

**AUDITED FINANCIAL STATEMENTS**  
**TOWN OF LAMAR, SOUTH CAROLINA**  
**Lamar, South Carolina**  
**Year Ended June 30, 2022**

## TABLE OF CONTENTS

Independent Auditor’s Report .....	4 – 6
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Position.....	7
Statement of Activities.....	8
Fund Financial Statements	
Governmental Funds	
Balance Sheet .....	9
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position .....	10
Statement of Revenues, Expenditures and Changes in Fund Balance--Governmental Funds .....	11
Reconciliation of Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities.....	12
Proprietary Fund	
Statement of Net Position .....	13
Statement of Revenues, Expenses and Changes in Net Position .....	14
Statement of Cash Flows.....	15
Notes to Basic Financial Statements.....	16 - 36
Required Supplementary Information	
Schedule of Employer Proportionate Share of Net Pension Liability .....	38
Schedule of Employer Contributions .....	39
Individual Fund Financial Statements and Schedules	
General Fund	
Schedule of Revenue, Expenditures, and Changes in Fund Balance --Budget (GAAP) to Actual.....	40 – 42
Other Supplementary Information	
Schedule of Fines, Assessments and Surcharges .....	44
Compliance Section	
Report on Compliance and 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.....	46 - 47
Schedule of Findings and Questioned Costs .....	48 - 49

## **FINANCIAL SECTION**

# Hamilton McKinney & Moss

Certified Public Accountants



Members:  
American Institute of Certified Public Accountants  
South Carolina Association of Certified Public Accountants

## INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Town Council  
Of the Town of Lamar, South Carolina

### **Opinions**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Lamar, South Carolina, (Town) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which comprise the Town's basic financial statements as listed in the table of contents. A summary of opinions is as follows:

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental fund, the proprietary fund, and the aggregate remaining fund information of the Town of Lamar, South Carolina, as of June 30, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America

The Town has not presented Management's Discussion and Analysis that is not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board.

### **Basis for Opinions**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Responsibilities of Management for the Financial Statements**

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

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

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and Government Auditing Standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and Government Auditing Standards, we:

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

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

**Required Supplementary Information Other than Management's Discussion and Analysis**

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Budgetary Comparison Schedule – General Fund, Pension Plan Schedules, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. The Town has not presented the required Management's Discussion and Analysis. We have applied certain limited procedures to the required supplementary information as listed in the table of contents, without the required Management's Discussion and Analysis, in accordance with auditing standards generally accepted in the United States of America. These limited procedures consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**Other Information**

Our audit was conducted for the purpose of forming an opinion on the Town's basic financial statements. The supplemental schedules described in the accompanying table of contents under the caption "Required Supplemental Information Other than Management and Discussion and Analysis" are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Court Fines, Assessments and Surcharges under the caption "Other Supplemental Information" is presented for purposes of additional analysis required by the State of South Carolina and is not a part of the Basic financial statements. These supplemental schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic governmental fund financial statements. Such information has been subjected to the auditing procedures applied by us in the audit of the basic governmental fund financial statements, and, accordingly, are fairly stated in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

Government Auditing Standards, we have also issued our report dated October 9, 2023 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

*Hamilton, M. Jenney & Moss*

October 9, 2023

**STATEMENT OF NET POSITION**  
**TOWN OF LAMAR, SOUTH CAROLINA**  
**June 30, 2022**

	Governmental Activities	Business- Type Activities	Total
<b>ASSETS</b>			
Current assets			
Cash	\$ 281,072	\$ 17,037	\$ 298,109
Receivables	16,317	42,289	58,606
	<u>297,389</u>	<u>59,326</u>	<u>356,715</u>
Restricted cash	-	55,353	55,353
Capital assets not being depreciated	50,000	201,144	251,144
Capital assets, net of accumulated depreciation	339,451	2,122,604	2,462,055
	<u>686,840</u>	<u>2,438,427</u>	<u>3,125,267</u>
<b>TOTAL ASSETS</b>			
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension plans	79,649	-	79,649
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u>\$ 766,489</u>	<u>\$ 2,438,427</u>	<u>\$ 3,204,916</u>
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable and accrued liabilities	\$ 25,396	\$ 48,315	\$ 73,711
Deferred revenue from grants	122,756	55,354	178,110
Refundable customer deposits	-	42,198	42,198
Noncurrent liabilities due within one year			
Current maturities of long-term debt	6,034	-	6,034
	<u>154,186</u>	<u>145,867</u>	<u>300,053</u>
Noncurrent liabilities due in more than one year			
Notes payable	40,522	-	40,522
Net pension liability	117,149	-	117,149
	<u>157,671</u>	<u>-</u>	<u>157,671</u>
<b>TOTAL LIABILITIES</b>	311,857	145,867	457,724
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension plans	50,689	-	50,689
<b>NET POSITION</b>			
Investment in capital assets, net of related debt	225,746	2,323,748	2,549,494
Restricted for grant funded projects	-	55,354	55,354
Unrestricted and unassigned	178,197	(86,542)	91,655
	<u>403,943</u>	<u>2,292,560</u>	<u>2,696,503</u>
<b>TOTAL NET ASSETS</b>			
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 766,489</u>	<u>\$ 2,438,427</u>	<u>\$ 3,204,916</u>

See notes to financial statements.

**STATEMENT OF ACTIVITIES**  
**TOWN OF LAMAR, SOUTH CAROLINA**  
**Year Ended June 30, 2022**

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets (Deficit)		
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business- Type Activities	Total
Governmental activities						
General government	\$ 276,829	\$ -	\$ 110,986	\$ (165,843)		\$ (165,843)
Public safety	177,651	14,673	-	(162,978)		(162,978)
Public works	38,123	-	-	(38,123)		(38,123)
Debt service--interest	3,316	-	-	(3,316)		(3,316)
	495,919	14,673	110,986	(370,260)		(370,260)
Business-type activities						
Water and sewer	560,187	419,218	32,656		\$ (108,313)	(108,313)
<b>TOTAL GOVERNMENT</b>	<b>\$ 1,056,106</b>	<b>\$ 433,891</b>	<b>\$ 143,642</b>			<b>(478,573)</b>
General revenues						
Property taxes				27,985	-	27,985
Business licenses and permits				22,846	-	22,846
Franchise fees				75,559	-	75,559
Merchant's inventory tax				11,566	-	11,566
Accommodations tax				1,976	-	1,976
Local option sales tax and state aid				194,396	-	194,396
Homestead exemptions				14,276	-	14,276
Rent				5,250	-	5,250
Interest and other revenue				6,822	-	6,822
Transfers in (out)				(109,879)	109,879	-
				(4,776)	1,566	(3,210)
Beginning net position				375,453	2,290,994	2,666,447
				<b>\$ 370,677</b>	<b>\$ 2,292,560</b>	<b>\$ 2,663,237</b>

See notes to financial statements.



**BALANCE SHEET  
GOVERNMENTAL FUND  
GENERAL FUND  
TOWN OF LAMAR, SOUTH CAROLINA  
June 30, 2022**

Assets		
Cash		\$ 281,072
Receivables		<u>16,317</u>
	TOTAL ASSETS	<u>\$ 297,389</u>
Liabilities and fund deficit		
Liabilities		
Accounts payable		\$ 19,304
Accrued liabilities		6,092
Deferred revenue from capital grants		<u>122,756</u>
	TOTAL LIABILITIES	148,152
Fund balance		
Unrestricted, reported in General fund		<u>149,237</u>
	TOTAL FUND BALANCE	<u>149,237</u>
	TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 297,389</u>

*See notes to financial statements.*

**RECONCILIATION THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
TOWN OF LAMAR, SOUTH CAROLINA  
June 30, 2022**

Fund balance--governmental fund		\$ 149,237
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation</p>		
Capital assets of governmental activities	\$ 1,185,597	
Less accumulated depreciation on capital assets	796,146	389,451
<p>Long-term deferred outflows are not available to pay current period expenditures and therefore are not reported in the fund financial statements, but are reported in the governmental activities of the statement of net position</p>		
Deferred outflows of resources--pension plans		79,649
<p>Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds</p>		
Notes payable		(46,556)
Net pension liability		(117,149)
<p>Long-term deferred inflows related to pension expense do not consume current financial resources and are, therefore, not reported in the fund financial statements</p>		
Deferred inflows of resources--pension plans		(50,689)
<b>NET POSITION OF GOVERNMENTAL ACTIVITIES</b>		<b>\$ 403,943</b>

*See notes to financial statements.*

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUND**  
**GENERAL FUND**  
**TOWN OF LAMAR, SOUTH CAROLINA**  
**Year Ended June 30, 2022**

	Total
Revenues	
Property taxes	\$ 27,985
Business licenses and permits	22,846
Fines and forfeitures	14,673
Franchise fees	75,559
Merchant's inventory tax	11,566
Accommodations tax	1,976
Local option sales tax and state aid	194,396
Homestead exemptions	14,276
Brokers tax	114,687
Grant revenue	110,986
Rent	5,250
Interest and other revenue	<u>6,822</u>
TOTAL REVENUES	601,022
Expenditures	
Current	
General government	251,383
Public safety	159,637
Public works	38,123
Debt service	<u>20,690</u>
TOTAL EXPENDITURES	<u>469,833</u>
EXCESS OF REVENUES OVER EXPENDITURES	131,189
Other financing use	
Proceeds from issuance of debt	-
Transfers in from proprietary fund	<u>(109,879)</u>
NET CHANGE IN FUND BALANCE	21,310
Fund balance at beginning of year	<u>127,927</u>
FUND BALANCE AT END OF YEAR	<u><u>\$ 149,237</u></u>

*See notes to financial statements.*

**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
TOWN OF LAMAR, SOUTH CAROLINA  
Year Ended June 30, 2022**

Net change in fund balance--governmental fund--general fund	\$ 21,310
<p>Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the lives of the capital assets</p>	
Depreciation expense	(32,289)
<p>The issuance of long-term debt (bonds, leases, etc.) provides current financial resources to governmental funds, while repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets</p>	
Proceeds from the issuance of long-term debt	-
Long-term debt principal payments	17,374
<p>Some expenses reported in the statement of activities do not require the use of current financial resources, and these are not reported as expenditures in governmental funds</p>	
Pension expense	(21,420)
<b>CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES</b>	<b>\$ (4,776)</b>

*See notes to financial statements.*

**STATEMENT OF NET ASSETS  
 PROPRIETARY FUND  
 WATER AND SEWER SYSTEM  
 TOWN OF LAMAR, SOUTH CAROLINA  
 June 30, 2022**

Assets	
Current assets	
Cash	\$ 17,037
Receivables--trade--net of allowance for uncollectible accounts	<u>42,289</u>
	59,326
Capital assets, net of accumulated depreciation	2,323,748
Other assets	
Restricted cash	<u>55,353</u>
	<u><u>\$ 2,438,427</u></u>
Liabilities	
Current liabilities	
Accounts payable	\$ 48,315
Deferred revenue from grants	<u>55,354</u>
	103,669
Other liabilities	
Refundable customer deposits	<u>42,198</u>
	<u>42,198</u>
	145,867
Net position	
Invested in capital assets, net of related debt	2,323,748
Restricted for grant funded projects	55,354
Unrestricted (deficit)	<u>(86,542)</u>
	<u>2,292,560</u>
	<u><u>\$ 2,438,427</u></u>

*See notes to financial statements.*

**STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION**  
**PROPRIETARY FUND**  
**WATER AND SEWER SYSTEM**  
**TOWN OF LAMAR, SOUTH CAROLINA**  
**Year Ended Lamar 30, 2022**

Operating revenues		
Water and sewer fees	\$	315,003
Charges and fees		81,709
Other		<u>22,506</u>
	<b>TOTAL REVENUE</b>	<b>419,218</b>
Operating expenses		
Salaries and related benefits		52,900
Contract labor and services		64,368
Outsourced water services		155,931
Utilities and telephone		38,186
Repairs and maintenance		29,792
Supplies		15,473
Insurance		13,231
Lease expense		49,795
Permits and fees		5,076
Professional fees		600
Postage		3,740
Vehicle expense		23,459
Depreciation		105,331
Other		<u>2,331</u>
		<u>560,213</u>
	<b>OPERATING LOSS</b>	<b>(140,995)</b>
Non-operating revenues (expenses)		
Grant and appropriations revenue		32,656
Interest income		<u>26</u>
	<b>GAIN BEFORE TRANSFERS</b>	<b>(108,313)</b>
Transfers in from general fund		<u>109,879</u>
	<b>CHANGE IN NET POSITION</b>	<b>1,566</b>
Net position at beginning of year		<u>2,290,994</u>
		<u><u>\$ 2,292,560</u></u>

*See notes to financial statements.*

**STATEMENT OF CASH FLOWS  
 PROPRIETARY FUND  
 WATER AND SEWER SYSTEM  
 TOWN OF LAMAR, SOUTH CAROLINA  
 Year Ended June 30, 2022**

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from customers	\$ 390,984
Other operating receipts	22,506
Payments to suppliers	(311,643)
Payments to employees and benefit providers	<u>(172,830)</u>
<b>NET CASH USED BY OPERATING ACTIVITIES</b>	<b>(70,983)</b>
 <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Receipts from interest earnings	26
Operating transfers in from general fund	<u>109,879</u>
<b>NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES</b>	<b>109,905</b>
 <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Purchases of capital assets	<u>(76,064)</u>
<b>NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<u>(76,064)</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(37,142)</b>
Cash and cash equivalents at beginning of year	<u>109,532</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b><u>\$ 72,390</u></b>
 <b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	
Operating loss	\$ (140,995)
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation expense and amortization	105,331
Change in assets and liabilities	
Accounts receivable	(7,316)
Accounts payable	(29,592)
Customer Deposits	<u>1,589</u>
<b>NET CASH USED BY OPERATING ACTIVITIES</b>	<b><u>\$ (70,983)</u></b>

*See notes to financial statements.*

**NOTES TO FINANCIAL STATEMENTS**  
**TOWN OF LAMAR, SOUTH CAROLINA**  
**June 30, 2022**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Town of Lamar, South Carolina (Town) was granted a charter by the State of South Carolina on December 24, 1890. The Town adopted the Council form of government pursuant to the Home Rule Statute, Act No. 283 of 1995. Under this form of government, its governing body is comprised of a Mayor and four council members. As authorized by its Code of Ordinances, the Town provides public safety (police), public works (streets and sanitation), fire protection, licensing and regulation and general administrative services to its constituents.

The Town follows accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units in the preparation and presentation of its financial statements. GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. GASB is the accepted standard setting body for establishing governmental accounting and financial reporting principles. In both the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB pronouncements are followed. FASB and APB are the accepted standard setting bodies for establishing financial and reporting principles for business-type or enterprise reporting principles.

**Financial Reporting Entity**

Using the criteria of GASB Statement No. 14, *The Financial Reporting Entity*, as amended by GASB No. 39, *Determining Whether Certain Organizations are Component Units*, the basic financial statements of the Town presents the reporting entity that consists of the primary government and those organizations for which the primary government is financially accountable and for which the nature and significance of their relationship with the primary government are such that exclusion could cause the Town's financial statements to misleading or incomplete. Financial accountability is defined as appointment of a voting majority of the separate organization's board and either a) the ability to impose will by the primary government, or b) the possibility that the separate organization will provide a financial benefit to or impose a financial burden on the primary government. At June 30, 2021, there were no such material component units of the Town.

**Basis of Presentation**

*Government-wide Financial Statements*

The Statement of Net Assets and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, inter-governmental 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.



**NOTES TO FINANCIAL STATEMENTS**  
**TOWN OF LAMAR, SOUTH CAROLINA**  
**June 30, 2022**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--continued**

*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 expenditure/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. 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 Town or meets the following criteria:

- a.) Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b.) Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The funds of the financial reporting entity are described below:

**Governmental Fund**

*General Fund*

The General Fund is the primary operating fund of the Town 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**

*Enterprise 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. The reporting entity includes the Town of Lamar Water and Sewer System.

**Fiduciary Funds (not included in government-wide statements)**

Fiduciary fund reporting focuses on net assets and changes in net assets, and is used to report assets held in a trustee or agency capacity for others and, therefore, cannot be used to support the government's own programs. The Fiduciary Fund category includes Private-Purpose Trust Funds to account for trust arrangements under which investment earnings on trust principal is spent for civic benefit of the town's citizenry. At June 30, 2022, there were no such fiduciary funds of the Town.

**NOTES TO FINANCIAL STATEMENTS**  
**TOWN OF LAMAR, SOUTH CAROLINA**  
**June 30, 2022**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--continued**

**Measurement Focus and Basis of Accounting**

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

**Measurement Focus**

On the government-wide Statement of Net Assets and the Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus as defined in Item b.) below.

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus is used as appropriate.

- a.) All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b.) The proprietary fund utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net assets.
- c.) Trust funds are not involved in the measurement of results of operations, therefore, measurement focus is not applicable to them.

**Basis of Accounting**

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

**NOTES TO FINANCIAL STATEMENTS**  
**TOWN OF LAMAR, SOUTH CAROLINA**  
**June 30, 2022**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--continued**

In the fund financial statements, governmental funds and trust funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when "measurable and available." Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year end. Expenditures (including capital outlays) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

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

**Assets, Liabilities and Equity**

**Cash and Investments**

For purpose of the Statement of Net Assets, "cash, including time deposits" includes all demand savings accounts, and certificates of deposits of the Town. For the purpose of the proprietary fund Statement of Cash Flows, "cash and cash equivalents" include all demand and savings accounts, and certificates of deposit or short-term investments with an original maturity of three months or less. Investments of the promissory note trustee accounts are not considered cash equivalents.

The Town is authorized by ordinance to invest in obligations to the U.S. Treasury and commercial paper. The Town's investments consist of short-term certificates of deposits with a remaining maturity date of one year or less at the time of purchase. These investments are carried at cost.

**Interfund Receivables and Payables**

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as "due to and from other funds." Short-term interfund loans are reported as "interfund receivables and payables." Long-term interfund loans (noncurrent portion) are reported as "advances from and to other funds." Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets.

**Receivables**

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. Major receivable balances for the governmental activities include property taxes, sanitation charges, business licenses, and intergovernmental revenues and grants. Business-type activities report water and sewerage charges as their major receivables.

**NOTES TO FINANCIAL STATEMENTS**  
**TOWN OF LAMAR, SOUTH CAROLINA**  
**June 30, 2022**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--continued**

In the fund financial statements, material receivables in governmental funds include revenue accruals such as Local option sales tax, property taxes, business licenses, grants and other similar intergovernmental revenues since they are usually both measurable and available. Nonexchange transactions collectible but not available are deferred in the fund financial statements in accordance with the modified accrual basis but not deferred in the government-wide financial statements in accordance with the accrual basis. In instances in which differences between the use of the full accrual method and the modified accrual method (i.e. 60 day rule) of revenue recognition is not considered to be material the Town utilizes the modified-accrual basis for both government-wide and governmental fund financial reporting where both are reasonably expected to result in similar results.

**Capital Assets**

The accounting treatment over property, plant, and equipment (fixed assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements. Capital assets purchased or acquired with an original costs of \$1,000 or more are reported at historical cost or estimated historical costs. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

*Government-wide Statements*

In the government-wide financial statements, fixed assets are accounted for as capital assets. All fixed asset are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated fixed assets which are recorded at their estimated fair value at the date of donation.

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

Buildings	25 - 50 years
Improvements	10 - 50 years
Machinery and equipment	3 - 20 years
Utility system	25 - 50 years
Infrastructure	25 - 50 years

**NOTES TO FINANCIAL STATEMENTS**  
**TOWN OF LAMAR, SOUTH CAROLINA**  
**June 30, 2022**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--continued**

*Fund Financial Statements*

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

**Restricted Assets**

Restricted assets include cash and investments of the proprietary fund that are legally restricted as their use. The primary restricted assets are related to bond indebtedness trustee accounts.

**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 are reported as liabilities in the government-wide statements. The long-term debt consists primarily of bonds payable and obligations under capital lease agreements.

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

**Subsequent Events**

Subsequent events are events or transactions that occur after the balance sheet date but before the financial statements are issued or are available to be issued. There are two types of subsequent events.

- a.) Recognized subsequent events are events or transactions that provide additional evidence about conditions that existed at the date of the balance sheet, including the estimates inherent in the process of preparing financial statements. Recognized subsequent events generally results in the retroactive adjustment of the related amounts recorded in the financial statement.
- b.) Non-recognized subsequent events, consists of events or transactions that provided evidence about conditions that did not exist at the date of the balance sheet but arose subsequent to that date. Non-recognized subsequent events do not generally result in changes in amounts recorded, but are disclosed in notes to the financial statements.

**NOTES TO FINANCIAL STATEMENTS**  
**TOWN OF LAMAR, SOUTH CAROLINA**  
**June 30, 2022**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--continued**

The financial statements are considered available to be issued when they are complete in a format that complies with GAAP and all approvals necessary for issuance have been obtained from management and others charged with governance. Management evaluates all subsequent events from the balance sheet date through the date that the financial statements are available to be issued.

**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 including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement 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 reserved and unreserved, with unreserved further split between designated and undesignated. Proprietary fund equity is classified the same as in the government-wide statements.

**Revenues, Expenditures and Expenses**

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

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

Governmental Funds--by character	Current (further classified by function)
	Debt service
	Capital outlay

Proprietary Fund--by operating and nonoperating

**NOTES TO FINANCIAL STATEMENTS**  
**TOWN OF LAMAR, SOUTH CAROLINA**  
**June 30, 2022**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--continued**

In the fund financial statements, governmental funds report expenditures of financial resources. Proprietary funds report expenses relating to use of economic resources. In instances in which a procurement outlay can be defrayed from both unrestricted and restricted resources, the Town customarily follows a practice of first applying restricted resources toward acquisition followed, secondarily, by restricted resources.

**Budgets**

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for the general and proprietary funds. All annual appropriations lapse at the fiscal year end. Project length financial plans are adopted for all capital projects funds whenever such projects are in force.

**Encumbrances**

The Town does not record encumbrances. Normally, encumbrances represent executory contracts including purchase orders that are outstanding commitments of the Town and are reported as a reservation of the respective fund balance of the Governmental Funds and an appropriation of retained earnings of the Proprietary Fund. They do not constitute and expenditure (expense) or liability under such until such time the goods are received or the service rendered, but are an extension of formal budgetary integration of the Governmental Funds and a commitment of the Proprietary Fund.

**Compensated Absences**

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported by the governmental fund that will pay it as an expenditure and a fund liability. Vested or accumulated vacation leave of proprietary funds is recorded as an expense and liability of those funds as the benefits accrue to employees. No liability is recorded for nonvesting accumulating rights to receive sick pay benefits. However, a liability is recognized for that portion of accumulated sick leave benefits that is estimated will be taken as "terminal leave" prior to retirement, where applicable.

**Interfund Transfers**

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

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the Town's financial position and results of operations and disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

**NOTES TO FINANCIAL STATEMENTS**  
**TOWN OF LAMAR, SOUTH CAROLINA**  
**June 30, 2022**

**NOTE B - COMPLIANCE AND ACCOUNTABILITY**

By its nature as a local governmental unit, the Town and its component units are subject to various federal, state and local laws and contractual requirements. The Town's compliance with significant laws and regulations and demonstration of its stewardship over the Town's resources follows:

**Legal Compliance - Budgets**

Several months before the start of each fiscal year, departments and related agencies of the Town submit requests for appropriations to the Town Administrator for processing in formulation of the Town's upcoming fiscal year budget. The budget is prepared by fund, function and activity, and includes information on the current year estimates and requested appropriations for the next fiscal year. A proposed budget is formulated and presented to Town Council for review and revision. The revised budget is submitted and exposed for debate during formal budget hearings open to the public. Changes to the budget resulting from these hearings must either be within the revenues and reserves estimated as available by Town management or the estimated revenues must be changed by an affirmative vote of majority of the Town Council. The budget for each upcoming fiscal year is usually adopted before the end of the prior fiscal year.

Expenditures may not legally exceed budgeted appropriations at the program level. During the year no supplementary appropriations were necessary.

**Deposits and Investments - Laws and Regulations**

In accordance with South Carolina State law the Town is authorized to invest in the following types of investments:

- a.) Direct obligations of the U.S. Government or its agencies or instrumentalities to which the full faith and credit of the U.S. Government is pledged
- b.) General obligations of the State of South Carolina or any of its political units.
- c.) Savings and loan associations to the extent they are secured by the Federal Deposit Insurance Corporation.
- d.) Certificates of deposit where the certificates are collaterally secured by securities of the type described in (a) and (b) above held by a third party as escrow agent or custodian, with a market value not less than the amount of the certificate of deposit so secured, including interest.



**NOTES TO FINANCIAL STATEMENTS  
TOWN OF LAMAR, SOUTH CAROLINA  
June 30, 2022**

**NOTE B - COMPLIANCE AND ACCOUNTABILITY--continued**

**Property Taxes**

Real property and all personal property taxes, other than automobile property taxes, attach as an enforceable lien on January 1st of each year. Real property taxes are levied in September of each year and are payable before January 15th of the subsequent year. Automobile property taxes attach a lien and are levied throughout the year depending on when the vehicle's license tag expires. These taxes are assessed and collected by Lamar County, South Carolina under a joint billing and collection agreement. Other personal property taxes are levied in September of each year and are payable by January 15th of the subsequent year.

In the fund financial statements, property taxes are recorded as revenue in the period they are levied and become due and available within the current period or expected to be collected soon enough thereafter, within 60 days of each year end, to be used to pay liabilities of the current period. Additional amounts due to be collected after the 60-day period are considered immaterial in total and no additional accrual in the government-wide financial statements is recorded.

**General Obligation Debt**

The State of South Carolina limits the amount of outstanding general obligation bonded debt of the Town for non-utility or non-street purposes to no more than 8 percent of net assessed property valuation. For the year ended June 30, 2022 the Town had no outstanding general obligation bonded debt.

**Revenue Bonds Payable**

Water and sewer revenue is restricted by revenue bond indentures to the extent necessary to retire outstanding bond obligations. In addition to principal and interest payments, the town is required to fund and maintain certain restricted cash reserves as follows:

- a.) Cushion Fund - an amount estimated to be needed for the cost of operating and maintaining the water and sewer system to the Operation and Maintenance
- b.) Depreciation Fund - 1/12th of the amount budgeted for the year for replacing or restoring obsolete capital-asset items of the water and sewer system.
- c.) Contingency Fund - 1/12th of the amount budgeted for the year for improvements, betterments, and extensions of the water and sewer system.

**Deficit Prohibition** - South Carolina State Law prohibits the creation of a deficit fund balance in any individual fund of the Town's primary government. The Town has not created a deficit fund balance as of June 30, 2021.

**NOTES TO FINANCIAL STATEMENTS**  
**TOWN OF LAMAR, SOUTH CAROLINA**  
**June 30, 2022**

**NOTE C - CASH AND INVESTMENTS**

At June 30, 2022 the Town's total deposits was \$353,462 and the bank balance was \$362,914. The bank balances were classified into three categories of custody risk assumed by the Town based upon how its deposits were insured or secured with collateral at June 30, 2022. The categories of credit risk are defined as follows:

Category 1 - Insured by FDIC or collateralized with securities held by the Town (or public trust) or by its agent in its name.

Category 2 - Uninsured but collateralized with securities held by the pledging financial institution's trust department or agent in the Town's name.

Category 3 - Uninsured and uncollateralized; or collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the Town's name; or collateralized with no written or approved collateral agreement.

	Category			Bank Balance
	1	2	3	
Demand deposits	\$ 250,000	\$ 112,914	\$ -	\$ 362,914

Carrying value of cash and investments on Government-wide Statement of Net Assets:

	Governmental Activities	Business- Type Activities	Total
Unrestricted including time deposits	\$ 281,072	\$ 17,037	\$ 298,109
Restricted including time deposits	-	55,353	55,353
	\$ 281,072	\$ 72,390	\$ 353,462

**NOTE D - RECEIVABLES**

Receivables at June 30, 2022 consisted of the following:

	Governmental Activities	Business type Activities	Total
Property taxes	\$ 1,191	\$ -	\$ 1,191
Service customers	-	88,089	88,089
Shared revenues	15,126	-	15,126
	16,317	88,089	104,406
Less allowance for uncollectibles	-	45,800	45,800
	\$ 16,317	\$ 42,289	\$ 58,606

**NOTES TO FINANCIAL STATEMENTS**  
**TOWN OF LAMAR, SOUTH CAROLINA**  
**June 30, 2022**

**NOTE E - CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2022 was as follows:

	Balance at June 30, 2020	Additions	Disposals	Balance at June 30, 2021
Governmental activities				
Not being depreciated				
Land	\$ 50,000	\$ -	\$ -	\$ 50,000
Being depreciated				
Buildings and improvements	39,449	6,200	-	45,649
Sidewalks and streets	778,277	-	-	778,277
Furniture and equipment	150,558	4,049	-	154,607
Vehicles	157,064	-	-	157,064
	<u>1,125,348</u>	<u>10,249</u>	<u>-</u>	<u>1,135,597</u>
Less accumulated depreciation				
Buildings and improvements	9,528	1,997	-	11,525
Sidewalks and streets	461,743	21,912	-	483,655
Furniture and equipment	135,390	8,512	-	143,902
Vehicles	157,064	-	-	157,064
	<u>763,725</u>	<u>32,421</u>	<u>-</u>	<u>796,146</u>
Governmental activities capital assets, net	<u>\$ 411,623</u>	<u>\$ (22,172)</u>	<u>\$ -</u>	<u>\$ 389,451</u>
Depreciation expense by activity				
General government		\$ 31,646		
Public safety		<u>643</u>		
		<u>\$ 32,289</u>		
Business-type activities				
Not being depreciated				
Land	\$ 81,762	\$ -	\$ -	\$ 81,762
Construction in progress	43,318	76,064	-	119,382
	<u>125,080</u>	<u>76,064</u>	<u>-</u>	<u>201,144</u>
Being depreciated				
Water and sewer plant	5,530,860	-	-	5,530,860
Machinery and equipment	229,692	-	-	229,692
	<u>5,760,552</u>	<u>-</u>	<u>-</u>	<u>5,760,552</u>
Less accumulated depreciation				
Water and sewer plant	3,304,215	106,177	-	3,410,392
Machinery and equipment	227,199	357	-	227,556
	<u>3,531,414</u>	<u>106,534</u>	<u>-</u>	<u>3,637,948</u>
Business-type activities capital assets, net	<u>\$ 2,354,218</u>	<u>\$ (30,470)</u>	<u>\$ -</u>	<u>\$ 2,323,748</u>

**NOTES TO FINANCIAL STATEMENTS**  
**TOWN OF LAMAR, SOUTH CAROLINA**  
**June 30, 2022**

**NOTE F - NOTES PAYABLE**

Notes payable were issued to acquire certain capital assets as approved by the Town Council. All notes payable at June 30, 2022 are accounted for as governmental activities and are comprised of the following:

\$50,000 principal mortgage note to a financial institution collateralized by real estate payable in monthly installments of \$614 including interest at 6% per year beginning May 2012 through May 2028.	\$ 45,299
\$36,393 principal note to a financial institution collateralized by computer equipment payable in monthly installments of \$850 including interest 5.7% per year beginning July 2018 through July 2022.	1,257
	\$ 46,556

The following is a summary of changes in note-payable obligations for the year ended June 30, 2022:

Note payable at June 30, 2021	\$ 63,929
Add proceeds from note modifications	-
Less principal repayments	(17,373)
Note payable at June 30, 2022	\$ 46,556

The annual debt-service requirements to amortize outstanding notes payable as of June 30, 2022, including interest payments are as follows:

June 30,	Principal	Interest	Total
2023	\$ 6,034	\$ 2,597	\$ 8,631
2024	5,066	2,300	7,366
2025	5,385	1,982	7,367
2026	5,717	1,650	7,367
2027	6,070	1,297	7,367
2027 - 2029	18,284	1,974	20,258
	\$ 46,556	\$ 11,800	\$ 58,356

**NOTE G - RETIREMENT PLAN**

The South Carolina Public Employee Benefit Authority (“PEBA”), which was created on 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 Budget and Control Board (restructured into the Department of Administration on July 1, 2015), which consists of five elected officials, also reviews certain PEBA Board decisions regarding the funding of the South Carolina Retirement Systems (“Systems”) and serves as a co-trustee of the Systems in conducting that review.

**NOTES TO FINANCIAL STATEMENTS**  
**TOWN OF LAMAR, SOUTH CAROLINA**  
**June 30, 2022**

**NOTE G - RETIREMENT PLAN--continued**

PEBA issues a Comprehensive Annual Financial Report (“CAFR”) containing financial statements and required supplementary information for the Systems' Pension Trust Funds. The CAFR is publicly available through the Retirement Benefits' link on PEBA's website at [www.peba.sc.gov](http://www.peba.sc.gov), or a copy may be obtained by submitting a request to PEBA, PO Box 11960, 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.

**Plan Description**

The South Carolina Retirement System (“SCRS”), a cost-sharing multiple-employer defined benefit pension plan, was established effective July 1, 1945, pursuant to the provisions of Section 9-1-20 of the South Carolina Code of Laws for the purpose of providing retirement allowances and other benefits for employees of the state, its public school districts, and political subdivisions. The Town is currently is not an enrolled employer with the SCRS and has no employees as plan participants. Accordingly, disclosures pertaining to the SCRS are not presented..

The South Carolina Police Officers Retirement System (“PORS”), a cost-sharing multiple-employer defined benefit pension plan, was established effective July 1, 1962, pursuant to the provisions of Section 9-11-20 of the South Carolina Code of Laws for the purpose of providing retirement allowances and other benefits for police officers and firemen of the state and its political subdivisions.

**Membership**

PORS membership requirements are prescribed in Title 9 of the South Carolina Code of Laws. To be eligible, 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.

**NOTES TO FINANCIAL STATEMENTS**  
**TOWN OF LAMAR, SOUTH CAROLINA**  
**June 30, 2022**

**NOTE G - RETIREMENT PLAN--continued**

**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 the benefit terms for the PORS is presented below.

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

The retirement allowance of eligible retirees or their surviving annuitants is increased by the lesser of 1% or \$500 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. The PEBA Board may increase the PORS employer and employee contribution rates on the basis of the actuarial valuations, but any such increase may not result in a differential between the employee and employer contribution rate that exceeds 5% of earnable compensation for the 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 30-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 30-year amortization period; this increase is not limited to one-half of one percent per year.

**Required employer contribution rates for year ended June 30, 2022 are as follows:**

	<u>PORS</u>
Class Two	17.84% for the entire fiscal year
Class Three	17.84% for the entire fiscal year
Incidental Death Benefit	.20% for the entire fiscal year
Accidental Death	.20% for the entire fiscal year

**NOTES TO FINANCIAL STATEMENTS**  
**TOWN OF LAMAR, SOUTH CAROLINA**  
**June 30, 2022**

**NOTE G - RETIREMENT PLAN--continued**

The Town's required and actual employer contributions for the year ended June 30, 2022 are as follows:

	<u>PORS</u>
Required contributions	\$ 9,979
Actual contributions	10,540
Variance	\$ (561)

**Actuarial Assumptions and Methods**

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

The most recent annual actuarial valuation reports adopted by the PEBA Board are as of July 1, 2021. The net pension liability of each defined benefit pension plan was therefore determined by the consulting actuary, Gabriel, Roeder, Smith and Company ("GRS"), based on the July 1, 2021, actuarial valuations using membership data as of July 1, 2021, projected forward to the end of the fiscal year, and financial information of the pension trust funds as of June 30, 2022, using generally accepted actuarial procedures. Information included in the following schedules is based on the certification provided by GRS.

The following provides a summary of the actuarial assumptions and methods used in the June 30, 2022, valuations for the PORS.

Actuarial cost method	Entry age
Actuarial cost assumption:	
Investment rate of return	7.00%
Projected salary increases	3.5% to 10.5% *
Benefit adjustments	Lesser of 1% or \$500
* - varies by service and includes inflation at 2.25%	

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

**NOTES TO FINANCIAL STATEMENTS  
TOWN OF LAMAR, SOUTH CAROLINA  
June 30, 2022**

**NOTE G - RETIREMENT PLAN--continued**

<u>Former Job Class</u>	<u>Males</u>	<u>Females</u>
Educators	2020 PRSC Males multiplied by 95%	2020 PRSC Females multiplied by 94%
General Employees and Members of the General Assembly	2020 PRSC Males multiplied by 97%	2020 PRSC Females multiplied by 107%
2016 PRSC Females multiplied by 111%	2020 PRSC Males multiplied by 127%	2020 PRSC Females multiplied by 107%

**Net Pension Liability**

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 Statement No. 67 less that System's fiduciary net position. The Town's proportional share of the NPL amounts for the PORS is presented below:

Measurement Period Ended	Fiscal Year Ended	Net Pension Liability
June 30, 2015	June 30, 2015	\$ 188,820
2016	2016	\$ 219,148
2017	2017	\$ 258,238
2018	2018	\$ 219,302
2019	2019	\$ 43,680
2020	2020	\$ 122,520
2021	2021	\$ 63,136
2022	2022	\$ 117,149

The total pension liability is calculated by the Systems' actuary, and each plan's fiduciary net position is reported in the Systems' financial statements. The Town's proportionate share of the net pension liability was calculated on the basis of historical employer contributions. Although GASB 68 encourages the use of the employer's projected long-term contribution effort to the retirement plan, allocating on the basis of historical employer contributions is considered acceptable. For the measurement period ended June 30, 2022 , the Town's percentage of the PORS net pension liability was 0.003906%.

*Discount Rate*

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



**NOTES TO FINANCIAL STATEMENTS**  
**TOWN OF LAMAR, SOUTH CAROLINA**  
**June 30, 2022**

**NOTE G - RETIREMENT PLAN--continued**

*Long-term Expected Rate of Return*

The long-term expected rate of return on pension plan investments is based upon 20-year capital market assumptions. The long-term expected 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 target asset allocation adopted at the beginning of the 2022 fiscal year. The long-term expected rate of return is produced by weighting the expected future real rates of return by the target allocation percentage and adding expected inflation and is summarized in the table on the following page. For actuarial purposes, the 7 percent assumed annual investment rate of return used in the calculation of the TPL includes a 4.75 percent real rate of return and a 2.25 percent inflation component.

Allocation / Exposure	Policy Target	Expected Arithmetic Real Rate of Return	Long Term Expected Portfolio Real Rate of Return
Public Equity	46.00%	6.79%	3.12%
Bonds	26.00%	-35.00%	-0.09%
Private Equity <sup>1</sup>	9.00%	8.75%	0.79%
Private Debt <sup>2</sup>	7.00%	6.00%	0.42%
Real Assets			
Real Estate <sup>1</sup>	9.00%	4.12%	0.37%
Infrastructure <sup>1</sup>	3.00%	5.88%	0.18%
Total Expected Return <sup>3</sup>	<u>100.00%</u>		<u>4.79%</u>
Inflation for Actuarial Purposes			<u>2.25%</u>
			<u><u>7.04%</u></u>

<sup>1</sup> RSIC staff and consultant will notify the Commission if the collective exposure to Private Equity, Private Debt and Private Real Assets exceeds 30 percent of total plan assets.

<sup>2</sup> Portable Alpha Strategies, which are not included in the Policy Target, will be capped at 12% of total assets; hedge funds (including all hedge funds used in portable alpha implementation) are capped at 15% of total assets.

Rate Sensitive			
Core Fixed Income	13%	1.60%	0.21%
Cash and Short Duration (Net)	<u>1%</u>	0.56%	<u>0.01%</u>
Total expected real rate of return	<u><u>14%</u></u>		0.22%
Inflation for actuarial purposes			<u>2.25%</u>
Total expected nominal return			<u><u>2.47%</u></u>

**NOTES TO FINANCIAL STATEMENTS  
TOWN OF LAMAR, SOUTH CAROLINA  
June 30, 2022**

**NOTE G - RETIREMENT PLAN--continued**

*Sensitivity Analysis*

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

System	1% Decrease 6.0%	Current Discount 7.0%	1% Increase 8.0%
PORS	<u>\$ 79,323</u>	<u>\$ 117,149</u>	<u>\$ 79,323</u>

**Plan Fiduciary Net Position**

Detailed information about the Plan's fiduciary net position is available in PEBA's separately issued financial report.

**Pension Expense and Deferred Outflows (Inflows) of Resources**

For the year ended June 30, 2022 the Town recognized pension expense of \$35,715.

At June 30, 2022, the Town reported deferred outflows (inflows) of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 1,966	\$ 2,316
Changes in assumptions	4,878	-
Net difference between projected and actual earnings on pension plan investments	25,420	25,067
Changes in proportion and differences between contributions and proportionate share of plan contributio	<u>47,385</u>	<u>23,306</u>
	<u>\$ 79,649</u>	<u>\$ 50,689</u>

Because the measurement dates and yearend dates correspond, the Town reported no deferred outflows of resources related to contributions subsequent to the measurement date which will be normally recognized as a reduction of the net pension liability in the year ending June 30, 2022. Other amounts reported as deferred outflows (inflows) of resources will be recognized in pension expense in future years. The following schedule reflects the amortization of the Town's proportional share of the net balance of remaining deferred outflows (inflows) of resources at June 30, 2022. Average remaining service lives of all employees provided with pensions through the plan at June 30, 2022, measurement date was 3.846 years for PORS.

**NOTES TO FINANCIAL STATEMENTS  
TOWN OF LAMAR, SOUTH CAROLINA  
June 30, 2022**

**NOTE G - RETIREMENT PLAN--continued**

Measurement Period Ending	Fiscal Year Ending	PORS
June 30, 2023	June 30, 2023	\$ 13,927
2024	2024	6,475
2025	2025	4,004
2026	2026	<u>4,553</u>
		<u>\$ 28,959</u>

**Payables to the Pension Plans**

At June 30, 2022, the Town reported a payable of \$2,325 for outstanding amounts of contributions due to the PORS. This liability will be paid in the normal course of paying year-end obligations.

**NOTE H - LEASE EXPENSE**

The Town temporarily leases sewer bypass-pump station equipment from a vendor under a rolling month-to-month rental arrangement pending construction of a grant-funded permanent lift station to replace an existing malfunctioning station for a certain sewer service area within the Town. The arrangement was not executed under a formal lease agreement. The arrangement does not transfer title to the equipment and is cancellable at will, at any time, by either party to the arrangement. Therefore, the maximum lease term is considered to be one month and consequently is accounted for as a short-term lease. The short-term lease payments are recognized as lease expense in the enterprise fund. Monthly rental (lease) charges under the arrangement are \$4,150 with total lease charges totalling \$49,795.

**NOTE H - RISK MANAGEMENT AND CONTINGENCIES**

The Town is exposed to various risks of losses related to torts; thefts of; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disaster. The Town manages risk through employee educational and prevention programs and through the purchase of casualty and liability insurance. Expenditures and claims are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. In determining claims the Town considers all events that might give rise to possible claims both reported and unreported.

In the normal course of operations, the Town participates in various federal or state grant/loan programs from year to year. The grant/loan programs are often subject to additional audits by agents of the granting or loaning agency, the purpose of which is to ensure compliance with the specific conditions of the grant or loan. Any liability for reimbursement that may arise as a result of these audits cannot be reasonably determined at this time, although it is believed the amount, if any, would not be material.

**NOTES TO FINANCIAL STATEMENTS  
TOWN OF LAMAR, SOUTH CAROLINA  
June 30, 2022**

**NOTE H - RISK MANAGEMENT AND CONTINGENCIES--continued**

The Town is involved in a lawsuit in which an engineering firm is seeking \$68,898 for engineering services relating to twelve different projects going back a number of years for which they claim to have only been partially paid. The Town's attorney has advised them that the dispute can potentially settle with the Town paying an estimated settlement amount substantially less than the amount the plaintiff is seeking. Management believes the claim could be settled within the range of \$25,000 to \$35,000 or possibly result in no payment at all by the Town. The settlement would result in attritional costs capitalized as water and sewer improvements to be depreciated over the remaining useful lives of the original project improvements placed in service relating to the services rendered.

**NOTE I - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

Net Interfund transfers for the year ended June 30, 2022 were as follows:

	Transfers In	Transfers
Major Governmental Funds		
General Fund	\$ -	\$ 109,879
Major Enterprise Funds		
Water and Sewer Fund	109,879	-
	\$ 109,879	\$ 109,879

During the course of normal operations the Town transfers of unrestricted monies between funds as it sees necessary to carry on the operations of its various activities to serve the public. The Town has not addressed the repayment of these interfund transfers repayments and historically has made repayment whenever funds are available and has not addressed whether such transfers will be considered permanent

**NOTE J - SUBSEQUENT EVENTS**

In early 2020, an outbreak of the novel strain of coronavirus (COVID-19) emerged globally. As a result, there have been mandates from federal, state and local authorities resulting in an overall decline in economic activity. The ultimate impact of COVID-19 on the financial position of the Town and future operation and the impact on its financial investments is not reasonably estimable at this time.

Management has evaluated subsequent events through August 17, 2022, which is the date the financial statements were available to be issued, and concluded that there were no significant events requiring additional recording or disclosure in the financial

**REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF EMPLOYER PROPORTIONATE SHARE OF NET PENSION LIABILITY**  
**TOWN OF LAMAR**  
**June 30, 2022**

	PORS							
	2022	2021	2020	Year Ended June 30,		2017	2016	2015
				2019	2018			
Percentage of total net pension liability	0.003906%	0.245400%	0.003695%	0.001500%	0.008000%	0.010000%	0.010000%	0.010000%
Proportion share of net pension liability	\$ 117,149	\$ 63,136	\$ 122,520	\$ 43,680	\$ 219,302	\$ 258,238	\$ 219,148	\$ 188,820
Covered payroll	\$ 51,866	\$ 48,500	\$ 56,431	\$ 22,601	\$ 74,306	\$ 109,342	\$ 132,724	\$ 126,454
Proportion share of net pension liability as a percentage of covered payroll	225.87%	130.18%	217.11%	193.27%	295.13%	236.17%	148.02%	149.32%
Plan's fiduciary net position as a percentage of total pension liability	66.40%	70.40%	58.90%	62.70%	61.70%	60.90%	60.40%	64.60%

Note: the Town implemented GASB Statement 68 during fiscal year ended June 30, 2015 and, accordingly, data prior to June 30, 2015 is unavailable. GASB Statement 68 requires this schedule to be a 10 year historical comparison, but allows for it to be built prospectively as trend data becomes available.

**SCHEDULE OF EMPLOYER CONTRIBUTIONS  
TOWN OF LAMAR  
June 30, 2022**

	PORS							
	2022	2021	2020	Year Ended June 30,		2017	2016	2015
				2019	2018			
Statutorily required contributions	\$ 9,979	\$ 8,846	\$ 10,293	\$ 3,806	\$ 11,770	\$ 15,133	\$ 17,705	\$ 16,452
Contributions recognized by the plan	\$ 10,540	\$ 5,376	\$ 8,826	\$ 3,806	\$ 6,911	\$ 15,133	\$ 17,705	\$ 16,452
Covered employee payroll	\$ 51,866	\$ 48,500	\$ 56,431	\$ 74,306	\$ 74,306	\$ 109,342	\$ 132,724	\$ 126,454
Percentage of recognized contributions to covered employee payroll	20.32%	11.08%	15.64%	5.12%	9.30%	10.22%	13.74%	13.41%

Note: the Town implemented GASB Statement 68 during fiscal year ended June 30, 2015 and, accordingly, data prior to June 30, 2015 is unavailable. GASB Statement 68 requires this schedule to be a 10 year historical comparison, but allows for it to be built prospectively as trend data becomes available.

**SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET (GAAP) AND ACTUAL**  
**GENERAL FUND**  
**TOWN OF LAMAR, SOUTH CAROLINA**  
**Year Ended June 30, 2022**

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	Favorable (Unfavorable)
<b>Revenues</b>				
Property taxes	\$ 23,200	\$ 23,200	\$ 27,985	\$ 4,785
Business licenses and permits	13,920	13,920	22,846	8,926
Fines and forfeitures	14,110	14,110	14,673	563
Franchise fees	65,530	65,530	75,559	10,029
Merchant's inventory tax	7,610	7,610	11,566	3,956
Accommodations tax	1,560	1,560	1,976	416
Local option sales tax and state aid	154,280	154,280	194,396	40,116
Homestead exemptions	12,270	12,270	14,276	2,006
Brokers tax	88,100	88,100	114,687	26,587
Grant revenue	4,870	4,870	110,986	106,116
Rent	4,650	4,650	5,250	600
Interest and other revenue	-	-	6,822	6,822
	390,100	390,100	601,022	210,922
<b>TOTAL REVENUES</b>				
<b>Expenditures</b>				
<b>General government</b>				
<b>Personnel</b>				
Salaries	35,467	35,467	57,078	(21,611)
Payroll taxes	2,958	2,958	4,350	(1,392)
Insurance	2,000	2,000	2,304	(304)
	40,425	40,425	63,732	(23,307)
<b>Purchased services</b>				
Advertising	-	-	1,037	(1,037)
Contract services	-	-	14,523	(14,523)
Contributions	1,000	1,000	500	500
Vehicle expense	-	-	135	(135)
General insurance	24,375	24,375	12,313	12,062
Legal and professional fees	20,890	20,890	56,917	(36,027)
Repairs and maintenance	5,000	5,000	4,362	638
Telephone	3,950	3,950	4,557	(607)
Dues and subscriptions	-	-	538	(538)
Utilities	49,950	49,950	46,354	3,596
Mayor and Town Council	11,400	11,400	12,385	(985)
Other	2,500	2,500	8,809	(6,309)
Capital outlays	-	-	6,200	(6,200)
	119,065	119,065	168,630	(49,565)
<b>Supplies</b>				
Operating	-	-	12,303	(12,303)
Office	1,800	1,800	6,718	(4,918)
	1,800	1,800	19,021	(17,221)
<b>Total general government</b>	161,290	161,290	251,383	(90,093)



**SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET (GAAP) AND ACTUAL**  
**GENERAL FUND**  
**TOWN OF LAMAR, SOUTH CAROLINA**  
**Year Ended June 30, 2022**

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	Favorable (Unfavorable)
Expenditures--continued				
Public safety				
Personnel				
Salaries	128,960	128,960	77,055	51,905
Payroll taxes	10,755	10,755	5,651	5,104
Retirement	19,721	19,721	14,295	5,426
Insurance	12,000	12,000	3,110	8,890
	<u>171,436</u>	<u>171,436</u>	<u>100,111</u>	<u>71,325</u>
Purchased services				
Contract services	-	-	-	-
Vehicle expense	10,093	10,093	11,050	(957)
General Insurance	-	-	11,018	(11,018)
Repairs and maintenance	15,460	15,460	2,661	12,799
Telephone	4,200	4,200	5,177	(977)
Travel and conferences	-	-	647	(647)
Dues and subscriptions	-	-	300	(300)
Judge fees	11,616	11,616	10,999	617
State share assessments	8,800	8,800	10,987	(2,187)
Other	1,200	1,200	2,329	(1,129)
Capital outlays	-	-	4,049	(4,049)
	<u>51,369</u>	<u>51,369</u>	<u>59,217</u>	<u>(7,848)</u>
Supplies				
Operating	-	-	-	-
Office	-	-	63	(63)
Uniforms	6,000	6,000	246	5,754
	<u>6,000</u>	<u>6,000</u>	<u>309</u>	<u>5,691</u>
Total public safety	228,805	228,805	159,637	69,168
Public works				
Personnel				
Salaries	-	-	10,145	(10,145)
Payroll taxes	-	-	714	(714)
Insurance	-	-	409	(409)
	<u>-</u>	<u>-</u>	<u>11,268</u>	<u>(11,268)</u>
Purchased services				
Vehicle expense	-	-	5,315	(5,315)
Repairs and maintenance	-	-	6,914	(6,914)
Utilities	-	-	14,626	(14,626)
Other	-	-	-	-
Capital outlays	-	-	-	-

**SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET (GAAP) AND ACTUAL**  
**GENERAL FUND**  
**TOWN OF LAMAR, SOUTH CAROLINA**  
**Year Ended June 30, 2022**

	Budgeted Amounts		Actual	Variance
	Original	Final	Amounts	Favorable (Unfavorable)
	-	-	26,855	(26,855)
Total public works	-	-	38,123	(38,123)
Total departmental expenditures	390,095	390,095	449,143	(59,048)
Expenditures--continued				
Debt service				
Principal retirement	-	-	17,374	(17,374)
Interest and fiscal charges	-	-	3,316	(3,316)
	-	-	20,690	(20,690)
TOTAL EXPENDITURES	390,095	390,095	469,833	(79,738)
EXCESS OF REVENUE OVER EXPENDITURES	5	5	131,189	131,184
Other financing source (use)				
Proceeds from issuance of debt	-	-	-	-
Transfers to proprietary fund	-	-	(109,879)	(109,879)
NET CHANGE IN FUND BALANCE	5	5	21,310	21,305
Fund balance at beginning of year	375,453	375,453	\$ 375,453	--
FUND BALANCE AT END OF YEAR	\$ 375,458	\$ 375,458	\$ 396,763	\$ 21,305

**OTHER SUPPLEMENTARY INFORMATION**

**SCHEDULE OF FINES, ASSESSMENTS AND SURCHARGES  
TOWN OF LAMAR, SOUTH CAROLINA  
June 30, 2022**

Court Fines and Assessments

Court fines and fees collected	
Fines collected	\$ 5,696
Assessments	6,650
Surcharges	2,983
	15,329
Court fines due to State Treasurer's Office	
Municipal DUS DPS Pullout	254
Municipal Drug Surcharge	310
Municipal Law Enforcement Surcharge	2,264
Other Assessments	5,682
	8,689
Court fines and fees retained by Town	5,696
Total dispositions	14,385
Court fines and fees retained for victim's services	\$ 944

Surcharges and Assessments Retained for Victims Services

Unexpended victim services funds at beginning of year	\$ -
Surcharges collected and retained	944
Expended for victims services	(944)
	-
Unexpended victim services funds at end of year	\$ -

## **COMPLIANCE SECTION**

# Hamilton McKinney & Moss

Certified Public Accountants



Members:  
American Institute of Certified Public Accountants  
South Carolina Association of Certified Public Accountants

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

To the Honorable Mayor and Town Council  
Of the Town 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 financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information, of the Town of Lamar, South Carolina, (Town) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements and have issued our report thereon dated October 9, 2023.

### **Internal Control Over Financial Reporting**

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

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. We consider only one of the deficiencies described in the accompanying schedule of findings and questioned costs to be a material weakness, Finding #2020-1 Segregation of Duties.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider one of the deficiencies described in the accompanying schedule of findings and questioned costs to be a significant deficiency, Finding #2022-2 Preparation of Financial Statements.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Town's financial statements are free from material misstatement, we performed tests of 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 a 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*."

**Compliance and Other Matters--continued**

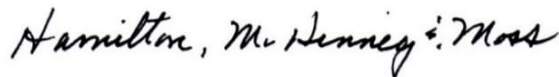
We wish to communicate to you that there are no known material uncorrected misstatements, individually or in aggregate, to the financial statements taken as a whole; the significant accounting policies are described in the notes to the financial statements; the financial statements include no significant accounting estimates other than those, if any, reflected in the financial statements; all audit adjustments proposed have been reviewed and accepted by management and have been reflected in the financial statements; we have no knowledge of management consulting with other independent auditors; and we encountered no disagreements nor substantial difficulties in dealing with management in performing and completing our audit. We must also point out that although a financial statement audit is a component of good governance, it cannot, however, be construed as a substitute for, nor a reduction in, the total overall due diligence responsibilities of those charged with governance.

**Town's Responses to Findings**

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

**Purpose of this Report**

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



October 9, 2023

**FINDINGS RELATING TO THE BASIC FINANCIAL STATEMENTS REPORTED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

**Finding 2022-1 Segregation of Duties**

**Criteria or specific requirement:** Internal control, originally referred to as internal check, is defined throughout accounting and auditing literature as the process of assuring achievement of an organization's objectives in operational effectiveness and efficiency, reliable financial reporting, and compliance with laws regulations and policies. It aims toward minimizing risks to an organization by directing, monitoring and measuring an organization's resources and are concerned with reliability of financial reporting, timely feedback on achievement of operational or strategic goals, and compliance with laws and regulations.

**Condition:** There is an absence of an absolute segregation of duties in the accounting process due primarily to an accounting department that lacks the size and resources to function in an ideal manner that could assist in reducing the likelihood of a material misstatement.

**Cause of condition:** It is virtually impossible or, in most cases as with the Town, cost prohibitive to have a perfect segregation of duties within the accounting process. The Town simply cannot justify the added costs to implement an absolute separation of duties because it believes that the costs far outweigh the perceived benefits.

**Potential effect of condition:** The lack of an absolute segregation of duties weakens the Town's internal control structure's ability to absolutely prevent and/or detect possible misstatements through second-party independent verification for safeguarding of assets and for potential material misstatement within the Town's financial statements.

**Recommendation:** We understand that the added costs of providing an absolute segregation of duties will, in most cases, out-weigh the projected benefits of the added controls, and therefore, may be considered unjustified. However, we are obligated by recently adopted auditing standards to bring this condition to your attention. Those charged with the Town's governance are obligated to consider the validity of these comments in light of the circumstances surrounding this condition and respond as they consider necessary. Their response may very well entail acceptance and continuance of this condition as the best perceived alternative under the circumstances.

**Response of responsible Town official:** Absolute separation of duties is rarely, if ever, seen within small-to-medium-sized organizations simply because of the lack of a cost-benefit justification for the added segregation of duties. In the absence of absolute segregation of duties, we implore mitigating controls that reduce the likelihood of material misstatement. We believe that the added costs of providing an absolute segregation of duties will far out-weigh the projected benefits of the added controls, and therefore, consider it as unjustifiable.

**Finding 2022-2 Preparation of Financial Statements**

**Criteria or specific requirement:** The Town is obligated by the State of South Carolina and various other regulatory and funding agencies, as well as due diligence responsibilities to the general-public, to provide audited full-disclosure financial statements.

**Condition:** The Town management does not internally prepare its own full-disclosure financial statements that it makes available to regulatory agencies or funding agencies and the general-public at large

**Cause of Condition:** Like most small-to-medium sized organizations, the Town lacks the personnel with the accounting expertise and training such as that possessed by a certified public accountant or a chief financial officer of a large organization who customarily and regularly prepares full-disclosure financial statements.

**Potential effect of condition:** Consequently, the Town's management is unable to prepare full-disclosure year-end financial statements and they are dependent upon its dependent upon its external auditors to prepare these financial statements as part of their audit process. The Town calls upon its external auditors to identify commitments and contingencies, concentrations, subsequent events, compliance with grantor restrictions, compliance with debt covenants, related party transactions, fair values of financial instruments, or other events and conditions that are significant to the preparation of financial statements, including disclosures. This has been a customary practice for small organizations.



**Finding 2022-2 Preparation of Financial Statements--continued**

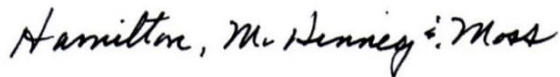
**Recommendation:** This is a customary and fully acceptable practice and will continue to be so in the foreseeable future. However, we are obligated by recently adopted auditing standards to bring this condition to your attention. You are obligated to consider the validity of these comments in light of the circumstances surrounding this condition and respond as you consider necessary. Your response may very well entail acceptance and continuation of this condition as the best perceived alternative under the circumstances.

**Response of responsible Town official:** We see no problem with this practice. It has worked well for us in the past and will continue to do so in the future. The primary goals and objectives of the Town of Lamar are not to produce full-disclosure financial statements; they are to provide government services to its constituents. Financial statements are a byproduct of its goals and objectives that communicate accomplished. This will continue to be done effective in the present and future in much the same manner as it has in the past.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Town's financial statements are free of material misstatement, we performed tests of 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 a objective of our audit, and accordingly, we do not express such an opinion. We noted no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We wish to communicate to you that there are no known material uncorrected misstatements, individually or in aggregate, to the financial statements taken as a whole; the significant accounting policies are described in the notes to the financial statements; the financial statements include no significant accounting estimates other than those, if any, reflected in the financial statements; all audit adjustments proposed have been reviewed and accepted by management and have been reflected in the financial statements; we have no knowledge of management consulting with other independent auditors; and we encountered no disagreements nor substantial difficulties in dealing with management in performing and completing our audit, except for the inability to make inquiries of key personnel performing critical financial reporting functions during the period covered by our audit who are no longer employed by the Town. This contributed to significant delays in completing the audit. We must also point out that although a financial statement audit is a component of good governance, it cannot, however, be construed as a substitute for nor a reduction in the total overall due diligence responsibilities of those charged with governance.



October 9, 2023