

CITY OF LANDRUM, SOUTH CAROLINA

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

JUNE 30, 2018

CITY OF LANDRUM, SOUTH CAROLINA
TABLE OF CONTENTS
JUNE 30, 2018

	<u>Exhibit/Schedule</u>	<u>Page</u>
Independent Auditor's Report		1-2
Basic Financial Statements		
Government-Wide Financial Statements		
Statement of Net Position	A	3
Statement of Activities	B	4
Fund Financial Statements		
Balance Sheet - Governmental Funds	C-1	5
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities	C-2	6
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	D-1	7
Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	D-2	8
Notes to Financial Statements		9-28
Required Supplementary Information		
Budgetary Comparison Schedule - General Fund	1	29
Notes to Budgetary Comparison Schedules		30
Schedule of the City's Proportionate Share of the Collective Net Pension Liability (SCRS)	2	31
Schedule of the City's Contributions (SCRS)	3	31
Schedule of the City's Proportionate Share of the Collective Net Pension Liability (SCPORS)	4	32
Schedule of the City's Contributions (SCPORS)	5	32
Other Supplementary Information		
Combining Balance Sheet – Non-major Governmental Funds	6	33
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Non-major Governmental Funds	7	34
Supplementary Information Required by the State of South Carolina		
Summary Schedule of Court Fines, Assessments, and Surcharges	8	35

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, 2018, 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, 2018, 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 the 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 and individual non-major 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, Halliday & Co.

Spartanburg, South Carolina
January 29, 2019

EXHIBIT A

CITY OF LANDRUM, SOUTH CAROLINA
STATEMENT OF NET POSITION
JUNE 30, 2018

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 1,393,607
Accounts receivable	109,708
Taxes receivable - net of allowance for doubtful accounts of \$52,177	22,362
Capital assets - net of accumulated depreciation	2,416,668
Total Assets	3,942,344
Deferred Outflows of Resources	
Deferred outflows related to pensions	308,492
Liabilities	
Accounts payable	45,737
Accrued payroll	19,461
Due to state treasurer	414
Interest payable	216
Noncurrent Liabilities:	
Due within one year:	
General obligation bonds	45,187
Due in more than one year:	
Compensated absences	27,326
Net pension liability	1,276,712
Total Liabilities	1,415,053
Deferred Inflows of Resources	
Deferred inflows related to pensions	36,856
Deferred inflows of resources - unavailable revenue	879
Total Deferred Inflows	37,735
Net Position	
Net investment in capital assets	2,371,481
Restricted for:	
Hospitality tax	214,425
Victim's fund	54,832
Drug enforcement	14,719
Various projects	14,919
Unrestricted	127,672
Total Net Position	\$ 2,798,048

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, 2018

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenue</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Primary Government					
Governmental Activities:					
General government	\$ 548,021	\$ 14,785	\$ -	\$ -	\$ (533,236)
Public safety	833,271	53,420	-	-	(779,851)
Public works	496,411	183,163	-	34,136	(279,112)
	<u>\$ 1,877,703</u>	<u>\$ 251,368</u>	<u>\$ -</u>	<u>\$ 34,136</u>	<u>(1,592,199)</u>
General Revenues					
Property taxes					634,895
Hospitality taxes					252,340
Licenses, permits and franchise fees					508,314
Intergovernmental					223,181
Gain on sale of capital assets					3,863
Miscellaneous					47,061
					<u>1,669,654</u>
Total general revenues and special item					<u>1,669,654</u>
Change in net position					77,455
Net position - beginning of year					<u>2,720,593</u>
Net position - end of year					<u>\$ 2,798,048</u>

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

CITY OF LANDRUM, SOUTH CAROLINA
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2018

	General Fund	Special Revenue		Total Governmental Funds
		Hospitality Tax Fund	Non-Major Governmental Funds	
Assets				
Cash and cash equivalents	\$ 1,110,904	\$ 196,841	\$ 85,862	\$ 1,393,607
Accounts receivable	86,497	23,211	-	109,708
Due from other funds	572	-	59	631
Total Assets	\$ 1,197,973	\$ 220,052	\$ 85,921	\$ 1,503,946
Liabilities				
Accounts payable	\$ 40,110	\$ 5,627	\$ -	\$ 45,737
Accrued payroll	19,461	-	-	19,461
Due to state treasurer	414	-	-	414
Due to other funds	59	-	572	631
Total Liabilities	60,044	5,627	572	66,243
Deferred Inflows of Resources				
Deferred inflows of resources - unavailable revenue	-	-	879	879
Fund Balances				
Restricted	-	214,425	84,470	298,895
Unassigned	1,137,929	-	-	1,137,929
Total Fund Balances	1,137,929	214,425	84,470	1,436,824
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 1,197,973	\$ 220,052	\$ 85,921	\$ 1,503,946

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, 2018

Total Fund Balances of the Governmental Funds	\$	1,436,824
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.		22,362
Capital Assets, net of depreciation are not current financial resources are not included in the governmental funds.		2,416,668
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.		(1,005,077)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
Compensated absences		(27,326)
Accrued interest		(216)
General obligation bonds payable		(45,187)
		(72,729)
Total Net Position of the Governmental Activities	\$	2,798,048

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, 2018

	Special Revenue Funds			Total Governmental Funds
	General Fund	Hospitality Tax Fund	Non-Major Governmental Funds	
Revenues				
Tax revenues	\$ 633,225	\$ 252,340	\$ -	\$ 885,565
Licenses, permits and franchise fees	508,314	-	-	508,314
Fines and forfeitures	47,931	-	5,489	53,420
Public works	183,163	-	-	183,163
Intergovernmental	257,317	-	-	257,317
Other revenue	50,792	15,970	2,202	68,964
Total Revenues	1,680,742	268,310	7,691	1,956,743
Expenditures				
General government	378,123	143,958	10,560	532,641
Public safety	768,593	-	-	768,593
Public works	445,285	-	-	445,285
Capital outlay	28,500	-	-	28,500
Debt service				
Principal	44,335	-	-	44,335
Interest and other charges	1,719	-	-	1,719
Total Expenditures	1,666,555	143,958	10,560	1,821,073
Excess (Deficiency) of Revenues Over Expenditures	14,187	124,352	(2,869)	135,670
Other Financing Sources (Uses)				
Transfers from other funds	63,213	-	841	64,054
Transfers to other funds	-	(64,054)	-	(64,054)
Total Other Financing Sources (Uses)	63,213	(64,054)	841	-
Net Change in Fund Balances	77,400	60,298	(2,028)	135,670
Fund Balances - Beginning of Year	1,060,529	154,127	86,498	1,301,154
Fund Balances - End of Year	\$ 1,137,929	\$ 214,425	\$ 84,470	\$ 1,436,824

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, 2018

Net Change in Fund Balances - Total Governmental Funds	\$	135,670
<p>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:</p>		
<p>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:</p>		
Property tax revenue		1,671
<p>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:</p>		
Cost of capitalized assets		147,647
Depreciation expense		(175,886)
Loss on disposal of capital assets		(2,753)
<p>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:</p>		
Change in compensated absences		2,238
Current year change in accrued interest		213
<p>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:</p>		
Principal payments on general obligations bonds		44,335
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.		(75,680)
Change in Net Position of Governmental Activities	\$	77,455

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

CITY OF LANDRUM, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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, 2018

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, 2018

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 of three months or less from the date of acquisition.

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 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.

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.

CITY OF LANDRUM, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Measurement Focus and Basis of Accounting - Continued

Receivables - continued

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

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.

CITY OF LANDRUM, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Measurement Focus and Basis of Accounting - Continued

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.

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 OF LANDRUM, SOUTH CAROLINA
 NOTES TO FINANCIAL STATEMENTS - CONTINUED
 JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Measurement Focus and Basis of Accounting - Continued

Fund Balance - Continued

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
Hospitality Tax Fund	\$ 214,425
Non-Major Governmental:	
<i>Victim's Fund</i>	54,832
<i>Drug Enforcement</i>	14,719
<i>All Other Funds</i>	14,919
	84,470
	\$ 298,895

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.

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.

CITY OF LANDRUM, SOUTH CAROLINA
 NOTES TO FINANCIAL STATEMENTS - CONTINUED
 JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Measurement Focus and Basis of Accounting - Continued

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

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. As of June 30, 2018, the City was not exposed to custodial credit risk.

NOTE 3 - ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following at June 30, 2018:

	General Fund	Hospitality Tax Fund	Totals
Taxes	\$ 12,623	\$ 23,211	\$ 35,834
Garbage Fees	27,873	-	27,873
Intergovernmental	17,211	-	17,211
Franchise Fees	28,790	-	28,790
	<u>\$ 86,497</u>	<u>\$ 23,211</u>	<u>\$ 109,708</u>

CITY OF LANDRUM, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2018

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2018, was as follows:

	Beginning Balance	Additions	Deletions	Transfers	Ending Balance
Governmental Activities:					
<i>Capital Assets Not Being Depreciated:</i>					
Land	\$ 12,120	\$ -	\$ -	\$ -	\$ 12,120
Construction in progress	-	-	-	-	-
	<u>12,120</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,120</u>
<i>Capital Assets Being Depreciated:</i>					
Machinery and equipment	3,019,022	4,307	(3,443)	-	3,019,886
Buildings and improvements	1,032,437	107,544	-	-	1,139,981
Vehicles	504,468	35,796	(70,959)	-	469,305
	<u>4,555,927</u>	<u>147,647</u>	<u>(74,402)</u>	<u>-</u>	<u>4,629,172</u>
<i>Accumulated Depreciation:</i>					
Machinery and equipment	(1,390,057)	(103,739)	1,138	-	(1,492,658)
Buildings and improvements	(273,731)	(41,760)	-	-	(315,491)
Vehicles	(456,599)	(30,387)	70,511	-	(416,475)
	<u>(2,120,387)</u>	<u>(175,886)</u>	<u>71,649</u>	<u>-</u>	<u>(2,224,624)</u>
Net Assets Being Depreciated	<u>2,435,540</u>	<u>(28,239)</u>	<u>(2,753)</u>	<u>-</u>	<u>2,404,548</u>
Net Capital Assets - Governmental Activities	<u>\$ 2,447,660</u>	<u>\$ (28,239)</u>	<u>\$ (2,753)</u>	<u>\$ -</u>	<u>\$ 2,416,668</u>

Depreciation expense was charged to the following governmental activities:

General government	\$ 34,178
Public safety	28,812
Public works	112,896
	<u>\$ 175,886</u>

CITY OF LANDRUM, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2018

NOTE 5 - LONG TERM DEBT

The following is a summary of the City's long-term debt for the year ended June 30, 2018:

	Beginning Balance	Additions	Deductions	Ending Balance	Amounts Due within One Year
Governmental Activities:					
General obligation bonds	\$ 89,522	\$ -	\$ 44,335	\$ 45,187	\$ 45,187
Compensated absences	29,564	27,326	29,564	27,326	-
Total	\$ 119,086	\$ 27,326	\$ 73,899	\$ 72,513	\$ 45,187

The annual debt-service requirements to amortize outstanding general obligation bonds payable as of June 30, 2018, including interest payments are as follows:

Year Ending June 30	Principal	Interest	Total
2019	\$ 45,187	\$ 868	\$ 46,055
	<u>\$ 45,187</u>	<u>\$ 868</u>	<u>\$ 46,055</u>

NOTE 6 - PENSION PLANS

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, established effective July 1, 1945 pursuant to the provisions of Section 9-1-20 of the South Carolina Code of Laws for the purpose of providing retirement allowances and other benefits for employees of the state, its public school districts, and political subdivisions. The plan is administered by the South Carolina Public Employee Benefit Authority (PEBA), a division of the primary government of the state of South Carolina, and managed by PEBA's Retirement Division. 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 allowances and other benefits for employees of the state, its public school districts, and 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.

CITY OF LANDRUM, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2018

NOTE 6 - PENSION PLANS - CONTINUED

South Carolina Retirement System - Continued

Benefits Provided/Membership - continued - 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. 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.

A 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 member's age and the member's creditable service equals at least 90 years.

Both the 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.

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.

Contributions - Contributions are prescribed in Title 9 of the South Carolina Code of Laws. The PEBA Board may increase the percentage rate in the employer and employee contribution rates on the basis of the actuarial valuations, but any such increase may not result in a differential between the employee and total employer contribution rate that exceeds 2.9% of earnable compensation. An increase in the contributions rates adopted by the Board may not provide for an increase of more than ½% in any one year. If the scheduled employee and employer contributions provided in statute or the rates last adopted by the Board are insufficient to maintain a 30 year amortization schedule of the unfunded liability of the plan, the Board shall increase the contribution rates in equal percentage amounts for the employer and employee as necessary to maintain the 30 year amortization period; and this increase in not limited to ½% per year. Employees and employers (both Class II and III) are required to contribute 9.00% and 13.41%, respectively, of earnable compensation for the year ended June 30, 2018. Employers also contribute an additional .15% of earnable compensation, if participating in the death benefit program.

Contributions to the Plan from the City were \$29,025.

CITY OF LANDRUM, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2018

NOTE 6 - PENSION PLANS - CONTINUED

South Carolina Retirement System - Continued

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2018, the City reported a net pension liability of \$506,512 for its proportionate share of the collective net pension liability. The net pension liability was measured as of June 30, 2017. The total pension liability, net pension liability and sensitivity information are based on an actuarial valuation performed as of July 1, 2016. The total pension liability was rolled-forward from the valuation date to the plan's fiscal year ended June 30, 2017 using generally accepted actuarial principles. The allocation of the Board's proportionate shares of the collective net pension liability and pension expense were calculated on the basis of the Board'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, 2017. Based upon this information, the City's proportion of the collective net pension liability is 0.002250%, an increase of 0.000007% since June 30, 2016, the prior measurement date. For the year ended June 30, 2018, the City recognized pension expense of \$31,855. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows related to the pension:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,258	\$ 281
Changes in assumptions	29,651	-
Net difference between projected and actual earnings on pension plan investments	14,140	-
Changes in proportion and differences between City contributions and proportionate share of contributions	14,683	1,063
City contributions subsequent to the measurement date	29,025	-
Total	\$ 89,757	\$ 1,344

CITY OF LANDRUM, SOUTH CAROLINA
 NOTES TO FINANCIAL STATEMENTS - CONTINUED
 JUNE 30, 2018

NOTE 6 - PENSION PLANS - CONTINUED

South Carolina Retirement System - Continued

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - continued - \$29,025 reported as deferred outflows of resources related to pensions resulted from the 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		
2019	\$	(25,649)
2020		(23,554)
2021		(14,124)
2022		(3,938)
	<u>\$</u>	<u>(67,265)</u>

Actuarial Assumptions - The June 30, 2017 total pension liability, net pension liability, and sensitivity information determined by the July 1, 2016 valuation, used the following actuarial assumptions and methods:

Actuarial cost method	Entry age normal
Inflation	2.25%
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 Retirement System Funding and Administration Act of 2017 was signed into law April 25, 2017, and included a provision to reduce the assumed rate of return from 7.50% to 7.25% effective July 1, 2017. As a result of this legislation, the actuaries made an adjustment to the calculation of the roll-forward total pension liability for this assumption change as of the measurement date of June 30, 2017.

The 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.

Actuarial assumptions and methods used in the July 1, 2016, valuation were based on results of an actuarial experience study, as required to be completed at least once in each five year period by S.C. state statute. An experience report on the System was most recently issued as of July 1, 2015.

CITY OF LANDRUM, SOUTH CAROLINA
 NOTES TO FINANCIAL STATEMENTS - CONTINUED
 JUNE 30, 2018

NOTE 6 - PENSION PLANS - CONTINUED

South Carolina Retirement System - Continued

Actuarial Assumptions - continued - 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 matter 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 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	45%	3.23%
Real Assets	8%	0.41%
Opportunistic	17%	0.69%
Diversified Credit	18%	0.80%
Conservative Fixed Income	12%	0.18%
Total Expected Real Return	<u>100%</u>	<u>5.31%</u>
Inflation for Actuarial Purposes		<u>2.25%</u>
Total Expected Nominal Return		<u><u>7.56%</u></u>

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 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	\$ 652,823	\$ 506,512	\$ 417,734

CITY OF LANDRUM, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2018

NOTE 6 - PENSION PLANS - CONTINUED

South Carolina Retirement System - Continued

Pension Plan Fiduciary Net Position - Detailed information regarding the pension plan's fiduciary net position of the plan, administered by PEBA, is available in the Systems' audited financial statements for the fiscal year ended June 30, 2017 (including the unmodified opinion on the financial statements). Additional actuarial information is available in the accounting and financial reporting actuarial valuation as of June 30, 2017. The additional information is publically available on PEBA's Retirement Benefits' website at www.peba.sc.gov.

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, established effective July 1, 1962, pursuant to the provisions of Section 9-11-20 of the South Carolina Code of Laws for the purpose of providing retirement allowances and other benefits for police officers and firemen of the state and its political subdivisions. The plan is administered by the South Carolina Public Employee Benefit Authority (PEBA), a division of the primary government of the state of South Carolina, and managed by PEBA's Retirement Division. 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 allowances 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 65 or with 28 years credited 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 service is eligible for a monthly pension at age 55 or with 27 years of service regardless of age.

CITY OF LANDRUM, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2018

NOTE 6 - PENSION PLANS - CONTINUED

South Carolina Police Officers Retirement System - Continued

Benefits Provided/Membership - continued - 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.

Contributions - Contributions of the Plan are prescribed in Title 9 of the South Carolina Code of Laws. The PEBA Board may increase the percentage rate in the employer and employee contribution rates on the basis of actuarial valuations, but any such increase may not result in a differential between the employee and total employer contribution rate that exceeds 5.0% of earnable compensation.

An increase in the contributions rates adopted by the Board may not provide for an increase of more than ½% in any one year. If the scheduled employee and employer contributions provided in statute or the rates last adopted by the Board are insufficient to maintain a 30 year amortization schedule of the unfunded liability of the plan, the Board shall increase the contribution rates in equal percentage amounts for the employer and employee as necessary to maintain the 30 year amortization period; and this increase in not limited to ½% per year. Employees and employers (both Class II and III) are required to contribute 9.75% and 15.84%, respectively, of earnable compensation for the year ended June 30, 2018. Employers also contribute 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 \$58,063.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2018, the City reported a net pension liability of \$770,200 for its proportionate share of the collective net pension liability. The net pension liability was measured as of June 30, 2017. The total pension liability, net pension liability and sensitivity information are based on an actuarial valuation performed as of July 1, 2016. The total pension liability was rolled-forward from the valuation date to the plan's fiscal year end June 30, 2017 using generally accepted actuarial principles. The allocation of the Board's proportion shares of the collective net pension liability and pension expense were calculated on the basis of the Board'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, 2017. Based upon this information, the City's proportion of the collective net pension liability is 0.028110%, a decrease of 0.002490% since June 30, 2016, the prior measurement date.

CITY OF LANDRUM, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2018

NOTE 6 - PENSION PLANS - CONTINUED

South Carolina Police Officers Retirement System - 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, 2018, the City recognized pension expense of \$38,084. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows related to the pension:

	Deferred Outflows of	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 6,868	\$ -
Changes in assumptions	73,099	-
Net difference between projected and actual earnings on pension plan investments	27,445	-
Changes in proportion and differences between City contributions and proportionate share of contributions	53,260	35,512
City contributions subsequent to the measurement date	58,063	-
Total	\$ 218,735	\$ 35,512

\$58,063 reported as deferred outflows of resources related to pensions resulted from the City contributions subsequent to the measurement date 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		
2019	\$	(36,026)
2020		(47,156)
2021		(33,154)
2022		(8,824)
	\$	(125,160)

CITY OF LANDRUM, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2018

NOTE 6 - PENSION PLANS - CONTINUED

South Carolina Police Officers Retirement System - Continued

Actuarial Assumptions - The June 30, 2017 total pension liability, net pension liability, and sensitivity information, determined by the July 1, 2016 valuation, used the following actuarial assumptions and methods:

Actuarial cost method	Entry age normal
Inflation	2.25%
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 Retirement System Funding and Administration Act of 2017 was signed into law April 25, 2017, and included a provision to reduce the assumed rate of return from 7.50% to 7.25% effective July 1, 2017. As a result of this legislation, the actuaries made an adjustment to the calculation of the roll-forward total pension liability for this assumption change as of the measurement date of June 30, 2017.

The 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.

Actuarial assumptions and methods used in the July 1, 2016 valuation were based on the results of an actuarial experience study, as required to be completed at least once in each five-year period by S.C. state statute. An experience report on the System was most recently issued as of July 1, 2015.

The long-term expected rate of return on pension plan investments is based on the 30 year capital market assumptions. The actuarial 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 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.

CITY OF LANDRUM, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2018

NOTE 6 - PENSION PLANS - CONTINUED

South Carolina Police Officers Retirement System - Continued

Actuarial Assumptions - continued -

Asset Class	Target Allocation	Long-term Expected Portfolio Real Rate of Return
Global Equity	45%	3.23%
Real Assets	8%	0.41%
Opportunistic	17%	0.69%
Diversified Credit	18%	0.80%
Conservative Fixed Income	12%	0.18%
Total Expected Real Return	<u>100%</u>	<u>5.31%</u>
Inflation for Actuarial Purposes		<u>2.25%</u>
Total Expected Nominal Return		<u><u>7.56%</u></u>

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 the contributions from participating employers in PORS 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 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	\$ 1,039,917	\$ 770,200	\$ 557,748

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, 2017 (including the unmodified opinion on the financial statements). Additional actuarial information is available in the accounting and financial reporting actuarial valuation as of June 30, 2017. The additional information is publically available on PEBA's Retirement Benefits' website at www.peba.sc.gov.

CITY OF LANDRUM, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2018

NOTE 6 - PENSION PLANS - CONTINUED

South Carolina Police Officers Retirement System - Continued

Pension Plan Fiduciary Net Position - continued - A reconciliation of pension-related amounts to the Government-wide Statement of Net Position is as follows:

	SCRS	PORS	Total
Net pension liability	\$ 506,512	\$ 770,200	\$ 1,276,712
Deferred outflows related to pensions	89,757	218,735	308,492
Deferred inflows related to pensions	1,344	35,512	36,856

NOTE 7 - 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, 2018, the following interfund receivables and payables existed:

Receivable Fund	Payable Fund	Amount
General Fund	Special Revenue Funds	\$ 572
Special Revenue Funds	General Fund	59
		\$ 631

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, 2018, were as follows:

Transfers To	Transfers From	Amount
General Fund	Hospitality Tax Fund	\$ 63,213
Non-Major Governmental Funds	Hospitality Tax Fund	841
		\$ 64,054

CITY OF LANDRUM, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2018

NOTE 8 - 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.

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.

NOTE 9 - SUBSEQUENT EVENTS

Rail Car Museum

Subsequent to year-end, the City began construction and installation of the Rail Car Museum. To date, the City has expenditures paid from the Hospitality Tax Fund of approximately \$73,000 relating to the Rail Car Museum. In relation to the rail car museum project, the City applied for and was awarded a \$25,000 grant (MASC Hometown Economic Development Grant). This amount was received subsequent to year-end.

Farmers Market

Subsequent to year-end, the City acquired land for the Farmers Market. To date, the City has approximately \$78,000 of costs relating to the land acquisition. These costs have been paid out of the General Fund and the Hospitality Tax Fund.

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE 1

CITY OF LANDRUM, SOUTH CAROLINA
 BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2018

	Budgeted Amounts Original & Final	Actual	Variance Favorable (Unfavorable)
Revenues			
Tax revenues	\$ 609,900	\$ 633,225	\$ 23,325
Licenses, permits and franchise fees	531,550	508,314	(23,236)
Fines and forfeitures	36,000	47,931	11,931
Public works	160,000	183,163	23,163
Intergovernmental	203,000	257,317	54,317
Other revenue	41,050	50,792	9,742
Total Revenues	<u>1,581,500</u>	<u>1,680,742</u>	<u>99,242</u>
Expenditures			
General government	405,166	378,123	27,043
Public safety	769,784	768,593	1,191
Public works	397,650	445,285	(47,635)
Capital outlay	28,500	28,500	-
Debt service			
Principal	-	44,335	(44,335)
Interest and other charges	-	1,719	(1,719)
Total Expenditures	<u>1,601,100</u>	<u>1,666,555</u>	<u>(65,455)</u>
Excess/(Deficiency) of Revenues Over Expenditures	(19,600)	14,187	33,787
Other Financing Sources (Uses)			
Transfer from special revenue funds	19,600	63,213	43,613
Total Financing Sources (Uses)	<u>19,600</u>	<u>63,213</u>	<u>43,613</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>77,400</u>	<u>\$ 77,400</u>
Fund Balance - Beginning of Year		<u>1,060,529</u>	
Fund Balance - End of Year		<u>\$ 1,137,929</u>	

See accompanying note to required supplementary information.

CITY OF LANDRUM, SOUTH CAROLINA
NOTES TO BUDGETARY COMPARISON SCHEDULE
JUNE 30, 2018

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:

Public Works	\$ 47,635
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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>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
City's Proportion of the Collective Net Pension Liability	0.002250%	0.002257%	0.002244%	0.001979%
City's Proportionate Share of the Collective Net Pension Liability	\$ 506,512	\$ 482,092	\$ 425,585	\$ 340,718
City's Covered Payroll	\$ 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	220.20%	217.61%	270.04%	186.96%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	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>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily Required Contributions	\$ 29,025	\$ 26,246	\$ 24,170	\$ 16,942
Contributions in Relation to the Statutorily Required Contributions	<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>
City's Covered Payroll	\$ 233,295	\$ 230,023	\$ 221,537	\$ 157,600
Contributions as a Percentage of Covered Payroll	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>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
City's Proportion of the Collective Net Pension Liability	0.028110%	0.025620%	0.028560%	0.027240%
City's Proportionate Share of the Collective Net Pension Liability	\$ 770,200	\$ 649,845	\$ 622,464	\$ 521,490
City's Covered Payroll	\$ 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	197.72%	193.16%	226.57%	154.21%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	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>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily Required Contributions	\$ 58,063	\$ 53,912	\$ 44,880	\$ 35,742
Contributions in Relation to the Statutorily Required Contributions	<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>
City's Covered Payroll	\$ 388,395	\$ 389,540	\$ 336,433	\$ 274,728
Contributions as a Percentage of Covered Payroll	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, 2018

	Special Revenue Funds			Total Non-Major Governmental Funds
	Victim's Fund	Drug Enforcement	All Other Funds	
ASSETS				
Current Assets				
Cash and cash equivalents	\$ 54,773	\$ 14,719	\$ 16,370	\$ 85,862
Due from general fund	59	-	-	59
TOTAL ASSETS	\$ 54,832	\$ 14,719	\$ 16,370	\$ 85,921
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities				
Due to general fund	\$ -	\$ -	\$ 572	\$ 572
Deferred Inflows of Resources				
Unavailable revenue	-	-	879	879
Fund Balances				
Restricted	54,832	14,719	14,919	84,470
Total Fund Balances	54,832	14,719	14,919	84,470
TOTAL LIABILITIES AND FUND BALANCES	\$ 54,832	\$ 14,719	\$ 16,370	\$ 85,921

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, 2018

	Special Revenue Funds			Total Non-Major Governmental Funds
	Victim's Fund	Drug Enforcement	All Other Funds	
Revenues				
Fines and forfeitures	\$ 3,839	\$ -	\$ 1,650	\$ 5,489
Other revenue	-	-	2,202	2,202
Total Revenues	<u>3,839</u>	<u>-</u>	<u>3,852</u>	<u>7,691</u>
Expenditures				
Operating expenditures	<u>1,519</u>	<u>318</u>	<u>8,723</u>	<u>10,560</u>
Total Expenditures	<u>1,519</u>	<u>318</u>	<u>8,723</u>	<u>10,560</u>
Excess (Deficiency) of Revenues Over Expenditures	2,320	(318)	(4,871)	(2,869)
Other Financing Sources (Uses)				
Transfers from general fund	-	-	841	841
Transfers between special revenue funds	<u>-</u>	<u>5,798</u>	<u>(5,798)</u>	<u>-</u>
	-	5,798	(4,957)	841
Net Change in Fund Balances	2,320	5,480	(9,828)	(2,028)
Fund Balances - Beginning of Year	<u>52,512</u>	<u>9,239</u>	<u>24,747</u>	<u>86,498</u>
Fund Balances - End of Year	<u>\$ 54,832</u>	<u>\$ 14,719</u>	<u>\$ 14,919</u>	<u>\$ 84,470</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, 2018

Court Fines		
Court fines collected	\$	17,131
Court fines retained by City		<u>17,131</u>
Court Fines Remitted to State Treasurer	\$	<u><u>-</u></u>
Court Assessments		
Court assessments collected	\$	20,542
Court assessments retained by City		<u>2,178</u>
Court Assessments Remitted to State Treasurer	\$	<u><u>18,364</u></u>
Court Surcharges		
Court surcharges collected	\$	7,884
Court surcharges retained by City		<u>1,661</u>
Court Surcharges Remitted to the State Treasurer	\$	<u><u>6,223</u></u>
Victim Services		
Court assessments allocated to Victim Services	\$	2,178
Court surcharges allocated to Victim Services		<u>1,661</u>
Funds allocated to Victim Services		3,839
Funds available from 2017 carry forward		52,512
Victim services expenditures		<u>(1,519)</u>
Funds Available for Carry Forward	\$	<u><u>54,832</u></u>