

CITY OF LANDRUM, SOUTH CAROLINA

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

JUNE 30, 2019

CITY OF LANDRUM, SOUTH CAROLINA
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JUNE 30, 2019

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To the Honorable Mayor and City Council
City of Landrum, South Carolina

INDEPENDENT AUDITOR'S REPORT

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Landrum, South Carolina, as of June 30, 2019, 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.

Other Matters

Required Supplementary Information

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

Accounting principles generally accepted in the United States of America require that the budgetary comparison information, Schedules of City's Proportionate Share of the Collective Net Pension Liability, and Schedules of the City's 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining fund financial statements and the supplementary information required by the State of South Carolina, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the financial statements.

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

McAbee, Schwartz, Haliday & Co.

Spartanburg, South Carolina
January 13, 2020

CITY OF LANDRUM, SOUTH CAROLINA
STATEMENT OF NET POSITION
JUNE 30, 2019

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 1,195,254
Cash and cash equivalents - restricted	4,693
Investments	148,545
Accounts receivable	141,554
Taxes receivable - net of allowance for doubtful accounts of \$32,106	35,273
Capital assets - non-depreciable	206,230
Capital assets - net of accumulated depreciation	2,346,811
Total Assets	4,078,360
Deferred Outflows of Resources	
Deferred outflows related to pensions	262,925
Liabilities	
Accounts payable	70,163
Accrued payroll	33,197
Due to State Treasurer	4,120
Noncurrent Liabilities:	
Due in more than one year:	
Compensated absences	27,666
Net pension liability	1,274,374
Total Liabilities	1,409,520
Deferred Inflows of Resources	
Deferred inflows related to pensions	43,046
Deferred inflows of resources - unavailable revenue	879
Total Deferred Inflows of Resources	43,925
Net Position	
Net investment in capital assets	2,553,041
Restricted for:	
Landrum Cemetery	4,693
Hospitality tax	218,122
Victim's fund	57,678
Drug enforcement	6,933
Various projects	6,268
Unrestricted	41,105
Total Net Position	\$ 2,887,840

The accompanying notes are an integral part of the financial statements.

EXHIBIT B

CITY OF LANDRUM, SOUTH CAROLINA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government					
Governmental Activities:					
General government	\$ 550,911	19,270	\$ -	\$ -	\$ (531,641)
Public safety	995,482	55,665	-	-	(939,817)
Public works	527,716	183,265	8,846	78,227	(257,378)
	\$ 2,074,109	\$ 258,200	\$ 8,846	\$ 78,227	(1,728,836)
General Revenues					
Property taxes					668,737
Hospitality taxes					279,783
Licenses, permits and franchise fees					545,692
Intergovernmental					273,892
Gain on sale of capital assets					4,000
Miscellaneous					46,522
					1,818,626
					89,790
					2,798,050
					\$ 2,887,840

The accompanying notes are an integral part of the financial statements.

CITY OF LANDRUM, SOUTH CAROLINA
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2019

	General Fund	Special Revenue		Total Governmental Funds
		Hospitality Tax Fund	Non-Major Governmental Funds	
Assets				
Cash and cash equivalents	\$ 1,072,437	\$ 47,490	\$ 75,327	\$ 1,195,254
Cash and cash equivalents - restricted	4,693	-	-	4,693
Investments	148,545	-	-	148,545
Accounts receivable	114,816	26,738	-	141,554
Due from other funds	187	150,000	756	150,943
Total Assets	\$ 1,340,678	\$ 224,228	\$ 76,083	\$ 1,640,989
Liabilities				
Accounts payable	\$ 59,919	6,106	4,138	\$ 70,163
Accrued payroll	33,197	-	-	33,197
Due to State Treasurer	4,120	-	-	4,120
Due to other funds	150,756	-	187	150,943
Total Liabilities	247,992	6,106	4,325	258,423
Deferred Inflows of Resources				
Deferred inflows of resources - unavailable revenue	-	-	879	879
Fund Balances				
Restricted	4,693	218,122	70,879	293,694
Unassigned	1,087,993	-	-	1,087,993
Total Fund Balances	1,092,686	218,122	70,879	1,381,687
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 1,340,678	\$ 224,228	\$ 76,083	\$ 1,640,989

The accompanying notes are an integral part of the financial statements.

CITY OF LANDRUM, SOUTH CAROLINA
 RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
 TO NET POSITION OF GOVERNMENTAL ACTIVITIES
 JUNE 30, 2019

Total Fund Balances of the Governmental Funds	\$	1,381,687
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Other long-term assets are not available to pay current period expenditures and, therefore not reported in the governmental funds.		35,273
Capital Assets, net of depreciation are not current financial resources are not included in the governmental funds.		2,553,041
The City's proportionate share of the net pension liability, deferred outflows of resources, and deferred inflows of resources related to its participation in the State pension plans are not reported in the governmental funds but are reported in the Statement of Net Position.		(1,054,495)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds. Compensated absences		<u>(27,666)</u>
Total Net Position of the Governmental Activities	\$	<u><u>2,887,840</u></u>

The accompanying notes are an integral part of the financial statements.

CITY OF LANDRUM, SOUTH CAROLINA
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2019

	Special Revenue Funds			Total Governmental Funds
	General Fund	Hospitality Tax Fund	Non-Major Governmental Funds	
Revenues				
Tax revenues	\$ 655,825	\$ 279,783	\$ -	\$ 935,608
Licenses, permits and franchise fees	545,692	-	-	545,692
Fines and forfeitures	51,054	-	4,611	55,665
Public works	183,265	-	-	183,265
Intergovernmental	283,120	31,000	-	314,120
Contributions and other grants	8,846	38,000	-	46,846
Other revenue	52,345	11,078	6,368	69,791
Total Revenues	1,780,147	359,861	10,979	2,150,987
Expenditures				
General government	452,382	290,110	25,618	768,110
Public safety	942,468	-	-	942,468
Public works	421,313	-	-	421,313
Capital outlay	28,179	-	-	28,179
Debt service				
Principal	45,186	-	-	45,186
Interest and other charges	868	-	-	868
Total Expenditures	1,890,396	290,110	25,618	2,206,124
Excess (Deficiency) of Revenues Over Expenditures	(110,249)	69,751	(14,639)	(55,137)
Other Financing Sources (Uses)				
Transfers from other funds	65,006	-	1,048	66,054
Transfers to other funds	-	(66,054)	-	(66,054)
Total Other Financing Sources (Uses)	65,006	(66,054)	1,048	-
Net Change in Fund Balances	(45,243)	3,697	(13,591)	(55,137)
Fund Balances - Beginning of Year	1,137,929	214,425	84,470	1,436,824
Fund Balances - End of Year	\$ 1,092,686	\$ 218,122	\$ 70,879	\$ 1,381,687

The accompanying notes are an integral part of the financial statements.

CITY OF LANDRUM, SOUTH CAROLINA
 RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2019

Net Change in Fund Balances - Total Governmental Funds \$ (55,137)

Amounts reported for governmental activities in the Statement of Activities differs from the amounts in the Statement of Revenue, Expenditures, and Changes in Fund Balances because:

Some revenues reported in the Statement of Activities do not provide current financial resources and, therefore, are not reported as revenue in the governmental funds. The activity is reconciled as follows:

Property tax revenue 12,910

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the costs of those assets are allocated over their estimated useful lives as depreciation expense. This activity is reconciled as follows:

Cost of capitalized assets 318,547
 Depreciation expense (182,174)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. This activity is reconciled as follows:

Change in compensated absences (340)
 Current year change in accrued interest 216

The issuance of long-term debt (e.g. bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This activity is reconciled as follows:

Principal payments on general obligations bonds 45,187

Change in the City's proportionate shares of the net pension liability, deferred outflows of resources, and deferred inflows of resources for the current year are not reported in the governmental funds but are reported in the Statement of Activities.

(49,419)

Change in Net Position of Governmental Activities \$ 89,790

The accompanying notes are an integral part of the financial statements.

CITY OF LANDRUM, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The City of Landrum, South Carolina (the "City") was incorporated in 1896 under the general law for the government of municipalities of the State of South Carolina. The City operates under the Council form of government pursuant to the Home Rule Statute, Act No. 283 of 1995. The City receives funding through taxes collected by Spartanburg and Greenville Counties. The City is not included in any other governmental "reporting entity" since the mayor and council members are elected by the public and have decision making authority, the responsibility to significantly influence operations and primary accountability for fiscal matters. The City provides the following services as authorized by its charter: public safety, public works and general administrative services, among others.

The City's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies used by the City are described below.

Basis of Presentation

Financial statements for governments like that of the City are presented from two perspectives, the government-wide perspective and the fund perspective.

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all non-fiduciary activities of the primary government and its component units. Net position is calculated based on information on all the City's assets, deferred outflows/inflows of resources, and liabilities, including capital assets and long-term debt. For the most part, the effect of interfund activity, if any, has been removed from these statements. In these statements, governmental activities, which are normally supported by taxes and intergovernmental revenues, are distinguished from any business-type activities in which the government may be engaged and which rely on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

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

Separate fund financial statements are provided for the governmental funds, groupings of accounts used to control resources that have been segregated for specific activities or objectives. Major individual governmental funds are reported as separate columns in the fund financial statements. The governmental fund balance sheet includes a reconciliation of the total fund balance for all governmental funds to total net position of governmental activities reported in the government-wide statement of net position.

In addition, the governmental statement of revenues, expenditures, and changes in fund balances also include a reconciliation of the changes in fund balances of the governmental funds to the government-wide statement of activities.

CITY OF LANDRUM, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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 60 days of the end of the current fiscal year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Taxes, licenses, and interest 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.

The City reports the following major governmental funds:

General Fund - The general fund is the government's primary operating fund. It accounts for all financial resources of the City, except those required to be accounted for in another fund.

Hospitality Tax Fund - The hospitality tax fund is used to account for receipts and expenditures associated with tourism, advertising, road maintenance and beautification of the City.

Revenues - Exchange and Non-exchange Transactions

Revenues resulting from exchange transactions are recorded using the accrual basis of accounting, when the exchange takes place. Under the modified accrual basis, revenues are recognized in the accounting period when they become both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period of the City is 60 days after year-end.

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenues from grants, entitlements and donations are recognized in the fiscal year in which all eligibility requirements have been met. On the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

CITY OF LANDRUM, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Measurement Focus and Basis of Accounting - Continued

Revenues - Exchange and Non-exchange Transactions - Continued

Real and personal property taxes are billed and collected by Spartanburg and Greenville counties. Liens attach to the property at the time taxes are levied, which is usually in October of each year. These taxes are due without penalty through January 15. Penalties are added to taxes depending on the date paid as follows: January 16 through February 1 (3% of tax), February 2 through March 15 (10% of tax), March 16 through March 31 (15% of tax). Current year real and business personal property taxes become delinquent on March 16. The levy date for motor vehicle taxes is the first day of the month in which the motor vehicle license expires. These taxes are due by the last day of the same month. The City assesses and levies property taxes in accordance with applicable laws of the State of South Carolina. Real property and personal property of every description owned and used in the City, except that which is exempt from taxation under the Constitution and Laws of the State of South Carolina, is subject to taxation. An annual ordinance establishing the millage rate associated with the levy is adopted each year as part of the budget adoption process. For government wide financial statements, City property tax revenues are recognized for the budget period to which they apply when they become measurable and available. Delinquent and unpaid property taxes are reported as receivables, less amounts deemed to be uncollectable.

Expenditures/Expenses

Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

Cash and Investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities within one year from the date of acquisition.

Restricted cash held in the general fund is restricted for use towards maintenance of Landrum Cemetery. Restricted cash and cash equivalents of cash held in escrow of the special revenue fund is legally restricted as to their use. The primary restricted assets of the special revenue funds are related to various hospitality and public safety activities.

State statutes authorize the primary government and its component units to invest in (1) obligations of the United States and its agencies, (2) general obligations of the State of South Carolina and its political subdivisions, (3) savings and loan associations if their deposits are insured by an agency of the federal government, (4) certificates of deposit which are collaterally secured by securities of the type described at (1) and (2) held by a third party, and (5) the State Treasurer's Investment Pool.

Investments, equity and debt securities are reported at fair value.

CITY OF LANDRUM, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Measurement Focus and Basis of Accounting - Continued

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, business licenses, and intergovernmental revenues.

In the fund financial statements, material receivables in governmental funds include revenue accruals such as local option sales tax, property taxes, business licenses, and grants and other similar intergovernmental revenues since they are usually both measurable and available.

Interfund Transactions

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 from and to 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". Permanent reallocations of resources between funds of the reporting entity are classified as interfund transfers. Interfund receivables and payables and interfund transfers between funds within governmental activities are eliminated in the statement of net position and statement of activities.

Capital Assets

Capital assets include land, construction in progress, buildings and improvements, machinery and equipment, and vehicles. These assets are reported in the applicable governmental activities columns in the government-wide financial statements.

Capital assets are defined by the City as those assets with an initial, individual cost of more than \$1,000 and an estimated useful life of two years or more. All capital assets are valued at cost when purchased or constructed. Donated capital assets are valued at their estimated acquisition value on the date donated. Unless repair and maintenance cost (1) adds value to or (2) materially extends the life of an asset, it is expensed. Public domain (rights-of-way and easements), if booked, are capitalized using estimated historical or depreciable cost. Depreciation of all exhaustible capital assets has been provided based on the estimated useful lives of the class of assets, or individual assets using the straight line method with service lives as follows:

Buildings and improvements	15-40 years
Machinery and equipment	5-30 years
Vehicles	5-15 years

CITY OF LANDRUM, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Measurement Focus and Basis of Accounting - Continued

Deferred Outflows and Inflows of Resources

In the government-wide financial statements, in addition to assets and liabilities, separate sections for deferred outflows and deferred inflows of resources are reported. Deferred outflows of resources represent a consumption of net position that applies to future periods and will not be recognized as an expenditure until then. Deferred inflows of resources represent an acquisition of net position that applies to future periods and will not be recognized as revenue until that time. The City's only deferred outflows of resources are related to pensions. The City's deferred inflows of resources include those relating to pensions, and unavailable revenue related to public safety activities.

Compensated Absences

The City allows full time employees to earn two to ten days of annual vacation leave depending on length of service. The City has recorded a liability for the unused vacation at the fiscal year end. Employees are not entitled to paid unused sick leave upon termination; therefore, no provision has been recorded.

Long-Term Debt

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. Bond premiums and discounts are deferred and amortized over the lives of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond issue premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

Fund Balance

The governmental fund financial statements present fund balances based on classifications that compose a hierarchy that is based primarily on the extent the City is bound to honor constraints on a specific purpose for which amounts in the respective governmental funds can be spent. The following classifications are used in the governmental fund financial statements.

Non-spendable - amounts that are not in a spendable form (such as inventory) or are required to be maintained intact.

Restricted - amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions or by enabling legislation.

Committed - amounts constrained to specific purposes by the City itself, using its highest level of decision-making authority, the City Council; to be reported as committed, amounts cannot be used for any other purpose unless the City Council takes the same highest level action to remove or change the constraint.

CITY OF LANDRUM, SOUTH CAROLINA
 NOTES TO FINANCIAL STATEMENTS - CONTINUED
 JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Measurement Focus and Basis of Accounting - Continued

Fund Balance - Continued

Assigned - amounts the City intends to use for a specific purpose; intent can be expressed by the City Council or by an official or body to which the City Council delegates the authority. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund.

Unrestricted - amounts that are available for any purpose; positive amounts are reported only in the general fund. The unassigned classification also includes negative residual fund balances of any governmental fund that cannot be eliminated by the offsetting assigned fund balance amounts.

City Council establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance or resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund. Assigned fund balance is established by City Council through adoption or amendment of the budget as intended for a specific purpose (such as the purchase of capital assets, construction, debt service, etc.).

Although the City has not formally adopted a fund balance spending policy, the City would typically use restricted funds balances first, followed by committed resources, and the assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first and to defer the use of these classified funds. Where applicable, these classifications are presented on the face of the governmental fund balance sheet.

The City's total restricted fund balance consisted of the following:

	Restricted Fund Balance
General Fund - Landrum Cemetery	\$ 4,693
Hospitality Tax Fund	218,122
Non-Major Governmental:	
<i>Victim's Fund</i>	57,678
<i>Drug Enforcement</i>	6,933
<i>All Other Funds</i>	6,268
	70,879
	\$ 293,694

Net Position

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

CITY OF LANDRUM, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Restricted Sources

When both restricted and unrestricted resources are available, it is the City's policy to use restricted resources first, and then unrestricted resources as needed.

Use of Estimates

The preparation of the basic financial statements in conformity with U.S. 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.

Budgetary Information

An annual operating budget is adopted for the general fund. This budget is adopted on a basis consistent with generally accepted accounting principles. The budget is adopted and amended, as necessary, by approval from the City Council.

NOTE 2 - CASH DEPOSITS AND INVESTMENTS

Cash Deposits

Custodial credit risk – deposits - the City does not have a formal deposit policy regarding custodial credit risk, which is the risk that, in the event of a bank failure, the deposits may not be returned to the City. All of the City's cash and cash deposit amounts were sufficiently insured or collateralized, except for cash deposits held in a brokerage account. At June 30, 2019, of a total bank balance of \$835,331, only \$733,378 was collateralized or FDIC insured. Certain timing issues related to fluctuations in depository balances were the cause of this undercollateralization, which was corrected within a week after year-end.

Investments

Investments measured and reported at fair value are classified according to the following hierarchy:

Level 1 - Investments reflect prices quoted in active markets.

Level 2 - Investments reflect prices that are based on a similar observable asset either directly or indirectly, which may include markets that are not considered active.

Level 3 - Investments reflect prices based upon unobservable sources.

The categorization of investments within the hierarchy is based upon the pricing transparency of the instrument and should not be perceived as a particular investment's risk. Assets classified in Level 1 of the fair value hierarchy are valued directly from a predetermined primary external pricing vendor. Assets classified in Level 2 are subject to pricing by an alternative pricing source due to lack of information available by the primary vendor.

CITY OF LANDRUM, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2019

NOTE 2 - CASH DEPOSITS AND INVESTMENTS - CONTINUED

Credit risk – the City does not have a formal policy, but abides by state law that limits investments to securities as stated in Note 1.

Concentration of credit risk - the City does not have a formal policy that limits the amount the City may invest in any issuer. As of June 30, 2019, the City's only investment was in a U.S. Treasury bill.

Interest rate risk - the City does not have a formal policy, but has a maturity duration target for investments of one year or less, unless matched to a specific cash flow.

The City had the following investments, all of which were held by custodians in the City's name, as of June 30, 2019:

Investment Type	Maturity	Fair Value	Rating	Fair Value Hierarchy
Investments				
Current				
US Treasury Bill	<6 months	148,545	AAA	Level 1
Total Investments		<u>\$ 148,545</u>		

NOTE 3 - ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following at June 30, 2019:

	General Fund	Hospitality Tax Fund	Totals
Taxes	\$ 19,200	\$ 26,738	\$ 45,938
Garbage Fees	31,454	-	31,454
Intergovernmental	25,874	-	25,874
Franchise Fees	38,288	-	38,288
	<u>\$ 114,816</u>	<u>\$ 26,738</u>	<u>\$ 141,554</u>

CITY OF LANDRUM, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2019

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2019, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities:				
<i>Capital Assets Not Being Depreciated:</i>				
Land	\$ 12,120	\$ 118,846	\$ -	\$ 130,966
Construction in progress	-	75,264	-	75,264
	<u>12,120</u>	<u>194,110</u>	<u>-</u>	<u>206,230</u>
<i>Capital Assets Being Depreciated:</i>				
Machinery and equipment	3,019,886	16,571	-	3,036,457
Buildings and improvements	1,139,981	67,687	-	1,207,668
Vehicles	469,305	40,179	-	509,484
	<u>4,629,172</u>	<u>124,437</u>	<u>-</u>	<u>4,753,609</u>
<i>Accumulated Depreciation:</i>				
Machinery and equipment	(1,492,658)	(103,539)	-	(1,596,197)
Buildings and improvements	(315,491)	(47,871)	-	(363,362)
Vehicles	(416,475)	(30,764)	-	(447,239)
	<u>(2,224,624)</u>	<u>(182,174)</u>	<u>-</u>	<u>(2,406,798)</u>
Net Assets Being Depreciated	<u>2,404,548</u>	<u>(57,737)</u>	<u>-</u>	<u>2,346,811</u>
Net Capital Assets - Governmental Activities	<u>\$ 2,416,668</u>	<u>\$ 136,373</u>	<u>\$ -</u>	<u>\$2,553,041</u>

Depreciation expense was charged to the following governmental activities:

General government	\$ 37,350
Public safety	29,321
Public works	<u>115,503</u>
	<u>\$ 182,174</u>

CITY OF LANDRUM, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2019

NOTE 5 – INVESTMENT IN SPARTANBURG COUNTY FOUNDATION (SCF)

The City of Landrum has a designated fund with the Spartanburg County Foundation (the “Foundation”). This fund, the Landrum Municipal Projects Fund (the “Fund”), is held, managed, administered, applied, and disbursed under the general powers and duties of the Foundation. The Foundation maintains an investment pool of various mutual funds and managed accounts. The investment pool is allocated to various sub-funds, including those of the Foundation, based on a percentage of ownership interest in the market value of the investment pool.

Although the City is the sponsor and beneficiary of the Landrum Municipal Projects Fund, per the City’s agreement with the Foundation, the Fund is considered the property of the Foundation, with the Foundation possessing ultimate authority and control over all property within the fund, as well as all income derived therefrom. Therefore, this Fund is not carried as an asset on the City’s financial statements. Disbursements received from the Fund are considered contribution revenue by the City.

After its creation, the Fund absorbed another fund within the Foundation, the Landrum Cemetery Perpetual Care Fund, which had previously been sponsored by the Landrum Perpetual Care Association. Although the proceeds of the Landrum Cemetery Perpetual Care Fund are considered to be part of the Landrum Municipal Projects Fund, these proceeds are to be exclusively used by the City to maintain Landrum Cemetery. The Fund consisted of the following at June 30:

	Landrum Municipal Projects Fund		
	Landrum Cemetery	Municipal Projects	Total
Transfer from Landrum Cemetery			
Perpetual Care Fund	\$ 34,929	\$ -	\$ 34,929
Contributions	180	8,000	8,180
Disbursements	(7,500)	-	(7,500)
Apportionable Items:			
<i>Investment Income</i>	1,033	299	1,332
<i>Fees</i>	(101)	(29)	(130)
	\$ 28,540	\$ 8,270	\$ 36,810

The Spartanburg County Foundation’s annual audited financial statements are available by contacting the Spartanburg County Foundation at 424 East Kennedy Street, Spartanburg, SC 29302, or by (864)-582-0138.

CITY OF LANDRUM, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2019

NOTE 6 - LONG TERM DEBT

During the year, the City paid the final remaining payment on its general obligation bond. The following is a summary of the City’s long-term debt for the year ended June 30, 2019:

	Beginning Balance	Additions	Deductions	Ending Balance	Amounts Due within One Year
Governmental Activities:					
General obligation bonds	\$ 45,187	\$ -	\$ 45,187	\$ -	\$ -
Compensated absences	27,326	27,666	27,326	27,666	-
Total	\$ 72,513	\$ 27,666	\$ 72,513	\$ 27,666	\$ -

NOTE 7 - PENSION PLANS

A. South Carolina Retirement System

Plan Description – The City, as the employer, participates in the South Carolina Retirement System (SCRS) Plan - a cost-sharing multiple-employer defined benefit pension plan administered and managed by the South Carolina Public Employee Benefit Authority (PEBA), a state agency. 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, or a copy may be obtained by submitting a request to PEBA, 202 Arbor Lake Drive, Columbia, SC 29223.

Benefits Provided/Membership - SCRS provides retirement and other benefits for teachers and employees of the state, and its political subdivisions. An incidental death benefit is also available to beneficiaries of active and retired members of employers who participate in the death benefit program. 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. Generally, all employees of covered employers are required to participate in and contribute to the system as a condition of employment. Key elements of the benefit calculation include the benefit multiplier, years of service, and average final compensation/current annual salary.

This plan covers general employees and teachers and individuals newly elected to the South Carolina General Assembly beginning with the November 2012 general election. An employee member of the system with an effective date of membership prior to July 1, 2012, is a Class Two member. A Class Two member who has separated from service with at least five or more years of earned service is eligible for a monthly pension at age 65 or with 28 years credited service regardless of age. A member may elect early retirement with reduced pension benefits payable at age 55 with 25 years of service credit.

An employee member of the system with an effective date of membership on or after July 1, 2012, is a Class Three member. A Class Three member who has separated from service with at least eight or more years of earned service is eligible for a monthly pension upon satisfying the Rule of 90 requirement that the total of the member’s age and the member’s creditable service equals at least 90 years.

CITY OF LANDRUM, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2019

NOTE 7 - PENSION PLANS - CONTINUED

Benefits Provided/Membership – Continued

Both Class Two and Class Three members are eligible to receive a reduced deferred annuity at age 60 if they satisfy the five- or eight-year earned service requirement, respectively.

The annual 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. Members who retire under the early retirement provisions at age 55 with 25 years of service are not eligible for the benefit adjustment until the second July 1 after reaching age 60, or the second July 1 after the date they would have had 28 years of service credit had they not retired.

As an alternative to membership in SCRS, newly hired state, public school, and higher education employees and individuals newly elected to the S.C. General Assembly beginning with the November 2012 general election have the option to participate in the State Optional Retirement Program (State ORP), which is a defined contribution plan. State ORP participants direct the investment of their funds into a plan administered by one of four investment providers. PEBA assumes no liability for State ORP benefits. Rather, the benefits are the liability of the investment providers. For this reason, State ORP programs are not part of the retirement systems' trust funds for financial statement purposes.

Contributions - Contributions are prescribed in Title 9 of the South Carolina Code of Laws. If the scheduled employee and employer contributions provided in statute, or the rates last adopted by the City, are insufficient to maintain the amortization period set in statute, the City shall increase employer contribution rates as necessary.

After June 30, 2027, if the most recent annual actuarial valuation of the SCRS for funding purposes shows a ratio of the actuarial value of the system assets to the actuarial accrued liability of the system (the funded ratio) that is equal to or greater than 85%, then the City, effective on the following July 1st, may decrease the then current contribution rates upon making a finding that the decrease will not result in a funded ratio of less than 85%. The Retirement System Funding and Administration Act establishes a ceiling on employee contribution rates at 9%. The employer contribution rates will continue to increase annually by 1% through July 1, 2022. The legislation's ultimate scheduled employer rate is 18.56%. The amortization period is scheduled to be reduced one year for each of the next 10 years to a 20 year amortization period. Required employee (both Class II and III) contribution rate for the year ended June 30, 2019 was 9.00%. Required employer contribution rate for the year ended June 30, 2019 was 14.41%. Both required employee and employer contribution rates are calculated on earnable compensation as defined in Title 9 of the South Carolina Code of Laws. Employers also contribute an additional .15% of earnable compensation, if participating in the death benefit program.

Contributions to the Plan from the City were \$32,511 for the year ended June 30, 2019.

For the State's year ended June 30, 2018, the State General Assembly appropriated funds to cover 1% of the 2% contribution rate increase for all employers participating in the State retirement plans. The total contributions paid on behalf of the City by the General Assembly for SCRS for the year ended June 30, 2018 was \$2,260 and was included in the deferred outflows of resources relating to pensions. For the year ended June 30, 2019, the \$2,260 paid on behalf of the City was recognized as miscellaneous revenue.

CITY OF LANDRUM, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2019

NOTE 7 - PENSION PLANS - CONTINUED

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2019, the City reported a net pension liability of \$498,861 for its proportionate share of the collective net pension liability. The net pension liability was measured as of June 30, 2018. The total pension liability, net pension liability, and sensitivity information are based on an actuarial valuation performed as of July 1, 2017. The total pension liability was rolled forward from the valuation date to the plan’s fiscal year end June 30, 2018, using generally accepted actuarial principles. The allocation of the City’s proportionate shares of the collective net pension liability and pension expense were calculated on the basis of the City’s contributions actually remitted to the plan relative to the total contributions remitted to the plan for all participating employers, less employer contributions that are not representative of future contributions effort, as of June 30, 2018. Based upon this information, the City’s proportion of the collective net pension liability is .002226%, a decrease of .0000024% since June 30, 2017, the prior measurement date.

For the year ended June 30, 2019, the City recognized pension expense of \$24,403. At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to the pension as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 901	\$ 2,936
Changes in assumptions	19,792	-
Net difference between projected and actual earnings on pension plan investments	7,925	-
Changes in proportion and differences between City contributions and proportionate share of contributions	2,540	4,373
City contributions subsequent to the measurement date	32,511	-
Total	\$ 63,669	\$ 7,309

CITY OF LANDRUM, SOUTH CAROLINA
 NOTES TO FINANCIAL STATEMENTS - CONTINUED
 JUNE 30, 2019

NOTE 7 - PENSION PLANS - CONTINUED

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – Continued

Deferred outflows of \$32,511 related to pensions resulted from City contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Any other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30		
2020	\$	(20,450)
2021		(11,094)
2022		6,775
2023		920
	<u>\$</u>	<u>(23,849)</u>

Actuarial Assumptions – Actuarial valuations of the plan involve estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and future salary increases. Amounts determined regarding the net pension liability are subject to continual revision as actual results are compared to 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 System was most recently issued for the period ending July 1, 2015.

The June 30, 2018, total pension liability, net pension liability, and sensitivity information determined by the July 1, 2017 valuation, used the following actuarial assumptions and methods:

Actuarial cost method	Entry age normal
Inflation	2.25%
Projected salary increases	3.0% to 12.5% (varies by service and includes 2.25% inflation)
Benefit adjustments	lesser of 1% or \$500 annually
Investment rate of return	7.25% (includes 2.25% inflation)

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. The base rates are adjusted for future improvement in mortality using published Scale AA projected from the year 2016.

CITY OF LANDRUM, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2019

NOTE 7 - PENSION PLANS - CONTINUED

Actuarial Assumptions – Continued

The long-term expected rate of return on pension plan investments is based upon 30 year capital markets assumptions. The long-term expected rate of returns represent assumptions developed using an arithmetic building block approach primarily based on consensus expectations and market based inputs. Expected returns are net of investment fees. The expected returns, along with the expected inflation rate, form the basis for the target asset allocation adopted at the beginning of the 2018 fiscal year. The long-term expected rate of return is produced by weighting the expected future real rates of return by the target allocation percentage and adding expected inflation, and is summarized in the following table. For actuarial purposes, the 7.25% assumed annual investment rate of return used in the calculation of the total pension liability includes 5.00% real rate of return and a 2.25% inflation component.

Asset Class	Target Allocation	Long-term Expected Portfolio Real Rate of Return
Global Equity	47%	3.38%
Real Assets	10%	0.42%
Opportunistic	13%	0.48%
Diversified Credit	18%	0.65%
Conservative Fixed Income	12%	0.10%
Total Expected Real Return	100%	5.03%
Inflation for Actuarial Purposes		2.25%
Total Expected Nominal Return		7.28%

Discount Rate - The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers in SCRS will be made based on actuarially determined rates based on the provisions of the South Carolina Code of Laws. Based on those assumptions, the 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.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following table presents the City's proportionate share of the collective net pension liability calculated using the discount rate of 7.25%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1% lower (6.25%) or 1% higher (8.25%) than the current rate:

	1% Decrease (6.25%)	Discount Rate (7.25%)	1% Increase (8.25%)
City's proportionate share of the collective net pension liability	\$ 637,451	\$ 498,861	\$ 399,782

CITY OF LANDRUM, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2019

NOTE 7 - PENSION PLANS - CONTINUED

Pension Plan Fiduciary Net Position - Detailed information regarding the fiduciary net position of the plan, administered by PEBA, is available in the Systems' audited financial statements for the fiscal year ended June 30, 2018 (including the unmodified opinion on the financial statements). Information about the fiduciary net position of the System and additions to/deductions from the System's fiduciary net position have been determined on the accrual basis of accounting. Additional actuarial information is available in the accounting and financial reporting actuarial valuation as of June 30, 2018. The additional information is publicly available on PEBA's Retirement Benefits' website at www.peba.sc.gov.

B. South Carolina Police Officers Retirement System

Plan Description – The City, as the employer, participates in the South Carolina Police Officers Retirement System (PORS) Plan - a cost-sharing multiple-employer defined benefit pension plan administered and managed by the South Carolina Public Employee Benefit Authority (PEBA), a state agency. 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, or a copy may be obtained by submitting a request to PEBA, 202 Arbor Lake Drive, Columbia, SC 29223.

Benefits Provided/Membership – PORS provides retirement and other benefits for police officers and firemen of the state and its political subdivisions. 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. Benefit terms are prescribed in Title 9 of the South Carolina Code of Laws, and PEBA does not have the authority to establish or amend benefit terms without a legislative change in the code of laws.

To be eligible for PORS membership, an employee must be required by the terms of his employment, by election or appointment, to preserve public order, protect life and property, and detect crimes in the state; to prevent and control property destruction by fire; or to serve as a peace officer employed by the Department of Corrections, the Department of Juvenile Justice, or the Department of Mental Health. Probate judges and coroners may elect membership in PORS.

Magistrates are required to participate in PORS for service as a magistrate. PORS members, other than magistrates and probate judges, must also earn at least \$2,000 per year and devote at least 1,600 hours per year to this work, unless exempted by statute. Key elements of the benefit calculation include the benefit multiplier, years of service, and average final compensation/current annual salary.

An employee member of the system with an effective date of membership prior to July 1, 2012, is a Class Two member. 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. An employee member of the system with an effective date of membership on or after July 1, 2012, is a Class Three member. 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.

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.

CITY OF LANDRUM, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2019

NOTE 7 - PENSION PLANS - CONTINUED

Contributions – Contributions are prescribed in Title 9 of the South Carolina Code of Laws. If the scheduled employee or employer contributions provided in statute, or the rates last adopted by the City, are insufficient to maintain the amortization period set in statute, the City shall increase employer contribution rates, as necessary.

After June 30, 2027, if the most recent actuarial valuation of the PORS for funding purposes shows a ratio of the actuarial value of the System's assets to the actuarial accrued liability of the System (the funded ratio) that is equal to or greater than 85%, then the City, effective on the following July 1st, may decrease the current contribution rates upon making a finding that the decrease will not result in a funded ratio of less than 85%. The Retirement System Funding and Administration Act establishes a ceiling on employee contribution rates at 14.75%. The employer contribution rates will continue to increase annually by 1% through July 1, 2022. The legislation's ultimate scheduled employer rate is 21.24%. The amortization period is scheduled to be reduced one year for each of the next 10 years to a 20 year amortization period. Employees and employers (both Class II and III) are required to contribute 9.75% and 16.84%, respectively, of earnable compensation for the year ended June 30, 2019. Employers also contribute an additional .20% of earnable compensation for the accidental death program and an additional .20% of earnable compensation, if participating in the incidental and/or accidental death benefit program, respectively.

Contributions to the Plan from the City were \$73,284.

For the State's year ended June 30, 2018, the State General Assembly appropriated funds to cover 1% of the 2% contribution rate increase for all employers participating in the State retirement plans. The total contributions paid on behalf of the City by the General Assembly for PORS for the year ended June 30, 2018 was \$3,459 and included in the deferred outflows of resources relating to pensions. For the year ended June 30, 2019, the \$3,459 paid on behalf of the City was recognized as miscellaneous revenue.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2019, the City reported a net pension liability of \$775,513 for its proportionate share of the collective net pension liability. The net pension liability was measured as of June 30, 2018. The total pension liability, net pension liability, and sensitivity information are based on an actuarial valuation performed as of July 1, 2017. The total pension liability was rolled forward from the valuation date to the plan's fiscal year end June 30, 2018, using generally accepted actuarial principles. The allocation of the City's proportion shares of the collective net pension liability and pension expense were calculated on the basis of the City's contributions actually remitted to the plan relative to the total contributions remitted to the plan for all participating employers, less employer contributions that are not representative of future contributions effort, as of June 30, 2018. Based upon this information, the City's proportion of the collective net pension liability is .027369%, a decrease of .000741% since June 30, 2017, the prior measurement date.

CITY OF LANDRUM, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2019

NOTE 7 - PENSION PLANS – CONTINUED

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - Continued

For the year ended June 30, 2019, the City recognized pension expense of \$25,016. At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to the pension as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 23,895	\$ -
Changes in assumptions	51,133	-
Net difference between projected and actual earnings on pension plan investments	15,509	-
Changes in proportion and differences between City contributions and proportionate share of contributions	35,435	35,737
City contributions subsequent to the measurement date	73,284	-
Total	\$ 199,256	\$ 35,737

Deferred outflows of \$73,284 related to pensions resulted from City contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Any other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30	
2020	\$ (47,168)
2021	(33,535)
2022	(9,942)
2023	410
	\$ (90,235)

CITY OF LANDRUM, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2019

NOTE 7 - PENSION PLANS – CONTINUED

Actuarial Assumptions – Actuarial valuations of the plan involve estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and future salary increases. Amounts determined regarding the net pension liability are subject to continual revision, as actual results are compared to 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 System was most recently issued for the period ending July 1, 2015.

The June 30, 2018 total pension liability, net pension liability, and sensitivity information is determined by the July 1, 2017 valuation, which used the following actuarial assumptions and methods:

Actuarial cost method	Entry age normal
Inflation	2.25%
Projected salary increases	3.0% to 12.5% (varies by service and includes 2.25% inflation)
Benefit adjustments	lesser of 1% or \$500 annually
Investment rate of return	7.25% (includes 2.25% inflation)

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. The base rates are adjusted for future improvement in mortality using published Scale AA projected from the year 2016.

The long-term expected rate of return on pension plan investments is based upon the 30-year capital market assumptions. The long-term expected rates of return represent assumptions developed using an arithmetic building block approach, primarily based on consensus expectations and market based inputs. Expected returns are net of investment fees. Expected returns, along with the expected inflation rate, form the basis for the target asset allocation adopted at the beginning of the 2017 fiscal year. The long-term expected rate of return is produced by weighting the expected future real rates of return with the target allocation percentage and then adding expected inflation, and is summarized in the following table. For actuarial purposes, the 7.25% assumed annual investment rate of return used in the calculation of the total pension liability includes 5.00% real rate of return and a 2.25% inflation component.

Asset Class	Target Allocation	Long-term Expected Portfolio Real Rate of Return
Global Equity	47%	3.38%
Real Assets	10%	0.42%
Opportunistic	13%	0.48%
Diversified Credit	18%	0.65%
Conservative Fixed Income	12%	0.10%
Total Expected Real Return	<u>100%</u>	<u>5.03%</u>
Inflation for Actuarial Purposes		<u>2.25%</u>
Total Expected Nominal Return		<u><u>7.28%</u></u>

CITY OF LANDRUM, SOUTH CAROLINA
 NOTES TO FINANCIAL STATEMENTS - CONTINUED
 JUNE 30, 2019

NOTE 7 - PENSION PLANS – CONTINUED

Discount Rate – The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers in PORS will be made based on actuarially determined rates based on the provisions of the South Carolina State Code of Laws. Based on those assumptions, the 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.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate – The following table presents the City’s proportionate share of the collective net pension liability calculated using the discount rate of 7.25%, as well as what the City’s net pension liability would be if it were calculated using a discount rate that is 1% lower (6.25%) or 1% higher (8.25%) than the current rate:

	1% Decrease (6.25%)	Discount Rate (7.25%)	1% Increase (8.25%)
City's proportionate share of the collective net pension liability	\$ 1,045,488	\$ 775,513	\$ 554,380

Pension Plan Fiduciary Net Position – Detailed information regarding the fiduciary net position of the plan, administered by PEBA, is available in the Systems’ audited financial statements for the fiscal year ended June 30, 2018 (including the unmodified opinion on the financial statements). Information about the fiduciary net position of the System and additions to/deductions from the System’s fiduciary net position have been determined on the accrual basis of accounting. Additional actuarial information is available in the accounting and financial reporting actuarial valuation as of June 30, 2018. The additional information is publically available through PEBA’s Retirement Benefits’ website at www.peba.sc.gov.

Deferred Inflows/Outflows of Resources and the Net Pension Liability, as reported on the government-wide financial statements, are reported after aggregating the total balances of the South Carolina Retirement System and the Police Officers’ Retirement System. The following is a reconciliation of the aggregated amounts to the individual reporting plans:

	SCRS	PORS	Total
Net pension liability	\$ 498,861	\$ 775,513	\$ 1,274,374
Deferred outflows related to pensions	63,669	199,256	262,925
Deferred inflows related to pensions	7,309	35,737	43,046

CITY OF LANDRUM, SOUTH CAROLINA
 NOTES TO FINANCIAL STATEMENTS - CONTINUED
 JUNE 30, 2019

NOTE 8 - INTERFUND TRANSACTIONS

Interfund Receivables and Payables

The City's interfund receivable and payable balances are a result of the time lags between the dates that payments between funds were made for goods or services provided. The interfund receivables and payables are between governmental funds and therefore are not reflected in the statement of net position.

At June 30, 2019, the following interfund receivables and payables existed:

Receivable Fund	Payable Fund	Amount
General Fund	Special Revenue Funds	\$ 187
Special Revenue Funds	General Fund	150,756
		\$ 150,943

Interfund Transfers

During the year, transfers were used to 1) move funds from the Hospitality Tax Fund to the General Fund to cover the bond payment and 2) routine transfers of funds to and from other funds, such as covering of certain expenditures.

Transfers for the fiscal ended June 30, 2019, were as follows:

Transfers To	Transfers From	Amount
General Fund	Hospitality Tax Fund	\$ 66,054
Non-Major Governmental Funds	General Fund	1,048
		\$ 67,102

NOTE 9 - RISK MANAGEMENT AND CONTINGENCIES

Risk of Loss

The City is exposed to various torts; thefts of; damages to and destruction of assets; errors or omissions; injuries to employees; and natural disasters. The City is a member of the South Carolina Municipal Insurance and Risk Financing Fund (SCMIRF) and a member of the South Carolina Municipal Insurance Trust (SCMIT) which represents the City's insurance needs. These organizations are part of the South Carolina Municipal Association and they offer these insurance and risk management services to South Carolina local governments. The City pays annual insurance premiums directly to these organizations. SCMIT provides the City with workers' compensation coverage while SCMIRF provides the City with liability coverage. The City is also subject to the risk of loss from providing health, life, accident, dental and other medical benefits for employees, retirees and their dependents. The City uses a state health insurance plan administered by the South Carolina Budget and Control Board. The State reinsures through commercial companies for these risks.

Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

CITY OF LANDRUM, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2019

NOTE 9 - RISK MANAGEMENT AND CONTINGENCIES - CONTINUED

Grant Program Involvement

In the normal course of operation, the City participates in various federal and/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 which 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.

Litigation

The City is party to various legal proceedings which normally occur in the course of governmental operations. The financial statements do not include an accrual or provision for loss contingencies that may result from these proceedings. The City feels that any settlement or judgment not covered by insurance would not have a material adverse effect on the financial condition of the City.

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE 1

CITY OF LANDRUM, SOUTH CAROLINA
 BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2019

	Budgeted Amounts Original & Final	Actual	Variance Favorable (Unfavorable)
Revenues			
Tax revenues	\$ 621,600	\$ 655,825	\$ 34,225
Licenses, permits and franchise fees	505,700	545,692	39,992
Fines and forfeitures	19,500	51,054	31,554
Public works	160,000	183,265	23,265
Intergovernmental	270,000	283,120	13,120
Contributions and other grants	-	8,846	8,846
Other revenue	43,550	52,345	8,795
Total Revenues	1,620,350	1,780,147	159,797
Expenditures			
General government	435,335	452,382	(17,047)
Public safety	760,550	942,468	(181,918)
Public works	380,250	421,313	(41,063)
Capital outlay	28,500	28,179	321
Debt service			
Principal	-	45,186	(45,186)
Interest and other charges	-	868	(868)
Total Expenditures	1,604,635	1,890,396	(285,761)
Excess/(Deficiency) of Revenues Over Expenditures	15,715	(110,249)	(125,964)
Other Financing Sources (Uses)			
Transfer from special revenue funds	19,100	65,006	45,906
Total Financing Sources (Uses)	19,100	65,006	45,906
Net Change in Fund Balance	\$ 34,815	(45,243)	\$ (80,058)
Fund Balance - Beginning of Year		1,137,929	
Fund Balance - End of Year		\$ 1,092,686	

See accompanying note to required supplementary information.

CITY OF LANDRUM, SOUTH CAROLINA
NOTES TO BUDGETARY COMPARISON SCHEDULE
JUNE 30, 2019

The City adopts an annual legal budget covering the General Fund. The budget for the General Fund is prepared on the modified accrual basis except for encumbrances which are treated as budgeted expenditures. The statement comparing budget and actual amounts for the governmental fund include adjustments to the budgetary base for the differences noted above and for certain other items which are reported in the City's budget differently than they are reported for accounting principles generally accepted in the United States. Budgetary level of control is exercised at the department level. Any revisions that alter total expenditures of the General Fund must be approved by City Council.

The Budgetary Comparison Schedule included in the required supplementary information presents a comparison of budgetary data to actual results of operations for the General Fund for which an annual operating budget is legally adopted. The fund utilizes the same basis of accounting for both budgetary purposes and actual results.

The following department presented in the budgetary comparison schedule had excess expenditures over appropriations:

General Government	\$17,047
Public Safety	181,918
Public Works	41,063

The City is not legally required to adopt a budget for the Hospitality Tax Fund. Therefore, a budgetary comparison schedule is not presented for this fund.

SCHEDULE 2

CITY OF LANDRUM, SOUTH CAROLINA
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE
OF THE COLLECTIVE NET PENSION LIABILITY
SOUTH CAROLINA RETIREMENT SYSTEM
LAST TEN FISCAL YEARS*

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
City's Proportion of the Collective Net Pension Liability	0.002226%	0.002250%	0.002257%	0.002244%	0.001979%
City's Proportionate Share of the Collective Net Pension Liability	\$ 498,861	\$ 506,512	\$ 482,092	\$ 425,585	\$ 340,718
City's Covered Payroll	\$ 233,295	\$ 230,023	\$ 221,537	\$ 157,600	\$ 182,239
City's Proportionate Share of the Collective Net Pension Liability as a Percentage of its Covered Payroll	213.83%	220.20%	217.61%	270.04%	186.96%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	54.10%	53.30%	52.91%	56.99%	59.92%

* The amounts presented were determined as of the prior fiscal year ending June 30.

SCHEDULE 3

CITY OF LANDRUM, SOUTH CAROLINA
SCHEDULE OF THE CITY'S CONTRIBUTIONS
SOUTH CAROLINA RETIREMENT SYSTEM
LAST TEN FISCAL YEARS

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily Required Contributions	\$ 32,511	\$ 29,025	\$ 26,246	\$ 24,170	\$ 16,942
Contributions in Relation to the Statutorily Required Contributions	<u>32,511</u>	<u>29,025</u>	<u>26,246</u>	<u>24,170</u>	<u>16,942</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's Covered Payroll	\$ 245,935	\$ 233,295	\$ 230,023	\$ 221,537	\$ 157,600
Contributions as a Percentage of Covered Payroll	13.22%	12.44%	11.41%	10.91%	10.75%

Notes to Schedules:

June 30, 2015 was the first year of GASB 68 implementation, therefore 10-year data is not yet available.

SCHEDULE 4

CITY OF LANDRUM, SOUTH CAROLINA
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE
OF THE COLLECTIVE NET PENSION LIABILITY
SOUTH CAROLINA POLICE OFFICERS RETIREMENT SYSTEM
LAST TEN FISCAL YEARS*

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
City's Proportion of the Collective Net Pension Liability	0.027370%	0.028110%	0.025620%	0.028560%	0.027240%
City's Proportionate Share of the Collective Net Pension Liability	\$ 775,513	\$ 770,200	\$ 649,845	\$ 622,464	\$ 521,490
City's Covered Payroll	\$ 388,395	\$ 389,540	\$ 336,433	\$ 274,728	\$ 338,167
City's Proportionate Share of the Collective Net Pension Liability as a Percentage of its Covered Payroll	199.67%	197.72%	193.16%	226.57%	154.21%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	61.70%	60.90%	60.44%	64.57%	67.55%

* The amounts presented were determined as of the prior fiscal year ending June 30.

SCHEDULE 5

CITY OF LANDRUM, SOUTH CAROLINA
SCHEDULE OF THE CITY'S CONTRIBUTIONS
SOUTH CAROLINA POLICE OFFICERS RETIREMENT SYSTEM
LAST TEN FISCAL YEARS

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily Required Contributions	\$ 73,284	\$ 58,063	\$ 53,912	\$ 44,880	\$ 35,742
Contributions in Relation to the Statutorily Required Contributions	<u>73,284</u>	<u>58,063</u>	<u>53,912</u>	<u>44,880</u>	<u>35,742</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's Covered Payroll	\$ 455,731	\$ 388,395	\$ 389,540	\$ 336,433	\$ 274,728
Contributions as a Percentage of Covered Payroll	16.08%	14.95%	13.84%	13.34%	13.01%

Notes to Schedules:

June 30, 2015 was the first year of GASB 68 implementation, therefore 10-year data is not yet available.

OTHER SUPPLEMENTARY INFORMATION

CITY OF LANDRUM, SOUTH CAROLINA
 COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2019

	Special Revenue Funds			Total Non-Major Governmental Funds
	Victim's Fund	Drug Enforcement	All Other Funds	
ASSETS				
Current Assets				
Cash and cash equivalents	\$ 56,922	\$ 10,221	\$ 8,184	\$ 75,327
Due from general fund	756	-	-	756
TOTAL ASSETS	\$ 57,678	\$ 10,221	\$ 8,184	\$ 76,083
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ -	\$ 3,288	\$ 850	\$ 4,138
Due to general fund	-	-	187	187
Total Liabilities	-	3,288	1,037	4,325
Deferred Inflows of Resources				
Unavailable revenue	-	-	879	879
Fund Balances				
Restricted	57,678	6,933	6,268	70,879
Total Fund Balances	57,678	6,933	6,268	70,879
TOTAL LIABILITIES AND FUND BALANCES	\$ 57,678	\$ 10,221	\$ 8,184	\$ 76,083

SCHEDULE 7

CITY OF LANDRUM, SOUTH CAROLINA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
 NON-MAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2019

	Special Revenue Funds			Total Non-Major Governmental Funds
	Victim's Fund	Drug Enforcement	All Other Funds	
Revenues				
Fines and forfeitures	\$ 4,435	\$ 176	\$ -	\$ 4,611
Other revenue	15	2,003	4,350	6,368
Total Revenues	<u>4,450</u>	<u>2,179</u>	<u>4,350</u>	<u>10,979</u>
Expenditures				
Operating expenditures	1,604	9,965	14,049	25,618
Total Expenditures	<u>1,604</u>	<u>9,965</u>	<u>14,049</u>	<u>25,618</u>
Excess (Deficiency) of Revenues Over Expenditures	2,846	(7,786)	(9,699)	(14,639)
Other Financing Sources (Uses)				
Transfers from general fund	-	-	1,048	1,048
	<u>-</u>	<u>-</u>	<u>1,048</u>	<u>1,048</u>
Net Change in Fund Balances	2,846	(7,786)	(8,651)	(13,591)
Fund Balances - Beginning of Year	54,832	14,719	14,919	84,470
Fund Balances - End of Year	<u>\$ 57,678</u>	<u>\$ 6,933</u>	<u>\$ 6,268</u>	<u>\$ 70,879</u>

SUPPLEMENTARY INFORMATION REQUIRED BY THE STATE OF SOUTH CAROLINA

SCHEDULE 8

CITY OF LANDRUM, SOUTH CAROLINA
 SUMMARY SCHEDULE OF COURT FINES, ASSESSMENTS AND SURCHARGES
 FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Court Fines	
Court fines collected	\$ 18,355
Court fines retained by City	<u>18,355</u>
Court Fines Remitted to State Treasurer	<u><u>\$ -</u></u>
Court Assessments	
Court assessments collected	\$ 20,821
Court assessments retained by City	<u>2,259</u>
Court Assessments Remitted to State Treasurer	<u><u>\$ 18,562</u></u>
Court Surcharges	
Court surcharges collected	\$ 9,848
Court surcharges retained by City	<u>2,177</u>
Court Surcharges Remitted to the State Treasurer	<u><u>\$ 7,671</u></u>
Victim Services	
Court assessments allocated to Victim Services	\$ 2,259
Court surcharges allocated to Victim Services	2,177
Interest earned	<u>14</u>
Funds allocated to Victim Services	4,450
Funds available from 2018 carry forward	54,832
Victim services expenditures	<u>(1,604)</u>
Funds Available for Carry Forward	<u><u>\$ 57,678</u></u>