contributions

Contributions are prescribed in Title 9 of the South Carolina Code of Laws. Upon recommendation by the actuary in the annual actuarial valuation, the PEBA Board may adopt and present to the Budget and Control Board for approval an increase to the SCRS and PORS employer and employee contribution rates, but any such increase may not result in a differential between the employee and total employer contribution rate that exceeds 2.9 percent of earnable compensation for SCRS and 5 percent for PORS. An increase in the contribution rates adopted by the board may not provide for an increase of more than one-half of one percent in any one year. If the scheduled employee and employer contributions provided in statute or the rates last adopted by the board are insufficient to maintain a thirty year amortization schedule of the unfunded liabilities of the plans, the board shall increase the contribution rates in equal percentage amounts for the employer and employee as necessary to maintain the thirty-year amortization period; and, this increase is not limited to one-half of one percent per year.

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 ninety percent, then the board, effective on the following July first may decrease the then current contribution rates upon making a finding that the decrease will not result in a funded ration of less than ninety percent. Any decrease in contribution rates must maintain the 2.9 and 5 percent differentials between the SCRS and PORS employer and employee contribution rates respectively. 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 ninety percent, then effective on the following July first, and annually thereafter as necessary, the board shall increase the then current contribution rates until a subsequent annual actuarial valuation of the system shows a funded ratio that is equal to or greater than 90 percent.

City of Lamar, South Carolina
NOTES TO THE BASIC FINANCIAL STATEMENTS
 June 30, 2018

The Retirement System Funding and Administration Act increases employer contribution rates to 13.56 percent for SCRS and 16.24 percent for PORS, effective July 1, 2017. It also removes the 2.9 percent and 5 percent differential and increases and establishes a ceiling on employee contribution rates at 9 percent and 9.75 percent for SCRS and PORS respectively. The employer contribution rates will continue to increase annually by 1 percent through July 1, 2022. The legislation's ultimate scheduled employer rate is 18.56 percent for SCRS and 21.24 percent for PORS. The amortization period is scheduled to be reduced one year for each of the next 10 years to a twenty year amortization schedule. The rent pension reform legislation also changes the long term funded ration requirement from ninety to eighty-five.

- Required employee contribution rates(1) are as follows:

	<u>Fiscal Year</u>	
	2018	2017
SCRS		
Employee Class Two	9.00%	8.66%
Employee Class Three	9.00%	8.66%
State ORP Employee	9.00%	8.66%
PORS		
Employee Class Two	9.75%	9.24%
Employee Class Three	9.75%	9.24%

- Required employer contribution rates (1) are as follows:

	<u>Fiscal Year</u>	
	2018	2017
SCRS		
Employer Class Two	13.41%	11.41%
Employer Class Three	13.41%	11.41%
Employer Incidental Death Benefit	0.15%	0.15%
State ORP		
Employer Contribution (2)	13.41%	11.41%
Employer Incidental Death Benefit	0.15%	0.15%
PORS		
Employer Class Two	15.84%	13.84%
Employer Class Three	15.84%	13.84%
Employer Incidental Death Benefit	0.20%	0.20%
Employer Accidental Death Program	0.20%	0.20%

(1) Calculated on earnable compensation defined in Title 9 of the South Carolina Code of Laws.

(2) Of this employer contribution, 5% of earnable compensation must be remitted by the employer directly to the ORP vendor to be allocated to the member's account with the remainder of the employer contribution remitted to the SCRS.

Net Pension Liabilities

The net pension liability (NPL) is calculated separately for each system and represents that particular system's total pension liability determined in accordance with GASB No. 67 less that System's fiduciary net position. NPL totals as of June 30, 2017, for SCRS and PORS are presented below.

City of Lamar, South Carolina
NOTES TO THE BASIC FINANCIAL STATEMENTS
 June 30, 2018

System	Total Pension Liability	Plan Fiduciary Net Position	Employers' Net Pension Liability	Plan Fiduciary Net Position as a Percentage of the Total Pension
SCRS	\$ 48,244,437,494	\$ 25,732,829,268	\$ 22,511,608,226	53.30%
PORS	\$ 7,013,684,001	\$ 4,274,123,178	\$ 2,739,560,823	60.90%

The total pension liability is calculated by the Systems' actuary, and each plan's fiduciary net position is reported in the System's financial statements. The net pension liability is disclosed in accordance with the requirements of GASB 67 in the Systems' note 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.

Actuarial Assumptions and Methods

Actuarial valuations of the ongoing 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 as of July 1, 2015.

The June 30, 2017, total pension liability (TPL), net pension liability (NPL), and sensitivity information shown in this report were determined by the Systems consulting actuary, Gabriel, Roeder, Smith and Company (GRS) and are based on an actuarial valuation performed as of July 1, 2016. The total pension liability was rolled-forward from the valuation date to the plans' fiscal year end, June 30, 2017, using generally accepted actuarial principles. The Retirement System Funding and Administration Act of 2017 was signed into law April 25, 2017, and included a provision to reduce the assumed rate or return from 7.5% to 7.25% effective July 1, 2017. As a result of this legislation, GRS made an adjustment to the calculation of the roll-forward total pension liability for this assumption change as of the measurement date of June 30, 2017.

The following table provides a summary of the actuarial assumptions and methods used to calculate the TPL as of June 30, 2017.

	SCRS	PORS
Actuarial cost method	Entry Age Normal	Entry Age Normal
Actuarial assumptions:		
Investment rate of return	7.25%	7.50%
Projected salary increases	3.0% to 12.5% (varies by service) ¹	3.5% to 9.5% (varies by service)
Benefit adjustments	lesser of 1% or \$500 annually	lesser of 1% or \$500 annually
<i>¹ includes inflation at 2.25%</i>		

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

Assumptions used in the determination of the June 30, 2017 TPL are as follows:

City of Lamar, South Carolina
NOTES TO THE BASIC FINANCIAL STATEMENTS
 June 30, 2018

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 92%	2016 PRSC Females multiplied by 111%
Public Safety and Firefighters	2016 PRSC Males multiplied by 92%	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 the 30-year capital market assumptions. The long-term expected rates of return 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 revised target asset allocation adopted the beginning of the 2017 fiscal year. The long-term expected rate of return is produced by weighing the expected future real rates of return by the target allocation percentage and adding annual expected inflation and is summarized in the table below. For actuarial purposes, the 7.50 percent assumed annual investment rate of return used in the calculation of the total pension liability includes a 5.00 percent rate of return and a 2.25 percent inflation component.

Asset Class	Target Asset Allocation	Expected Arithmetic Real Rate of Return	Long Term Expected Portfolio Real Rate of Return
Global Equity	45.0%		
Global Public Equity	31.0%	6.72%	2.08%
Private Equity	9.0%	9.90%	0.86%
Equity Options Strategies	5.0%	5.91%	0.30%
Real Assets	8.0%		
Real Estate (Private)	5.0%	4.32%	0.22%
Real Estate (REITS)	2.0%	6.33%	0.13%
Infrastructure	1.0%	6.26%	0.06%
Opportunistic	17.0%		
GTAA/Risk Parity	10.0%	4.16%	0.42%
Hedge Funds (non-PA)	4.0%	3.82%	0.15%
Other Opportunistic Strategies	3.0%	4.16%	0.12%
Diversified Credit	18.0%		
Mixed Credit	6.0%	3.92%	0.24%
Emerging Markets Debt	5.0%	5.01%	0.25%
Private Debt	7.0%	4.40%	0.31%
Conservative Fixed Income	12.0%		
Core Fixed Income	10.0%	1.60%	0.16%
Cash and Short Duration (Net)	2.0%	92.00%	0.02%
	<u>100.0%</u>	Total Expected Real Return	5.31%
		Inflation for Acturial Purposes	2.25%
		Total Expected Nominal Return	7.56%

Discount Rate

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

City of Lamar, South Carolina
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2018

Sensitivity Analysis

The following table presents the collective net pension liability of the City calculated using the discount rate of 7.25 percent, as well as what the employers' net pension liability would be if it were calculated using a discount rate that is 1.00 percent lower (6.25 percent) or 1.00 percent higher (8.25 percent) than the current rate.

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

System	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
SCRS	\$ -	\$ -	\$ -
PORS	296,099	219,302	155,810
	\$ 296,099	\$ 219,302	\$ 155,810

Additional Financial and Actuarial Information

Detailed information regarding the fiduciary net position of the plans administered by PEBA is available in the Systems' audited financial statements for the fiscal year ended June 30, 2017 (including the unmodified audit opinion on the financial statements). Additional actuarial information is available in the accounting and financial reporting actuarial valuation as of June 30, 2017.

Net Pension Plan Liability

The amount that has been allocated to the City is \$219,302 as of June 30, 2018.

For the year ended June 30, 2018, the contributions recognized as part of pension expense for each Plan were as follows: SCRS: Contributions from employer: \$0. PORS: Contributions from employer: \$11,770 for retirement and for death benefit \$149 for a total of \$11,919.

At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to the measurement date	\$ 11,770	\$ -
Liability experience	1,956	-
Assumption changes	20,814	-
Investment experience	22,967	15,152
Change in proportion and differences between actual contributions and proportionate share of contributions	3,005	37,562
	\$ 60,512	\$ 52,714

\$11,770 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Fiscal Year	Amount
2018	\$ (199)
2019	3,136
2020	(1,673)
2021	(5,236)
	\$ (3,972)

Payables to the Pension Plans

At June 30, 2018, the City reported a payable of \$4,859 for the outstanding amount of contributions due to PORS.

This liability will be paid in the normal course of paying year-end obligations.

NOTE 5. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the City. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

NOTE 6. CONTINGENT LIABILITY

The City receives grants from time-to-time. Expenditures from certain grants are subject to audit by the grantor, and the City is contingently liable to refund amounts received in excess of allowable expenditures. In the opinion of the City's management, no material refunds will be required as result of disallowed expenditures.

NOTE 7. SUBSEQUENT EVENTS

In preparing the financial statements, and according to ASC 855, Subsequent Events, the City has evaluated events and transactions for potential recognition or disclosure through May 27, 2020, the date the financial statements were available to be issued.

There were no events noted that required adjustment to or disclosure in these financial statements.

City of Lamar, South Carolina
 Required Supplementary Information
 Schedule of the City of Lamar
 Proportionate Share of the Net Pension Liability
 South Carolina Police Officer Retirement System
 Last Four Fiscal Years

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Proportion of the net pension liability	0.008%	0.010%	0.010%	0.010%
Proportionate share of the net pension liability	\$ 219,302	\$ 258,238	\$ 219,148	\$ 188,820
Covered-employee payroll	\$ 74,309	\$ 109,343	\$ 132,724	\$ 126,454
Proportionate share of the net pension liability as a percentage of covered - employee payroll	295.122%	236.172%	165.116%	149.319%
Plan fiduciary net position as a percentage of the total pension liability	60.900%	60.445%	64.569%	67.549%

The amounts presented for each fiscal year were determined as of the preceding fiscal year.

City of Lamar, South Carolina
 Required Supplementary Information
 Schedule of City of Lamar
 South Carolina Police Officer Retirement System
 Last Four Fiscal Years

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 11,770	\$ 15,133	\$ 17,705	\$ 16,452
Contributions in relation to the contractually required contribution	<u>6,911</u>	<u>15,133</u>	<u>17,705</u>	<u>16,452</u>
Contribution deficiency (excess)	<u>\$ 4,859</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City of Lamar's covered-employee payroll	\$ 74,309	\$109,343	\$132,724	\$126,454
Contribution as a percentage of covered-employee payroll	15.84%	13.840%	13.340%	13.010%

City of Lamar, South Carolina
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
Year Ended June 30, 2018

	Budgeted Amounts	Actual Amounts	Variance with Budget Positive (Negative)
REVENUES			
Property taxes	\$ 27,880	\$ 14,711	\$ (13,169)
Homestead exemption	13,088	13,373	285
Broker tax	7,200	91,998	84,798
Merchants inventory tax	11,566	11,566	-
Accommodation	1,208	1,335	127
Local option sales tax	115,975	117,446	1,471
Local government funds	24,956	22,336	(2,620)
Electric franchise	68,500	66,025	(2,475)
Licenses and permits	88,500	8,373	(80,127)
Sanitation	25,965	48,461	22,496
Court fines	2,500	960	(1,540)
Rents	2,400	2,250	(150)
Contributions and donations	-	1,000	1,000
Grant revenue	-	10,773	10,773
Interest	2,080	403	(1,677)
Miscellaneous	2,500	1,795	(705)
Total Revenues	<u>394,318</u>	<u>412,805</u>	<u>18,487</u>
EXPENDITURES			
General government			
Salaries - administration	37,667	45,527	(7,860)
Payroll taxes and benefit	4,087	1,272	2,815
Gas, oil & services	-	3,075	(3,075)
Repair & maintenance	4,000	11,951	(7,951)
Contract services	-	4,327	(4,327)
Insurance	6,180	26,366	(20,186)
Mayor and council	11,400	11,600	(200)
Utilities	24,980	20,828	4,152
Telephone	2,300	2,388	(88)
Professional fees	11,850	25,956	(14,106)
Bad debt	-	100	(100)
Bank charges	-	18	(18)
Advertising	-	498	(498)
Supplies	-	9,735	(9,735)
Office supplies	1,800	2,139	(339)
Travel	-	120	(120)
Contributions	1,500	400	1,100
Miscellaneous	2,001	8,813	(6,812)
Total General Government	<u>107,765</u>	<u>175,113</u>	<u>(67,348)</u>

City of Lamar, South Carolina
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
Year Ended June 30, 2018

	<u>Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Budget Positive (Negative)</u>
EXPENDITURES (CONTINUED)			
Public safety			
Salaries	143,108	149,178	(6,070)
Payroll taxes and benefit	31,396	11,919	19,477
Gas and oil services	14,800	17,225	(2,425)
Repair and maintenance	11,139	8,112	3,027
Insurance	23,900	260	23,640
Supplies	10,054	7,415	2,639
Telephone	-	-	-
Uniforms	2,000	-	2,000
Utilities	13,685	30,003	(16,318)
Judge expense	4,200	4,200	-
Fine assessment	1,760	39	1,721
Miscellaneous	1,200	4,088	(2,888)
Total Public Safety	<u>257,242</u>	<u>232,439</u>	<u>24,803</u>
Debt service			
Principal	-	6,232	(6,232)
Interest	-	3,645	(3,645)
Capital Outlay	-	10,773	(10,773)
Total Expenditures	<u>365,007</u>	<u>428,202</u>	<u>(53,318)</u>
Excess (deficiency) of revenues over (under) expenditures	29,311	(15,397)	(44,708)
OTHER FINANCING SOURCES (USES)			
Proceeds from debt	-	15,000	15,000
Transfer to proprietary fund	(29,311)	(21,731)	7,580
Total other financing sources and uses	<u>(29,311)</u>	<u>(6,731)</u>	<u>22,580</u>
Net change in fund balance	<u>\$ -</u>	<u>(22,128)</u>	<u>\$ (22,128)</u>
Fund balance - beginning		<u>213,104</u>	
Fund balance - ending		<u>\$ 190,976</u>	

Phillips, Currin & Company, CPA's, LLC

300 West Home Avenue, Hartsville, South Carolina 29550, Tele (843) 332-3585 Fax (843)383-8829

INDEPENDENT AUDITORS' 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

To the Honorable Mayor
and members of City Council
City of Lamar, South Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lamar, South Carolina, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City of Lamar, South Carolina's basic financial statements and have issued our report thereon dated May 27, 2020.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies as items 18-1 and 18-2.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Lamar, South Carolina's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws,

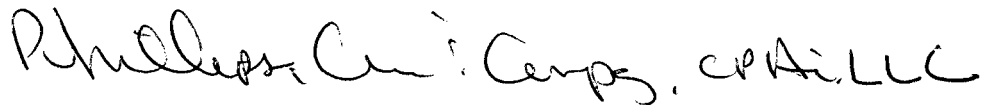
regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such 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*.

City of Lamar, South Carolina's Response to Findings

The City of Lamar, South Carolina's responses to the findings identified in our audit is described in the accompanying schedule of findings and responses. The City of Lamar, South Carolina's responses were not subject to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

This purpose of this report is solely to describe the scope of our testing on 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.



Hartsville, South Carolina
May 27, 2020

City of Lamar, South Carolina
SCHEDULE OF FINDINGS AND RESPONSES
For the Year Ended June 30, 2018

SUMMARY OF AUDITORS' RESULTS

1. The auditors' report expresses an unqualified opinion on the financial statements of the City of Lamar, South Carolina.
2. Two significant deficiencies were disclosed during the audit of the financial statements are reported in the *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*.
3. No instances of noncompliance material to the financial statements of the City of Lamar, South Carolina were disclosed during the audit.

FINDINGS – FINANCIAL STATEMENTS AUDIT

SIGNIFICANT DEFICIENCY

18-1 Cut-off Policy

Condition: Appropriate internal control procedures were not in place to ensure utility services were discontinued for nonpayment of accounts.

Criteria: Procedures should be in place to ensure the proper cut-off of delinquent accounts.

Cause: Services are not being discontinued when accounts become delinquent.

Effect: Because of the failure to terminate services revenues are not being collected and the City is incurring costs in providing services.

Recommendation: Service to delinquent accounts should be discontinued.

Response: The City will follow its cut-off policy.

18-2 Reporting Requirements

Condition: Appropriate internal control procedures were not in place to ensure timely reporting and payment of monthly police reports, monthly retirement reports, and annual audited financial statements.

Criteria: Procedures should be in place to ensure reports are filed and paid timely.

Cause: Personnel are not monitoring compliance requirements in a timely fashion.

Effect: Because of the failure to file and pay timely there is a potential for penalties to be imposed and revenues to be suspended.

Recommendation: Appoint personnel to oversee the compliance function.

Response: The City will implement this recommendation.

MATERIAL WEAKNESS

No material weaknesses were detected.

City of Lamar, South Carolina
SCHEDULE OF PRIOR YEAR FINDINGS
For the Year Ended June 30, 2017

17-1 Cut-off Policy

Condition: Appropriate internal control procedures were not in place to ensure utility services were discontinued for nonpayment of accounts.

Recommendation: Service to delinquent accounts should be discontinued.

Current Status: This finding is a current year finding also.

City of Lamar, South Carolina
SCHEDULE OF FINES, ASSESSMENTS AND SURCHARGES
VICTIMS RIGHT FUND
Year Ended June 30, 2018

Fines and assessments	\$	16
Surcharges collected		25
Total Collections	<u>\$</u>	<u>41</u>
Fines and assessments retained by City	\$	2
Surcharges retained by City		-
Assessments remitted to State		14
Surcharges remitted to State		25
	<u>\$</u>	<u>41</u>
Beginning victim service funds	\$	4,018
Assessments allocated to victim service activities		-
Less: victims assistance transferred out		(4,018)
Balance of victim service funds carried forward	<u>\$</u>	<u>-</u>
Reconciliation of remittances - accrual basis to remittances - cash basis		
Assessments remitted to State	\$	427
Less remittance for June 2018 paid in July 2018		39
Add remittance for June 2017 paid in July 2017		217
Total Cash Remittances	<u>\$</u>	<u>683</u>