

TOWN OF LAMAR, SOUTH CAROLINA

GOVERNMENT-WIDE FINANCIAL STATEMENTS
AND OTHER FINANCIAL INFORMATION

YEAR ENDED JUNE 30, 2019

WITH

INDEPENDENT AUDITORS' REPORT

TOWN OF LAMAR, SOUTH CAROLINA

GOVERNMENT-WIDE FINANCIAL STATEMENTS
AND OTHER FINANCIAL INFORMATION

YEAR ENDEND JUNE 30, 2019

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INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Members

Of Town Council

Town of Lamar, South Carolina

Post Office Box 267

Lamar, SC 29069-0267

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Lamar, South Carolina (the "Town"), as of and for the year ended June 30, 2019, and the related notes to the financial statements. These financial statements collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. Because of the matters described in the "Basis for Disclaimer of Opinion" paragraphs, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the opinion units listed with disclaimer opinions in the Summary of Opinions section below.

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

Except for the matters described in the “Basis for Disclaimer of Opinion” paragraphs, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Summary of Opinions

<u>Opinion Unit</u>	<u>Type of Opinion</u>
Governmental Activities	Disclaimer
Business-Type Activities	Disclaimer
General Fund	Disclaimer
Utility Fund	Disclaimer

Basis for Disclaimer Opinion on Governmental Activities

We were not able to obtain sufficient and appropriate audit evidence for the Town’s governmental activities’ expenditures throughout the fiscal year; nor were we able to satisfy ourselves as to the correct amount of these expenditures by other auditing procedures. Many financial statement areas were potentially materially misstated due to this lack of audit evidence such as: prepaid assets, capital assets, and accounts payable.

Basis for Disclaimer Opinion on Business-Type Activities

We were not able to obtain sufficient and appropriate audit evidence for the Town’s Business-Type activities’ expenditures throughout the fiscal year; nor were we able to satisfy ourselves as to the correct amount of these expenditures by other auditing procedures. Many financial statement areas were potentially materially misstated due to this lack of audit evidence such as: prepaid assets, capital assets, and accounts payable.

Basis for Disclaimer Opinion on General Fund

We were not able to obtain sufficient audit evidence for a material amount of the Town’s General Fund expenditures throughout the fiscal year; nor were we able to satisfy ourselves as to the correct amount of these expenditures by other auditing procedures.

Basis for Disclaimer Opinion on Utility Fund

We were not able to obtain sufficient audit evidence for a material amount of the Town’s Utility Fund expenditures throughout the fiscal year; nor were we able to satisfy ourselves as to the correct amount of these expenditures by other auditing procedures. Many financial statement areas were potentially materially misstated due to this lack of audit evidence such as: prepaid assets, capital assets, and accounts payable.

Disclaimer of Opinions

Because of the significance of the matters described in the “Basis for Disclaimer of Opinion” paragraphs, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements of the opinion units listed with disclaimer opinions in the Summary of Opinions section above.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis, budgetary comparison information, Schedule of Proportionate Share of the South Carolina Retirement Systems Net Pension Liabilities, and Schedule of South Carolina Retirement Systems Contributions as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic

financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the management's discussion and analysis and the budgetary comparison information that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The Schedule of Court Fines, Fees, Assessments, and Surcharges are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The Brittingham Group LLP

West Columbia, South Carolina
July 14, 2021

TOWN OF LAMAR, SOUTH CAROLINA

STATEMENT OF NET POSITION

JUNE 30, 2019

	Primary Government		
	Governmental Activities	Business Type Activities	Totals
Assets			
Current assets:			
Cash and cash equivalents	\$ 202,733	\$ 5,380	\$ 208,113
Cash and cash equivalents - restricted	-	331,894	331,894
Service fees receivable, net of allowance	-	24,902	24,902
Property and local options sales tax receivable	25,549	-	25,549
Intergovernmental receivable	12,804	-	12,804
Broker tax receivable	2,914	-	2,914
Note receivable	4,645	-	4,645
Interfund balances	(63,399)	63,399	-
Non-current assets:			
Capital assets:			
Non-depreciable	50,000	380,782	430,782
Depreciable, net	443,475	1,699,112	2,142,587
Total assets	<u>678,721</u>	<u>2,505,469</u>	<u>3,184,190</u>
Deferred outflows of resources			
Deferred outflows - pension plan	4,793	-	4,793
Total assets and deferred outflows of resources	<u>683,514</u>	<u>2,505,469</u>	<u>3,188,983</u>
Liabilities			
Current liabilities:			
Accounts payable and other accrued liabilities	10,291	22,619	32,910
Customer deposits	-	38,309	38,309
Deferred revenue	-	331,894	331,894
Long-term liabilities:			
Due within one year	13,234	-	13,234
Due in more than one year	64,838	-	64,838
Net pension liabilities	43,680	-	43,680
Total liabilities	<u>132,043</u>	<u>392,822</u>	<u>524,865</u>
Deferred inflows of resources			
Deferred inflows - pension plan	124,521	-	124,521
Total deferred inflows of resources	<u>124,521</u>	<u>-</u>	<u>124,521</u>
Total liabilities and deferred inflows of resources	<u>256,564</u>	<u>392,822</u>	<u>649,386</u>
Net position			
Net investment in capital assets	415,403	2,079,894	2,495,297
Restricted for capital improvements	-	331,894	331,894
Unrestricted - net pension liability	(163,408)	-	(163,408)
Unrestricted	174,955	(299,141)	(124,186)
Total net position	<u>\$ 426,950</u>	<u>\$ 2,112,647</u>	<u>\$ 2,539,597</u>

See accompanying notes.

TOWN OF LAMAR, SOUTH CAROLINA

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2019

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary Government:						
Governmental activities:						
General government	\$ 183,920	\$ -	\$ -	\$ (183,920)	\$ -	\$ (183,920)
Public safety	135,994	2,274	21,075	(112,645)	-	(112,645)
Public Works	52,533	-	-	(52,533)	-	(52,533)
Total governmental activities	<u>372,447</u>	<u>2,274</u>	<u>21,075</u>	<u>(349,098)</u>	<u>-</u>	<u>(349,098)</u>
Business-type activities						
Utilities	382,664	334,757	617,962	-	570,055	570,055
Total business-type activities	<u>382,664</u>	<u>334,757</u>	<u>617,962</u>	<u>-</u>	<u>570,055</u>	<u>570,055</u>
Total Primary Government	<u>\$ 755,111</u>	<u>\$ 337,031</u>	<u>\$ 639,037</u>	<u>(349,098)</u>	<u>570,055</u>	<u>220,957</u>
General revenues and transfers:						
General revenues:						
Property and local options sales tax				134,039	-	134,039
Intergovernmental				48,168	-	48,168
Brokers tax				94,681	-	94,681
Licenses, permits and franchise fees				83,599	-	83,599
Interest				291	827	1,118
Miscellaneous				8,066	-	8,066
Transfers				(18,543)	18,543	-
Total general revenues				<u>350,301</u>	<u>19,370</u>	<u>369,671</u>
Change in net position				1,203	589,425	590,628
Net position, at beginning of year				<u>425,747</u>	<u>1,523,222</u>	<u>1,948,969</u>
Net position, end of year				<u>\$ 426,950</u>	<u>\$ 2,112,647</u>	<u>\$ 2,539,597</u>

See accompanying notes.

TOWN OF LAMAR, SOUTH CAROLINA

BALANCE SHEET
GOVERNMENTAL FUNDS

JUNE 30, 2019

	<u>General</u>	<u>Total Governmental Funds</u>
Assets		
Cash and cash equivalents	\$ 202,733	\$ 202,733
Property and local options sales tax receivable	25,549	25,549
Intergovernmental receivable	12,804	12,804
Broker tax receivable	2,914	2,914
Note receivable	4,645	4,645
Total assets	<u>248,645</u>	<u>248,645</u>
Liabilities and fund balances		
Accounts payable and other accrued liabilities	10,291	10,291
Due to other funds	63,399	63,399
Total liabilities	<u>73,690</u>	<u>73,690</u>
Fund balances		
Unassigned	<u>174,955</u>	<u>174,955</u>
Total fund balances	<u>174,955</u>	<u>174,955</u>
Total liabilities and fund balances	<u><u>\$ 248,645</u></u>	<u><u>\$ 248,645</u></u>

See accompanying notes.

TOWN OF LAMAR, SOUTH CAROLINA

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

JUNE 30, 2019

Total fund balances - governmental funds		\$ 174,955
Amounts reported for governmental activities in the Statement of Net Position are different due to the following:		
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds.		
Capital assets, cost	\$ 1,175,346	
Accumulated depreciation	<u>(681,871)</u>	493,475
Long-term liabilities, including notes payable and capital lease obligations, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds balance sheet. Long-term liabilities consist of the following:		
Notes payable	(78,072)	
Net pension liability	<u>(43,680)</u>	(121,752)
Deferred outflows and inflows of resources related to pensions are applicable to future periods and therefore, are not reported in the governmental funds:		
Deferred outflows of resources - pension plan	4,793	
Deferred inflows of resources - pension plan	<u>(124,521)</u>	(119,728)
Net position of governmental activities		<u><u>\$ 426,950</u></u>

See accompanying notes.

TOWN OF LAMAR, SOUTH CAROLINA

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

YEAR ENDED JUNE 30, 2019

	<u>General</u>	<u>Total Governmental Funds</u>
Revenues		
Property and local options sales tax	\$ 147,841	\$ 147,841
Intergovernmental	48,168	48,168
Brokers tax	94,681	94,681
Licenses, permits and franchise fees	83,599	83,599
Fines and forfeitures	2,274	2,274
Interest	291	291
Grant	21,075	21,075
Miscellaneous	8,066	8,066
Total revenues	<u>405,995</u>	<u>405,995</u>
Expenditures		
General government	157,924	157,924
Public safety	176,332	176,332
Public Works	52,533	52,533
Debt service		
Principal	10,186	10,186
Interest	6,468	6,468
Capital outlay	36,393	36,393
Total expenditures	<u>439,836</u>	<u>439,836</u>
Excess (deficit) of revenues over (under) expenditures	(33,841)	(33,841)
Other financing sources (uses)		
Proceeds from debt issuance	36,363	36,363
Net transfers out	(18,543)	(18,543)
Total other financing sources (uses)	<u>17,820</u>	<u>17,820</u>
Net change in fund balance	(16,021)	(16,021)
Fund balance, beginning of year	190,976	190,976
Fund balance, end of year	<u>\$ 174,955</u>	<u>\$ 174,955</u>

See accompanying notes.

TOWN OF LAMAR, SOUTH CAROLINA

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

YEAR ENDED JUNE 30, 2019

Net change in fund balance - total governmental funds \$ (16,021)

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

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the Statement of Net Position and allocated over the estimated useful lives as annual depreciation expenses in the statement of activities. This is the amount by which depreciation exceeded capital outlays in the period.

Acquisition of capital assets	\$ 36,393	
Depreciation	(39,056)	
Net change in capital assets		(2,663)

Repayment of notes payable are expenditures in the governmental funds, and reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities. 10,186

Proceeds from debt is an other financing source in the governmental funds, and it increases long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities. (36,363)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds - property taxes receivable (13,802)

Governmental funds report the Town's pension contributions as expenditures. However, in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.

Change in net pension liability		175,622
Change in deferred inflows - pension plan		(71,807)
Change in deferred outflows - pension plan		(43,949)

Change in net position of governmental activities \$ 1,203

See accompanying notes.

TOWN OF LAMAR, SOUTH CAROLINA

STATEMENT OF NET POSITION -
 PROPRIETARY FUND

YEAR ENDED JUNE 30, 2019

	<u>Utility Fund</u>
Assets	
Current assets	
Cash and cash equivalents	\$ 5,380
Cash and cash equivalents - restricted	331,894
Service fees receivable, net of allowance	24,902
Due from other funds	63,399
Non-current assets	
Capital assets:	
Non-depreciable assets	380,782
Depreciable assets, net	1,699,112
Total assets	<u>2,505,469</u>
Liabilities	
Accounts payable and other accrued liabilities	22,619
Customer deposits	38,309
Deferred revenue	331,894
Total liabilities	<u>392,822</u>
Net position	
Net investment in capital assets	2,079,894
Restricted	331,894
Unrestricted	(299,141)
Total net position	<u>\$ 2,112,647</u>

See accompanying notes.

TOWN OF LAMAR, SOUTH CAROLINA

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

YEAR ENDED JUNE 30, 2019

	<u>Utility Fund</u>
Operating revenue	
Water and sewer fees	\$ 265,965
Sanatation fees	45,491
Miscellaneous fees	23,301
Total operating revenue	<u>334,757</u>
Operating expenses	
Salaries and related benefits	41,474
Depreciation	78,821
Utilities	36,287
Repairs and maintenance	46,380
Supplies	27,709
Water purchases	108,202
Insurance	6,234
Permits and fees	20,159
Professional fees	6,235
Postage	3,150
Bad debt expense	4,800
Other expenses	3,213
Total operating expenses	<u>382,664</u>
Operating loss	<u>(47,907)</u>
Nonoperating revenue	
Interest	827
Grant	617,962
Total nonoperating revenue	<u>618,789</u>
Income before transfers	<u>570,882</u>
Net transfers in	<u>18,543</u>
Change in net position	589,425
Total net position, beginning	1,523,222
Total net position, ending	<u><u>\$ 2,112,647</u></u>

See accompanying notes.

TOWN OF LAMAR, SOUTH CAROLINA

STATEMENT OF CASH FLOWS -
PROPRIETARY FUND

YEAR ENDED JUNE 30, 2019

	Utility Fund
Cash flows from operating activities	
Receipts from customers	\$ 336,268
Payments to suppliers and employers	(318,050)
Payments to employees	(41,474)
Net cash provided by operating activities	<u>(23,256)</u>
Cash flows from noncapital financing activities	
Net transfers in	18,543
Net cash used by operating activities	<u>18,543</u>
Cash flows from capital and related financing activities	
Acquisition and construction of fixed assets	(636,012)
Proceeds from capital grants	916,217
Net cash used by operating activities	<u>280,205</u>
Cash flows from investing activities	
Interest income	827
Net cash provided by investing activities	<u>827</u>
Net increase in cash and cash equivalents	276,319
Cash and cash equivalents, beginning	60,955
Cash and cash equivalents, ending	<u>\$ 337,274</u>
Reconciliation of operating loss to net cash provided by (used in) operating activities	
Operating loss	\$ (47,907)
Adjustments to reconcile operating loss to net cash provided by operating activities	
Depreciation	78,821
Changes in assets and liabilities	
Service fees receivable, net of allowance	11
Due from other funds	(63,399)
Accounts payable and other accrued liabilities	7,718
Customer deposits	1,500
Net cash provided by operating activities	<u>\$ (23,256)</u>

TOWN OF LAMAR, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

1. Summary of Significant Accounting Policies

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

Financial Reporting Entity

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

Basis of Presentation

Government-wide Financial Statements

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

Statement of Activities

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function.

Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges by a given function and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenue are reported instead as general revenues.

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into two major categories: governmental and proprietary.

TOWN OF LAMAR, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

1. Summary of Significant Accounting Policies (continued)

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

The fund of the financial reporting entity are described below:

Governmental Funds

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

Utility Fund - Enterprise funds are used to account for business-like activities provided to the 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.

Measurement Focus and Basis of Accounting

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

TOWN OF LAMAR, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

1. Summary of Significant Accounting Policies (continued)

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

Assets, Liabilities, and Net Position

Deposits and Investments

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

Receivables and Payables

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

Prepaid Items

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

Capital Assets

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

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

Major outlays for capital assets and improvements are capitalized as projects are constructed.

TOWN OF LAMAR, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

1. Summary of Significant Accounting Policies (continued)

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

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

Compensated Absences

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

Full-time employees earn from one to two weeks' vacation per year based on their number of years of service.

As of June 30, 2019, the Town did not have any liability recognized for accrued compensated absences.

Long-term Debt

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

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

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

Deferred Revenue

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

TOWN OF LAMAR, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

1. Summary of Significant Accounting Policies (continued)

Net Position Classifications

Government-wide Statements - Equity is classified as net position and displayed in three components:

- a. Net investment in capital assets - Consists of capital assets net of accumulated depreciation and reduced by outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, constructions, or improvements of those assets.
- b. Restricted net position - 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 position -All other net assets that do not meet the definition of "restricted".

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

Deferred Outflows and Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town has only one item that qualifies for reporting in this category. It is the net difference between expected and actual experience in the pension plan account.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The Town has one item that qualifies for reporting in this category. It is the net difference between projected and actual investment earnings in the pension plan account; the amount is deferred and recognized as an inflow of resources in the period that the amounts become available.

TOWN OF LAMAR, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

1. Summary of Significant Accounting Policies (continued)

Revenues, Expenditures, and Expenses

Property Taxes

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

The county of Darlington has adopted the provisions of State statutes, which allow the collection of a 1% sales tax on essentially all consumer goods sold at retail in the County. The State collects the revenue and distributes it monthly to the County. By ordinance, the County has decreed that all monies received will be used to reduce *ad valorem* taxes.

Operating Revenues and expenses

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

Interfund Transfers

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

Use of Estimates

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

Policy Regarding Restricted and Unrestricted Resources

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

2. Stewardship, Compliance, and Accountability

Budgets

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. An annual appropriated budget is adopted for the General Fund and the Utility Fund. All annual appropriations lapse at fiscal year-end. For fiscal year 2019, the Town had not adopted a formal budget. Therefore, a budget to actual comparison could not be created in the financial statements.

TOWN OF LAMAR, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

3. Cash and Investments

Deposits

As of the year ended June 30, 2019, the Town had bank balances in the amount of \$577,810, all of which was collateralized by Federal Depository Insurance. The total carrying balance of the Town's accounts was \$540,007, as of June 30, 2019.

4. Receivables

As of June 30, 2019, accounts receivable for consists of various types of receivables, which are listed in the table below. An allowance for doubtful accounts is maintained in the Utility fund and is approximately 30% of the receivables associated with water, sewer, and sanitation services within the last 60 days. Additionally, the allowance for doubtful accounts in the Utility fund contains certain service account balances that were due for over 60 days at 100% of their balance due.

No allowance for doubtful accounts were necessary in the governmental funds due to the high likelihood of collection.

Additionally, the Town has a note receivable from an individual regarding the purchase of a building owned by the Town. The note requires monthly payments of \$169 until its maturity date of November 2021. The note receivable accrues at an annual interest rate of 6%. The remaining balance on the note receivable is \$4,645 as of June 30, 2019.

As of June 30, 2019, receivables for the Town, net of the allowance for doubtful accounts maintained for each type of receivable, consisted of the following:

	Govenrmental Activities	Business-type Activities	Total
Service fees	\$ -	\$ 51,102	\$ 51,102
Property and local options sales tax	25,549	-	25,549
Intergovernmental	12,804	-	12,804
Broker tax	2,914	-	2,914
Note receivable	4,645	-	4,645
Gross receivables	45,912	51,102	97,014
Less allowance for uncollectibles	-	(26,200)	(26,200)
Net receivables	\$ 45,912	\$ 24,902	\$ 70,814

TOWN OF LAMAR, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

5. Capital Assets

Governmental activities:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Capital assets, not being depreciated:				
Land	\$ 50,000	\$ -	\$ -	\$ 50,000
Total capital assets, not being depreciated	50,000	-	-	50,000
Capital assets, being depreciated				
Vehicles	107,770	-	-	107,770
Machinery and equipment	163,459	36,393	-	199,852
Infrastructure	778,277	-	-	778,277
Building improvements	39,449	-	-	39,449
Total capital assets, being depreciated	1,088,955	36,393	-	1,125,348
Less accumulated depreciation for:				
Vehicles	107,770	-	-	107,770
Machinery and equipment	151,588	11,126	-	162,714
Infrastructure	377,870	25,958	-	403,828
Building improvements	5,589	1,972	-	7,561
Total accumulated depreciation	642,817	39,056	-	681,873
Total capital assets being depreciated, net	446,138	(2,663)	-	443,475
Governmental activities capital assets, net	<u>\$ 496,138</u>	<u>\$ (2,663)</u>	<u>\$ -</u>	<u>\$ 493,475</u>

TOWN OF LAMAR, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

5. Capital Assets (continued)

Business-type activities:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Capital assets, not being depreciated:				
Land	\$ 81,762	\$ -	\$ -	\$ 81,762
Construction in progress	156,508	142,512	-	299,020
Total capital assets, not being depreciated	<u>238,270</u>	<u>142,512</u>	<u>-</u>	<u>380,782</u>
Capital assets, being depreciated				
Machinery and equipment	227,194	-	-	227,194
Sewer system	1,508,962	-	-	1,508,962
Water and sewer improvements	2,787,728	493,500	-	3,281,228
Buildings	17,824	-	-	17,824
Total capital assets, being depreciated	<u>4,541,708</u>	<u>493,500</u>	<u>-</u>	<u>5,035,208</u>
Less accumulated depreciation for:				
Machinery and equipment	227,194	-	-	227,194
Sewer system	1,486,225	2,105	-	1,488,330
Water and sewer improvements	1,532,806	76,003	-	1,608,809
Buildings	11,050	713	-	11,763
Total accumulated depreciatoin	<u>3,257,275</u>	<u>78,821</u>	<u>-</u>	<u>3,336,096</u>
Total capital assets, being depreciated, net	<u>1,284,433</u>	<u>414,679</u>	<u>-</u>	<u>1,699,112</u>
Business-type capital assets, net	<u>\$ 1,522,703</u>	<u>\$557,191</u>	<u>\$ -</u>	<u>\$ 2,079,894</u>

6. Notes Payable

As of the year ended June 30, 2019, the Town had two outstanding notes payable with financial institutions in the amount of \$48,814 and \$29,258, respectively. The notes were issued to finance the purchase of two vehicles. The notes payable accrue at an annual interest of 6% and 5%, respectively. Additionally, the maturity of each note is January 17, 2032, and June 5, 2022, respectively.

TOWN OF LAMAR, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

6. Notes Payable (Continued)

The summarized amortization schedule for these two loans are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 13,234	\$ 4,006	\$ 17,240
2021	13,859	3,380	17,239
2022	14,337	2,601	16,938
2023	2,918	2,119	5,037
2024	3,098	1,939	5,037
2025-2029	18,601	6,583	25,184
2030-2032	12,025	987	13,012
	<u>\$ 78,072</u>	<u>\$ 21,615</u>	<u>\$ 99,687</u>

7. Interfund Transfers

All interfund transfers are made as necessary to meet operational requirements. The composition of interfund balances as of June 30, 2019, was \$63,399 due from the General Fund and due to the Utility Fund.

8. Pension Plan

Police Officers Retirement System

The South Carolina Police Officers Retirement System (PORS) is a cost-sharing multiple employer defined benefit public employee retirement system. Generally, all full-time employees whose principal duties are the preservation of public order or the protection or prevention and control of property destruction by fire are required to participate in and contribute to PORS as a condition of employment. This plan provides lifetime monthly annuity benefits as well as disability, survivor benefits and incidental benefits to eligible employees and retirees. In addition, participating employers in the PORS contribute to the accidental death fund which provides annuity benefits to beneficiaries of police officers and firemen killed in the actual performance of their duties. These benefits are independent of any other retirement benefits available to the beneficiary.

Under the PORS, Class II members are eligible for a full-service retirement annuity upon reaching age 55 or completion of 25 years of credited service regardless of age. Class III members are eligible for a full-service retirement annuity upon reaching age 55 or 27 years of credited service.

TOWN OF LAMAR, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

8. Pension Plan (continued)

The benefit formula for full benefits effective since July 1, 1989, for the SCRS is 2.14 percent of an employee's average final compensation (AFC) multiplied by the number of years of credited service.

For Class II members, AFC is the average annual compensation during 12 consecutive quarters and includes an amount for up to 45 days termination pay for unused annual leave. For Class III members, AFC is the average annual earnable compensation during 20 consecutive quarters and termination pay for unused annual leave at retirement is not included. PORS does not have an early retirement option. Class II members are vested for a deferred annuity after five years of earned service. Class III members are vested for a deferred annuity after eight years of earned service. Members qualify for a survivor's benefit upon completion of 15 years of credited service (five years effective January 1, 2002).

Effective July 1, 2019, employees participating in the PORS were required to contribute 9.75% of all earnable compensation. The employer contribution rate for PORS was 17.24%. Included in the total PORS employer contribution rate is a base retirement contribution of 16.84% and .20% for the incidental death program and .20% for the accidental death program. The Town's actual contributions to the PORS for the years ended June 30, 2019, 2018 and 2017 were approximately \$3,806, \$11,770, and \$15,133, respectively, and equaled the base required retirement contribution rate, excluding surcharge of 16.84% for 2019, 15.84% for 2018, and 13.84% for 2017.

The amounts paid by the Town for pension, incidental death benefit program, and accidental death program contributions are reported as employer contribution expenditures within the applicable functional expenditure categories to which the related salaries are charged.

Article X, Section 16, of the South Carolina Constitution requires that all State-operated retirement systems be funded on a sound actuarial basis. Title 9 of the South Carolina Code of Laws of 1976, as amended, prescribes requirements relating to membership, benefit, and employee/employer contributions for each retirement system. Employee and employer contribution rates to PORS are actuarially determined.

On June 30, 2019, the Town reported \$43,680, for its proportionate share of the net pension liabilities of PORS. The net pension liability defined of the PORS defined benefit pension plan were determined based on the July 1, 2019, actuarial valuations, using most recent membership data, and financial information of the pension trust funds as of June 30, 2019, using generally accepted actuarial procedures. The Town's portion of the net pension liability was based on the Town's share of contributions to the pension plan relative to the contributions of all participating entities. On June 30, 2019, the PORS proportion was 0.0015%.

TOWN OF LAMAR, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

8. Pension Plan (continued)

On June 30, 2019, the state reported deferred outflows of resources and deferred inflows of resources to pensions from the following sources:

Deferred Outflows of Resources	PORS
Differences between expected and actual experience	\$ 898
Assumption changes	1,732
Net difference between project and actual investment earnings	1,784
Differences between employer contributions and proportionate share	379
Total deferred outflows of resources	<u>4,793</u>
Deferred Inflows of Resources	
Differences between expected and actual experience	323
Net difference between project and actual investment earnings	1,230
Differences between employer contributions and proportionate share	122,968
Total deferred inflows of resources	<u>124,521</u>
Net deferred outflows/(inflows)	<u><u>\$ (119,728)</u></u>

No deferred outflows for PORS are reported as resources related to pensions resulting from Town contributions subsequent to the measurement date that would be recognized as a reduction of the net pension liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expenses as follows:

<u>Year ended June 30,</u>		
2020	\$	45,258
2021		42,417
2022		27,368
2023		4,685
	\$	<u>119,728</u>

TOWN OF LAMAR, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

8. Pension Plan (continued)

The total pension liabilities in the July 1, 2019, actuarial valuation were determined using the following actuarial assumptions applied to all periods included in the measurement:

	<u>SCRS</u>	<u>PORS</u>
Actuarial Cost Method	Entry Age	Entry Age
Actuarial Assumptions:		
Investment Rate or Return	7.25%	7.25%
Projected Salary Increases	3.0% to 12.5%	3.5% to 9.5%
Inflation Rate	2.25%	2.25%
Benefit Adjustments	Lesser of 1% or \$500	Lesser of 1% or \$500

The post-retiree mortality assumption is dependent upon the member's job category and gender. The base mortality assumptions, the 2016 Public Retirees of South Carolina Mortality table (2016 PRSC), was developed using the Systems' mortality experience. These base rates are adjusted for future improvement in mortality using published Scale AA projected from the year 2016. Assumption used in the determination of the June 30, 2019, PORS valuations are as follows:

<u>Former Job Class</u>	<u>Males</u>	<u>Females</u>
Educators	2016 PRSC Males Multiplied by 92%	2016 PRSC Females Multiplied by 98%
General Employees and Members of the General Assembly	2016 PRSC Males Multiplied by 100%	2016 PRSC Females Multiplied by 111%
Public Safety, Firefighters	2016 PRSC Males Multiplied by 125%	2016 PRSC Females Multiplied by 111%

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

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

TOWN OF LAMAR, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

8. Pension Plan (continued)

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Allocation / Exposure	Policy Target	Expected Arithmetic Real Rate of Return	Long Term Expected Portfolio Real Rate of Return
Global Equity	51.00%		
Global Public Equity	35.00%	7.81%	2.73%
Private Equity	9.00%	8.91%	0.80%
Equity Options Strategies	7.00%	5.09%	0.36%
Real Assets	12.00%		
Real Estate (Private)	8.00%	5.55%	0.44%
Real Estate (REITs)	1.00%	7.78%	0.08%
Infrastructure (Private)	2.00%	4.88%	0.10%
Infrastructure (Public)	1.00%	7.05%	0.07%
Opportunistic	8.00%		
Global Tactical Asset Allocation	7.00%	3.56%	0.25%
Other Opportunistic Strategies	1.00%	4.41%	0.04%
Credit	15.00%		
High Yield Bonds/ Bank Loans	4.00%	4.21%	0.17%
Emerging Markets Debt	4.00%	3.44%	0.14%
Private Debt	7.00%	5.79%	0.40%
Rate Sensitive	14.00%		
Core Fixed Income	13.00%	1.60%	0.21%
Cash and Short Duration (Net)	1.00%	0.56%	0.01%
Total Expected Return	100.00%		5.80%
Inflation for Actuarial Purposes			2.25%
			8.05%

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

TOWN OF LAMAR, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

8. Pension Plan (continued)

The following table represents the Town’s proportionate share of the net PORS pension liabilities calculated using the discount rate of 7.25 percent, as well as what the Town’s respective net pension liabilities would be if it were calculated using a discount rate of 1.00 percent lower (6.25 percent) or 1.00 percent higher (8.25 percent) than the current rate.

<u>Plan</u>	<u>1% Decrease 6.25%</u>	<u>Current Rate 7.25%</u>	<u>1% Increase 8.25%</u>
PORS	\$ 59,197	\$ 43,680	\$ 30,968

9. Risk Management

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

10. Contingent Liability

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

11. Subsequent Events

In preparing the financial statements, and according to ASC 855, Subsequent Events, the Town has evaluated events and transactions for potential recognition or disclosure through July 14, 2021 the date the financial statements were available to be issued. There were no events noted that required adjustment or disclosure to these financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF LAMAR, SOUTH CAROLINA

SCHEDULE OF PROPORTIONATE SHARE OF THE SOUTH CAROLINA RETIREMENT SYSTEMS NET PENSION LIABILITIES

LAST TEN FISCAL YEARS*

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
South Carolina Police Officers Retirement System					
Town's proportion of the net pension liability	0.0015%	0.0080%	0.0100%	0.0100%	0.0100%
Town's proportionate share of the net pension liability	\$ 43,680	\$ 219,302	\$ 258,238	\$ 219,148	\$ 188,820
Town's covered payroll	\$ 22,601	\$ 74,306	\$ 109,342	\$ 132,724	\$ 126,454
Town's proportionate share of the net pension liability as a percentage of its covered payroll	193.27%	295.14%	236.17%	165.12%	149.32%
Plan fiduciary net position as a percentage of the total pension liability	62.70%	60.90%	60.45%	64.57%	67.55%

* - The amounts presented for each fiscal year were determined as of July 1 of six years prior, using membership data as of the day, projected forward to June 30 of the previous year. Additionally, the Town implemented GASB 68 during fiscal year 2015. As such, only the last six years of information is available.

TOWN OF LAMAR, SOUTH CAROLINA

SCHEDULE OF SOUTH CAROLINA RETIREMENT SYSTEMS CONTRIBUTIONS

LAST TEN FISCAL YEARS *

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
South Carolina Police Officers Retirement System					
Contractually required contributions	\$ 3,806	\$ 11,770	\$ 15,133	\$ 17,705	\$ 16,452
Contributions in relation to the contractually required contribution	(3,806)	(6,911)	(15,133)	(17,705)	(16,452)
Contribution deficiency/(excess)	<u>\$ -</u>	<u>\$ 4,859</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town covered payroll	\$ 22,601	\$ 74,306	\$ 109,342	\$ 132,724	\$ 126,454
Contributions as a percentage of covered payroll	16.84%	15.84%	13.84%	13.74%	13.41%

* - The amounts presented for each fiscal year were determined as of July 1 of six years prior, using membership data as of the day, projected forward to June 30 of the previous year. Additionally, the Town implemented GASB 68 during fiscal year 2015. As such, only the last six years of information is available.

COMPLIANCE REQUIREMENTS

THE BRITTINGHAM GROUP, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

501 STATE STREET
POST OFFICE BOX 5949
WEST COLUMBIA, SOUTH CAROLINA 29171

PHONE: (803) 739-3090

FAX: (803) 791-0834

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

To the Honorable Mayor and Members
Of Town Council
Town of Lamar, South Carolina
Post Office Box 267
Lamar, SC 29069-0267

We were engaged to audit, 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 (the "Town"), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated July 14, 2021. Our report disclaims an opinion on such financial statements because of the limitations described in the *Independent Auditors' Report*.

Internal Control over Financial Reporting

In connection with our engagement to audit the financial statements of the Town, we considered the Town's internal control over financial reporting (internal control) as a basis for designing 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 or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we did identify 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 the deficiencies described in the accompanying schedule of findings as item 2019-001 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings as items 2019-002, 2019-004 to be significant deficiencies.

Compliance and Other Matters

In connection with our engagement to audit the financial statements of the Town, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying schedule of findings as items 2019-003 and 2019-005. Additionally, if the scope of our work had been sufficient to enable us to express opinions on the basic financial statements, other instances of noncompliance or other matters may have been identified and reported herein.

Town of Lamar, South Carolina’s Response to Findings

The Town’s response to the findings identified in our engagement are described in the accompanying schedule of findings. The Town’s response was not subjected to the auditing procedures applied in the engagement to audit the financial statements and, accordingly, we express no opinion on it.

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.



West Columbia, South Carolina
July 14, 2021

TOWN OF LAMAR, SOUTH CAROLINA

SCHEDULE OF FINDINGS

JUNE 30, 2019

Summary of Auditors' Results:

1. The auditor's report expresses a disclaimer of opinion on the basic financial statements of the Town of Lamar, South Carolina (the "Town").
2. Two significant deficiencies and one material weakness relating to the financial statements are reported in the Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. Two instances of noncompliance with laws, regulations and the provisions of contracts and grant agreements that could material to the basic financial statements were noted.

Financial Statement Findings:

Finding 2019-001: The Town needs to formally document and improve control activities.

Criteria: The Town was unable to provide current formally documented control activities in areas such as authorization and approval, segregation of duties, safeguarding of assets, and independent reviews and reconciliations. Additionally, discussed control activities were not being implemented or maintained through the fiscal year.

Condition: Throughout procedures and walkthroughs performed during our engagement, it was noted that authorization and approval, segregation of duties, and independent reviews were lacking in the following financial areas: cash receipts and disbursements (not excluding payroll), accounts payable, fixed assets, and accrued liabilities. Additionally, capital assets are not being safeguarded from loss and therefore the Town is unable to identify capital assets which have been lost or stolen.

Cause: The Town was unable to provide formally documented control activities and could not provide formally documented employee control activity responsibilities or communication that was made to inform employees of their responsibilities. Additionally, management was not knowledgeable and conscientious enough to implement and maintain control activities.

Effect: Failure to formally document control activities and not implement and maintain discussed control activities caused supporting documentation for various cash receipts and cash disbursements to not be available. Failure to perform independent reviews caused material misstatements throughout the Town's financial records.

Auditors' Recommendation: We recommend that management and Town Council improve internal control by implementing policies and procedures for improved control activities. Additional control activities should be initiated as well when ever a material amount of supporting documentation could not be provided for transactions throughout the fiscal year.

TOWN OF LAMAR, SOUTH CAROLINA

SCHEDULE OF FINDINGS

(CONTINUED)

Management's Response:

Management and Town Council are working on updating the current policies and procedures in place and getting them formally documented.

Finding 2019-002: Town is not complying with best practices regarding water, sewer, and sanitation services billings and collections. An official policy regarding customer deposits could not be provided.

Criteria: The Town did not follow policies established by Town Council regarding water, sewer and sanitation services and formal policy regarding customer deposits was not provided.

Condition: Throughout procedures and walkthroughs performed during our engagement, it was noted that various fees such as cut-off, tampering, late-payment, and hook-up were not being charges when they should have been. Cut-off procedures for non-payment by customers was not being enforced. Multiple payment arrangements that had not been approved by management or Town Council were being enforced at the discretion of employees. Formal policy regarding required amount for customer deposits could not be provided.

Cause: Town management was not conscientious enough to review bills make sure charges were being made, to ensure customer deposits were being paid by customers, and to ensure that customers who fell behind due to non-payment were being cut-off from receiving services.

Effect: The Town was not charging appropriate fees and allowing non-paying customers to go further and further behind on their service-related bills without accessing fees and performing cut-off procedures. Additionally, customer deposits could have not been charged throughout the period due to no formal policy being documented.

Auditors' Recommendation: We recommend that Town management review all policies regarding service charges and cut-off procedures, then do a review of billings to ensure that all policies are being enforced. Additionally, formal documentation of customer deposits should be retained and updated if needed.

Management's Response: Management and Town Council are working on updating policies and procedures regarding customer deposits. Management is working on reviewing bills before they are sent out to customers to ensure all policies are being followed.

Finding 2019-003: Town is not demonstrating the ability to retain accounting information and other supporting documentation.

Criteria: The Town did not retain a significant number of invoices and other important accounting information.

TOWN OF LAMAR, SOUTH CAROLINA

SCHEDULE OF FINDINGS

(CONTINUED)

Condition: Throughout our procedures we noted a significant number of invoices, contract agreements, debt agreements, grant agreements and other important accounting documentation that could not be provided by Town personnel or management.

Cause: The Town currently does not have any filing or document retention procedures established.

Effect: The Town was unable to provide such a significant number of invoices and other documentation discussed above that there had to be a disclaimer of opinion on these financial statements.

Auditors' Recommendation: We recommend that Town management and Town Council should establish a filing or document retention policy and procedures to ensure that these problems do not occur in the future.

Management's Response: Management and Town Council are working on establishing a filing or document retention policy and will implement it as soon as it is approved.

Finding 2019-004: Reporting Requirements

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

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

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

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

Recommendation: Appoint personnel to oversee the compliance function and involve members of governance as part of the review and supervision process.

Response: The Town will implement this recommendation.

Finding 2019-005: Lack of oversight and past due vendor payments

Criteria: Procedures should be in place to ensure vendor payments are approved, recorded and paid timely.

Condition: Appropriate internal control procedures were not in place to ensure timely approval, recording and payment of vendor invoices.

TOWN OF LAMAR, SOUTH CAROLINA

SCHEDULE OF FINDINGS

(CONTINUED)

Cause: Personnel are not monitoring compliance requirements and/or contract terms for making timely payments.

Effect: Because of the failure to authorized, record and pay vendor invoices in a timely fashion, there is a potential for late fees to be imposed and services no longer being provided to the Town.

Recommendation: Appoint personnel to oversee the compliance function and involve members of governance as part of the review and supervision process.

Response: The Town will implement this recommendation.

Prior Year Audit Findings:

Finding 2018-001: Inconsistent/Unenforced Cut-Off Policy

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

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

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

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

Auditors' Recommendation: Service to delinquent accounts should be discontinued.

Management's Response: The Town will follow its cut-off policy.

Status: Repeat financial statement finding.

Finding 2018-002: Reporting Requirements

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

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

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

TOWN OF LAMAR, SOUTH CAROLINA

SCHEDULE OF FINDINGS

(CONTINUED)

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

Recommendation: Appoint personnel to oversee the compliance function.

Response: The Town will implement this recommendation.

Status: Repeat financial statement finding.

OTHER FINANCIAL INFORMATION

TOWN OF LAMAR, SOUTH CAROLINA

SCHEDULE OF COURT FINES, FEES, ASSESSMENTS AND SURCHARGES

YEAR ENDED JUNE 30, 2019

Total Court Fines and Assessments:	
Court fines and assessments collected	\$ 2,274
Court fines and assessments remitted to State Treasurer	<u>(961)</u>
Total Court fines and assessments retained	<u><u>\$ 1,313</u></u>
Surcharges and Assessments retained for Victim's Services	
Surcharges and assessments collected and retained	<u>\$ -</u>
Total surcharges and assessments retained for victims services	<u><u>\$ -</u></u>
Victim Services Collected	
Carryforward from previous year - beginning balance	\$ -
Victim Service Revenue	
Victim service surcharges and assessments retained by the Town	-
Total funds allocated to victim service fund + beginning balance (A)	<u>-</u>
Expenditures for Victim Service Program	
Operating expenditures	-
Total expenditures from victim service fund/program (B)	<u>-</u>
Total victim service funds retained by the Town (A-B)	<u>-</u>
Carryforward funds - end of year	<u><u>\$ -</u></u>

See independent auditors' report on other financial information