

**CITY OF LAURENS, SOUTH CAROLINA
ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2023**

CITY OF LAURENS, SOUTH CAROLINA
ANNUAL FINANCIAL REPORT
JUNE 30, 2023

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Laurens, South Carolina, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City of Laurens, South Carolina's basic financial statements as listed in the table of contents.

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 Laurens, South Carolina, as of June 30, 2023, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Laurens, South Carolina and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material

misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, pension schedules, and schedule of court fines, assessments and surcharges as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Laurens, South Carolina's basic financial statements. The accompanying budgetary comparison schedules and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and is not a required part of the basic financial statements. Such 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. The 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 budgetary comparison schedules and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the uniform schedule of court fines, assessments, and surcharges (per ACT), computation of legal debt margin, and schedule of delinquent taxes receivable but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Matters

As discussed in Note 14 to the financial statements, the City recorded a prior period adjustment related to unearned revenues.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 20, 2024, on our consideration of the City of Laurens, South Carolina's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Laurens, South Carolina's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Laurens, South Carolina's internal control over financial reporting and compliance.

Love Bailey & Associates, LLC

Love Bailey & Associates, LLC
Laurens, South Carolina
May 20, 2024

INTRODUCTORY SECTION

CITY OF LAURENS, SOUTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023

As management of the City of Laurens, we offer readers of the City of Laurens' financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2023. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the City's financial statements, which follow this narrative.

Financial Highlights

- The net position of the City increased by \$2,170,150 for the fiscal year ended June 30, 2023, to a balance of \$11,765,361.
- As of the close of the current fiscal year, the City's governmental funds reported an ending fund balance of \$4,624,266, an increase of \$413,813 from the prior year's fund balance. The City had \$3,204,043 in capital expenditures during fiscal year 2023.
- At the end of the fiscal year, the unassigned fund balance for the General Fund was \$3,819,060, which is 46% of the General Fund expenditures for the fiscal year.
- The City's net position at June 30, 2023 was \$11,765,361, unrestricted portion was \$(2,759,559) however if the GASB 68 (pension liability) and GASB 75 (OPEB liability) were removed the City's unrestricted balance would be \$4,253,305.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Laurens' basic financial statements. The City's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Basic Financial Statements

Government-wide Financial Statements. The *government-wide financial statements* are designed to provide the reader with a broad overview of the City of Laurens' finances, in a manner similar to private-sector business. The government-wide financial statements include the *statement of net position* and the *statement of activities*.

The *statement of net position* presents information on all of the City of Laurens' assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal period (e.g., uncollected taxes and earned but unused vacation leave).

The government-wide statement of activities reports functions of the City of Laurens. Governmental activities are activities that are principally supported by taxes and intergovernmental revenues. Business-type activities are functions that are intended to recover all or a significant portion of their costs through user fees and charges. The City reports no business-type activities. The governmental activities of the City of Laurens include general government, public safety, highways and streets, economic development,

CITY OF LAURENS, SOUTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023

culture and recreation, and streets and sanitation. Property taxes, licenses and permits, intergovernmental revenues, charges for services and contributions finance most of these activities.

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Laurens, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements, such as state statutes, the City's budget ordinance, or federal grant requirements.

Governmental Funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. Most of the City's basic services are accounted for in governmental funds. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

The *fund financial statements* include the governmental fund *balance sheet and statement of revenues, expenditures, and changes in fund balances*.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Fiduciary Funds. *Fiduciary funds* are used to account for resources held for the benefit of parties outside the government. *Fiduciary funds* are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City of Laurens' own programs. The accrual basis of accounting is used for fiduciary funds.

Budget. The City of Laurens adopts an annual appropriated budget for its general fund, as required by South Carolina State Law. The City also adopts a budget for the special revenue fund. A budget, by definition, is a legal limit to spending. The budget is a legally adopted document that incorporates input from the management of the City, the City Council, and the citizens of the City, about which services to provide and how to pay for them. It also authorizes the City to obtain funds from identified sources to finance these current period activities.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information. In addition to the basic financial statements and accompanying notes, the report also contains certain required supplementary information in the form of a general fund budgetary comparison.

CITY OF LAURENS, SOUTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Laurens, assets and deferred outflows of the City of \$24,627,502 exceeded liabilities and deferred inflows by \$11,765,360 at June 30, 2023. This is an increase in total net position of \$2,170,150 for the fiscal year, due to revenues and grants less than expenses. Net position is reported in three categories: Net investment in capital assets, net of related debt of \$12,424,415, restricted net position of \$2,100,505 and unrestricted net position of (\$2,759,559).

The largest portion of the City's net position reflects the City's investment in capital assets (e.g. land, buildings, machinery, and equipment), less any related outstanding debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Laurens' investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The category of restricted net position represents resources that are subject to restrictions that are externally imposed. At June 30, 2023 the City had restrictions as follows:

Restricted for Victims' Assistance	\$	12,640
Restricted for Law Enforcement		1,917
Restricted for Tourism		747,080

Statement of Net Position	2023	2022
Current and Other Assets	\$ 7,657,263	\$ 6,439,021
Capital Assets	<u>15,315,959</u>	<u>12,705,912</u>
Total Assets	<u>22,973,222</u>	<u>19,144,933</u>
Deferred Outflows of Resources	<u>1,602,940</u>	<u>1,381,847</u>
Long-term Liabilities	9,928,536	7,943,205
Other Liabilities	<u>1,430,168</u>	<u>163,932</u>
Total Liabilities	<u>11,358,704</u>	<u>8,107,137</u>
Deferred Inflows of Resources	<u>1,503,438</u>	<u>2,824,432</u>
Net Position		
Invested in Capital Assets, net	12,424,415	10,288,398
Restricted	2,094,916	2,115,909
Unrestricted	<u>(2,805,311)</u>	<u>(2,809,096)</u>
Total Net Position	<u>\$ 11,714,020</u>	<u>\$ 9,595,211</u>

CITY OF LAURENS, SOUTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023

Impact of GASB Statement No. 68 and No. 75 on Net Position of the City

The GASB (Government Accounting Standards Board) Statement No. 68, *"Accounting and Financial Reporting for Pensions"* and GASB Statement No. 75, *"Accounting and Financial Reporting for Postemployment benefits Other Than Pensions"* has had a significant impact on the City's financial position.

As a long-term obligation, the net pension liability and net other post-employment benefits is not recorded in the modified accrual basis financial statements of governmental funds. It does not impact the current resources focus of the governmental funds and does not impact the modified accrual fund-level budget-to-actual comparison. In fiscal year 2023, the City's unrestricted net position increased by \$1,427,879, exclusive of the GASB 68 and 75 impact.

Following is the City's net position with the GASB 68 impact reported discretely.

Net Position	2023	2022	Increase (Decrease)
Net investment in capital assets	\$ 12,424,415	\$ 10,288,398	\$ 2,136,017
Restricted	2,100,505	2,115,909	(20,993)
Unrestricted	4,253,305	2,779,874	1,427,879
Unrestricted (GASB 68/75)	(7,012,864)	(5,588,970)	(1,424,094)
Total net position	<u>\$ 11,765,361</u>	<u>\$ 9,595,211</u>	<u>\$ 2,779,874</u>

CITY OF LAURENS, SOUTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023

The following table shows a recap of revenues and expenses for fiscal year 2023, with comparative data for fiscal year 2022:

Changes in Net Position

	2023	2022	Percentage Change
Revenues			
Program revenues			
Charges for services	\$ 2,113,087	\$ 2,176,689	-2.9%
General revenues			
Property taxes	2,129,052	2,102,621	1.3%
Local option sales tax	868,674	781,589	11.1%
Other taxes	756,172	732,134	3.3%
Intergovernmental	4,452,846	2,229,785	99.6%
Other	621,890	499,784	24.4%
Total revenues	<u>10,941,721</u>	<u>8,522,602</u>	<u>28.4%</u>
Expenses			
General government	2,550,421	1,670,462	55.4%
Law enforcement	2,886,010	2,447,850	17.9%
Fire protection	965,999	944,861	2.2%
Streets and sanitation	1,284,555	1,464,113	-12.3%
Recreation, community development, Contributions and tourism	941,326	940,913	0.6%
Interest and other charges	143,260	100,514	42.5%
Total expenses	<u>8,771,572</u>	<u>7,568,713</u>	<u>16.6%</u>
Change in net position	2,170,150	953,881	
Net position, beginning, restated	9,595,211	8,641,322	
Net position, ending	<u>\$ 11,765,361</u>	<u>\$ 9,595,211</u>	

Governmental Funds. The fund balance of all governmental funds for the City of Laurens was \$4,624,266 at June 30, 2023, which is an increase of \$413,813 from the prior year.

General Fund Budgetary Highlights. Actual General Fund expenditures were \$1,161,212 over budgeted amounts, primarily over/under in most departments however special projects were unbudgeted. Total revenues were \$580,510 over budget, primarily due to property taxes, state rebates and business licenses over under budget.

Capital Asset and Debt Administration

Capital Assets. The City of Laurens' investment in capital assets for its governmental activities as of June 30, 2023, totals \$15,315,959 (net of accumulated depreciation). These assets include buildings, land, land improvements, vehicles, equipment, and intangibles.

**CITY OF LAURENS, SOUTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023**

Capital Assets

	2023	2022
Land and land improvements	\$ 3,566,615	\$ 3,566,615
Construction in process	1,938,912	193,919
Buildings	5,105,425	5,286,314
Improvements other than buildings	3,036,133	2,210,804
Vehicles and equipment	1,668,874	1,448,260
Total	<u>\$ 15,315,959</u>	<u>\$ 12,705,912</u>

This year's major capital asset additions were vehicles and facility improvements.

Long-term Debt. State of South Carolina State Law limits the amount of general obligation debt that a municipal government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt limit available to the City for general obligation debt is \$923,000, based on 8% of the property tax valuation of \$25,910,850. At June 30, 2023, the City had general obligation outstanding debt of \$1,150,000.

The City repaid principal of \$388,254 on bonds and capital leases during the year.

	2023	2022
Revenue bonds	\$ 1,168,997	\$ 1,339,395
General obligation bonds	1,150,000	295,000
Lease purchases	915,073	462,928
	<u>\$ 3,234,070</u>	<u>\$ 2,097,323</u>

Contracting the City of Laurens Financial Management

This financial report is designed to provide our citizens with a general overview of the City of Laurens' finances and to demonstrate the City's accountability for the money it receives. If you have questions concerning this report or requests for additional information, contact Mayor Nathan Senn, or Eric Delgado City Administrator, 126 East Public Square, Laurens, South Carolina 29360.

FINANCIAL SECTION

CITY OF LAURENS, SOUTH CAROLINA
STATEMENT OF NET POSITION
JUNE 30, 2023

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 4,308,668
Restricted cash and cash equivalents	2,100,505
Property taxes receivable	259,043
Other receivables	321,818
Note receivable	150,000
Prepays	43,569
Capital asset deposit	525,000
Capital assets, non-depreciable	
Land and land improvements	3,566,615
Construction in process	1,938,912
Capital assets, net of accumulated depreciation	
Buildings	5,105,425
Improvements other than buildings	3,036,133
Vehicles and equipment	1,668,874
Total assets	<u>23,024,562</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred pension charges	1,532,346
Deferred OPEB charges	70,594
Total deferred outflows of resources	<u>1,602,940</u>
LIABILITIES	
Accounts payable	761,688
Accrued liabilities	167,407
Noncurrent liabilities	
Net OPEB obligation	271,513
Net pension liability	6,741,551
Due within one year	501,072
Due in more than one year	2,915,472
Total liabilities	<u>11,358,703</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred pension charges	155,058
Deferred OPEB charges	90,834
Unavailable revenues - ARPA	1,257,546
Total deferred inflows of resources	<u>1,503,438</u>
NET POSITION	
Net investment in capital assets, net of debt	12,424,415
Restricted	2,100,505
Unrestricted	(2,759,559)
Total net position	<u>\$ 11,765,361</u>
	11,765,361

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

CITY OF LAURENS, SOUTH CAROLINA
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2023

		Program Revenues		
	Expenses	Charges for Services	Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
PRIMARY GOVERNMENT				
Governmental activities				
General government	\$ 2,550,421	\$ 1,772,148	\$ 2,518,390	\$ 1,740,117
Law enforcement	2,886,010	100,486	-	(2,785,524)
Fire protection	965,999	-	-	(965,999)
Streets and sanitation	1,284,555	206,375	-	(1,078,180)
Recreation, special projects, contributions, and tourism	941,326	34,078	-	(907,248)
Community development	111,312	-	-	(111,312)
Interest and other charges	65,344	-	-	(65,344)
Total governmental activities	<u>\$ 8,804,967</u>	<u>\$ 2,113,087</u>	<u>\$ 2,518,390</u>	<u>(4,173,490)</u>
GENERAL REVENUES				
Property taxes, levied for operations				2,162,448
Local option sales tax				868,674
State aid to local governments				1,047,277
Local hospitality and accommodations fees				756,172
Commission of public works franchise fee				785,868
Rental income				246,384
Franchise fees				101,311
One percent				17,206
Miscellaneous revenue				87,001
Interest income				63,893
Gain on sale of property				207,406
Total general revenues				<u>6,343,640</u>
Change in net position				2,170,150
Net position, beginning of year, as restated				<u>9,595,211</u>
Net position, end of year				<u>\$ 11,765,361</u>

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

CITY OF LAURENS, SOUTH CAROLINA
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2023

	General	American Rescue Grant Fund	Other Governmental Fund	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 4,308,668	\$ -	\$ -	\$ 4,308,668
Cash and cash equivalents, restricted	14,557	1,444,355	641,593	2,100,505
Property taxes receivable	259,043	-	-	259,043
Other receivables	249,749	-	72,069	321,818
Due from other funds	4,964	-	53,176	58,140
Prepaid items	43,569	-	-	43,569
Total assets	<u>\$ 4,880,550</u>	<u>\$ 1,444,355</u>	<u>\$ 766,838</u>	<u>\$ 7,091,743</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 574,670	\$ 186,809	\$ 209	\$ 761,688
Due to other funds	38,591	-	19,549	58,140
Accrued liabilities	167,407	-	-	167,407
Total liabilities	<u>780,668</u>	<u>186,809</u>	<u>19,758</u>	<u>987,235</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenues - taxes	222,696	-	-	222,696
Unavailable revenues - ARPA	-	1,257,546	-	1,257,546
Total deferred inflows of resources	<u>222,696</u>	<u>1,257,546</u>	<u>-</u>	<u>1,480,242</u>
FUND BALANCES				
Nonspendable:				
Prepaid items	43,569	-	-	43,569
Restricted:				
Recreation and tourism	-	-	747,080	747,080
Victims' assistance	12,640	-	-	12,640
Law enforcement	1,917	-	-	1,917
Unassigned:	3,819,060	-	-	3,819,060
Total fund balances	<u>3,877,186</u>	<u>-</u>	<u>747,080</u>	<u>4,624,266</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 4,880,550</u>	<u>\$ 1,444,355</u>	<u>\$ 766,838</u>	<u>\$ 7,091,743</u>

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

CITY OF LAURENS, SOUTH CAROLINA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
JUNE 30, 2023

Total fund balance		\$ 4,624,266
Amounts reported for governmental activities in the statement of net position are different because:		
Property taxes receivable are not considered available and are deferred in the funds.		222,696
Note receivable for economic development		150,000
Capital asset deposits		525,000
Capital assets used in governmental activities are not current financial resources, and therefore, are not reported in the governmental funds.		
Cost of capital assets	23,906,765	
Accumulated depreciation	<u>(8,590,806)</u>	15,315,959
The City's proportionate share of net pension liability, deferred outflows of resources, and deferred inflows of resources related to its participation in the State pension plan are not recorded in the government funds but are recorded in the statement of net position.		(5,364,263)
Net OPEB obligations are not due and payable in the current period current period and, therefore, are not reported in the funds.		(291,753)
Long-term liabilities, including bonds payable and capital lease obligations, are not due and payable in the current period, and, therefore, are not reported as liabilities in the governmental funds balance sheet. Long-term liabilities at year end consist of:		
Compensated absences payable	(182,474)	
Capital lease obligations	(525,000)	
Note payable	(390,073)	
Revenue bonds payable	(1,168,997)	
General obligation bonds payable	<u>(1,150,000)</u>	<u>(3,416,544)</u>
Total net position		<u><u>\$ 11,765,361</u></u>

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

CITY OF LAURENS, SOUTH CAROLINA
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2023

	General Fund	American Rescue Grant Fund	Other Governmental Funds	Total Governmental Funds
REVENUE				
Property tax	\$ 2,331,329	\$ -	\$ -	\$ 2,331,329
Local option sales tax	868,674	-	-	868,674
State revenues	1,047,277	-	-	1,047,277
Business licenses	1,541,446	-	-	1,541,446
Hospitality fees	-	-	756,172	756,172
Police fines (net of state assessments)	100,486	-	-	100,486
Recreation program fees	34,078	-	-	34,078
Commission of public works	785,868	-	-	785,868
Residential garbage fees	206,375	-	-	206,375
Vehicle fee	120,813	-	-	120,813
Permits	109,889	-	-	109,889
Franchise fees	101,311	-	-	101,311
Federal grants	-	2,518,390	-	2,518,390
Rental income	246,384	-	-	246,384
One percent	-	-	17,206	17,206
Miscellaneous revenue	87,001	-	-	87,001
Interest income	55,447	-	8,446	63,893
Total revenues	7,636,378	2,518,390	781,824	10,936,592
EXPENDITURES				
General governmental	2,267,287	95,786	-	2,363,073
Law enforcement	2,746,662	-	-	2,746,662
Fire protection	880,151	-	16,174	896,325
Streets and sanitation	1,262,259	-	-	1,262,259
Recreation, special projects, contributions, and tourism	443,216	-	347,448	790,664
Capital outlay	476,383	2,422,604	305,056	3,204,043
Debt service	295,371	-	158,227	453,598
Total expenditures	8,371,329	2,518,390	826,905	11,716,624
Excess (deficiency) of revenues Over expenditures	(734,951)	-	(45,081)	(780,032)
OTHER FINANCING SOURCES (USES)				
Transfers in (out)	(203,125)	-	203,125	-
Debt proceeds	984,400	-	-	984,400
Sale of assets	209,445	-	-	209,445
Total other financing sources (uses)	990,720	-	203,125	1,193,845
Net changes in fund balances	255,769	-	158,044	413,813
Fund balances, beginning of year, restate	3,621,417	-	589,036	4,210,453
Fund balances, end of year	\$ 3,877,186	\$ -	\$ 747,080	\$ 4,624,266

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

CITY OF LAURENS, SOUTH CAROLINA
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2023

Net change in fund balances		\$ 413,813
Amounts reported for governmental activities in the statement of activities are different because of the following:		
Revenues that do not provide current financial resources are not reported as revenues in the funds, net change change in unavailable property tax revenue		(168,881)
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net position and allocated over the estimated useful lives as annual depreciation expense in the statement of activities. This is the amount by which capital outlays exceeded depreciation in the period.		
Capital outlay	3,204,043	
Capital asset deposit	525,000	
Depreciation expense	(557,392)	
Change in gain on sale	<u>(2,039)</u>	3,169,612
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 the governmental funds.		
Compensated absences.		(56,202)
Changes in the City's proportionate share of the net pension liability, deferred outflows of resources, and deferred inflows of resources for the to future periods and, therefore, are not reported in the funds.		
		(89,880)
Changes in the City's net OPEB liability, and related deferred outflows of resources, and deferred inflows of resources for the current year related to other post-employment benefits are not reported in the governmental funds but are reported in the statement of activities.		
		22,834
The issuance of long-term debt (e.g., notes, bonds, leases) 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 amount is the net effect of these differences in the treatment of long-term debt and related items.		
Debt principal payment		388,254
Debt proceeds, net		<u>(1,509,400)</u>
Change in net position		<u><u>\$ 2,170,150</u></u>

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

CITY OF LAURENS, SOUTH CAROLINA
STATEMENT OF NET POSITION -
FIDUCIARY FUND
JUNE 30, 2023

ASSETS

Current assets

Cash and cash equivalents	\$ 9,754
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Total assets	<u>9,754</u>
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LIABILITIES

Long-term liabilities

Due to other funds	<u>-</u>
--------------------	----------

Total liabilities	<u>-</u>
-------------------	----------

NET POSITION

<u>\$ 9,754</u>

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

CITY OF LAURENS, SOUTH CAROLINA
STATEMENT OF ACTIVITIES -
FIDUCIARY FUND
YEAR ENDED JUNE 30, 2023

REVENUE	\$ 18,046
EXPENDITURES	
Supplies	<u>46,289</u>
Change in net position	(28,243)
Net position, beginning of year	<u>37,997</u>
Net position, end of year	<u><u>\$ 9,754</u></u>

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

CITY OF LAURENS, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Laurens, South Carolina (the “City”) was incorporated on December 22, 1873 by the Secretary of State of the State of South Carolina. The City operates under a Mayor-Council form of government and provides the following services as authorized by its charter: public safety (police and fire), highways and streets, sanitation, culture-recreation, public improvements, planning and zoning, and general administrative services.

The financial statements of the City of Laurens, South Carolina, have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Reporting Entity

The City’s combined financial statements include the accounts of all City operations. The criteria for including organizations as component units within the City’s reporting entity are set forth in Government Accounting Standards Board Statement No. 14. The criteria include whether: the City is able to impose its will on the organization, the organization has the potential to impose a financial benefit/burden on the City and there is fiscal dependency by the organization on the City. Based in these criteria, the City of Laurens has no component units.

Specifically excluded is the Combined Utilities Commission of the City of Laurens. This stand-alone utility, established under state law, has a five-member board elected by the registered voters of Laurens. The Commission of Public Works provides street lights and utilities to the City. It also pays the City of Laurens a franchise fee on its electricity and natural gas sales. All real estate owned by the Commission of Public Works is recorded in the name of the City of Laurens. Although City Council must approve bond issues of the Commission of Public Works, the City is not obligated on any debt issued by the Commission, either directly or morally.

Basis of Presentation

The government-wide financial statement of net position and the statement of activities report information about the City as a whole. They include all funds of the reporting entity except for fiduciary funds. These statements distinguish between the governmental and business-type activities of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. The City does not operate any business-type activities.

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

Program revenues include 1) fees, fines, and charges paid by the recipients of goods or services offered by the programs and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

(Continued)

CITY OF LAURENS, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Fund Financial Statements: The City segregates transactions related to certain functions or activities into separate funds in order to aid financial management and demonstrate legal compliance. Separate statements are presented for each fund category – *governmental, proprietary, and fiduciary*. The City of Laurens currently has no proprietary or capital projects funds.

The City reports the following major governmental funds:

The General Fund is the operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund. The City makes debt service payments out of the general fund.

The Special Revenue Fund is used to account for hospitality and accommodation fee collections and expenditures and one percent fund.

Additionally, the City reports the following fund types:

Fiduciary Funds are used to account for assets held by the City as an agent for other funds. These resources are custodial in nature and do not involve measurement of results of operations.

Measurement Focus and Basis of Accounting

Measurement focus refers to what is being measured. Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting is related to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net position and the operating statements present increases (revenues) and decreases (expenses) in net total position.

Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using 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 City considers revenues to be available if they are collected within sixty (60) days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, sales 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 measurable and available only when cash is received by the City.

(Continued)

CITY OF LAURENS, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Budgetary Control

Prior to April 1, the mayor submits to the City Council a proposed operating budget for the fiscal year commencing July 1. The operating budget includes proposed expenditures and the means of financing them. By state law, the expenditures and revenues must be in balance.

All City Council meetings are open to the public. The City Council discusses the proposed budget at these public meetings and makes changes as it desires. The budget is passed as an ordinance and takes two votes at two different public meetings to adopt it. It is always adopted prior to the beginning of the fiscal year on July 1.

The general fund, which is the operating fund of the City, is budgeted. This budget includes authority for the acquisition of all capital assets. All expenditures are presented in comparison with the budget.

Budgets for the general fund and special revenue fund are adopted on a basis consistent with generally accepted accounting principles. All changes to the budget are authorized by City Council in subsequent meetings. The Mayor has authority to make line-item changes in the budget.

Cash, Cash Equivalents and Investments

All budget items lapse at year end unless City Council designates the unspent items to be carried forward. The budget presented is as originally adopted, with no amendments being made to the original budget.

Cash, cash equivalents and investments 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.

Investments are stated at fair value in accordance with GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for Investment Pools. Investment policies of the City must operate within existing state statutes of the State of South Carolina, which authorizes what the City may and may not invest in. At June 30, 2023, the City did not have any investments.

Inventory

The City does not inventory expendable supplies held for consumption.

Receivables

In the government-wide statements, receivables consist of all revenues earned at year end and not yet received. Allowances for uncollectible taxes receivable are based upon historical trends and the aging of taxes receivable.

Nonexchange transactions collectible but not available such as property taxes are deferred in the fund financial statements in accordance with modified accrual, but not deferred in the government-wide financial statements in accordance with the accrual basis.

Interfund Receivables and Payables

During the course of operations, numerous transactions may occur between individual funds for goods provided or services rendered. These receivables and payables are classified as “due to/from other funds” on the fund financial balance sheet. Interfund balances are eliminated on the government-wide statement of net position.

(Continued)

CITY OF LAURENS, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Capital Assets

Fund Financial Statements

Property and equipment are accounted for as capital outlay expenditures in the governmental funds upon acquisition.

Government-wide Statements

Property and equipment having a useful life of more than one year and a historical cost greater than \$5,000 are accounted for as capital assets in the government-wide statements. All capital assets are valued at historical cost, estimated historical cost if actual cost is unavailable, or estimated fair market value for donated assets.

Depreciation of all exhaustible capital assets is recorded as an expense in the Statement of Activities, with capital assets shown net of accumulated depreciation in the statement of net assets. Depreciation is provided over the assets' estimated useful lives using straight-line depreciation. The range of estimated useful lives by type of asset is as follows:

Type of Asset	Estimated Useful Life
Buildings	40 to 50 years
Vehicles and equipment	5 to 39 years
Improvements other than buildings	5 to 50 years

Accumulated Unpaid Vacation, Sick Pay, and Other Employee Benefit Amounts

Accumulated unpaid vacation pay is accrued in the government-wide financial statements. The City does not allow sick pay to accumulate; consequently, no liability for it is booked.

Long-term Obligations

In the government-wide financial statements, long-term debt, capital lease obligations, and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets. In the fund financial statements, the face amount of debt issued is reported as other financing sources. A liability for compensated absences and other post-employment benefits is reported in the Statement of Net Position; whereas, in the governmental funds, a liability for these amounts is reported only if they have matured, for example, as a result of employee resignations and retirements.

Deferred Outflows/Inflows of Resources

In addition to assets, the statements of net position and the balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City currently has two types of deferred outflows of resources: (1) the City reports deferred outflows related to pensions in its statement of net position in connection with its participation in the South Carolina Retirement System and the South Carolina Police Officers Retirement System and (2) the City also reports deferred outflows related to OPEB in its statement of net position in connection with its OPEB plan provided to employees. These *deferred pension and OPEB charges* are either (a) recognized in the subsequent period as a reduction of the net pension/OPEB liabilities or (b) amortized in a systematic and rational method as expense in future periods in accordance with GAAP.

(Continued)

CITY OF LAURENS, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

In addition to liabilities, the statements of net position and the balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City currently has three types of deferred inflows of resources: (1) The City reports *unavailable revenues* only in the governmental funds balance sheet; it is deferred and recognized as an inflow of resources (property tax revenues) in the period the amounts become available. (2) The City reports *deferred inflows related to pensions* in its statement of net position in connection with its participation in the South Carolina Retirement System and the South Carolina Police Officers Retirement System. (3) The City also reports deferred inflows related to OPEB in its statement of net position in connection with its OPEB plan provided to employees. These *deferred pension and OPEB inflows* are amortized in a systematic and rational method and recognized as a reduction of pension/OPEB expense in future periods in accordance with GAAP.

Net Position and Fund Balance

Net position in the government-wide financial statements represents the difference between assets and liabilities.

Net position invested in capital assets, net of related debt 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. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Unrestricted net position represents all other net position not meeting the definition of restricted or net investment in capital assets.

The City applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Fund balance in the governmental fund financial statements is classified in five categories as follows:

Nonspendable

Nonspendable fund balances include amounts that are not in spendable form or are legally required to remain intact.

Restricted

Restricted fund balances include amounts that have external restrictions by either grantors, debt covenants, laws, or other governments.

Committed

Committed fund balances include amounts that are committed to a specific purpose by the City Council.

Assigned

Assigned fund balances include amounts that are constrained by limitations resulting from intended uses as established by the City Council.

(Continued)

CITY OF LAURENS, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Unassigned

Unassigned fund balance includes amounts that have not been assigned to any purpose.

Unless specifically designated otherwise, fund expenditures and encumbrances are subtracted from restricted fund balance to the extent of restricted fund balance revenue, followed by committed fund balance, assigned fund balance, and unassigned fund balance, respectively.

Pensions

In government-wide financial statements, pensions are required to be recognized and disclosed using the accrual basis of accounting, regardless of the amount recognized as pension expenditures on the modified accrual basis of accounting. The City recognizes a net pension liability for each qualified pension plan in which it participates, which represents the excess of the total pension liability over the fiduciary net position of the qualified pension plan, or the City's proportionate share thereof in the case of a cost-sharing multiple-employer plan, measured as of the City's fiscal year-end. Changes in the net pension liability during the period are recorded as pension expense, or as deferred outflows or inflows of resources depending on the nature of the change, in the period incurred. Those changes in net pension liability that are recorded as deferred outflows or inflows of resources that arise from changes in actuarial assumptions or other inputs and differences between expected or actual experience are amortized over the weighted average remaining service life of all participants in the respective qualified pension plan and recorded as a component of pension expense beginning with the period in which they are incurred. Projected earnings on qualified pension plan investments are recognized as a component of pension expense. Differences between projected and actual investment earnings are reported as deferred outflows or inflows of resources and amortized as a component of pension expense on a closed basis over a five-year period beginning with the period in which the difference occurred.

Fair Value

The fair value measurement and disclosure framework provides for a three-tier fair value hierarchy that gives highest priority to quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

- Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the City can access at the measurement date.
- Level 2 Inputs to the valuation methodology, other than quoted prices included in Level 1, that are observable for an asset or liability either directly or indirectly and include:
 - Quoted prices for similar assets and liabilities in active markets.
 - Quoted prices for identical or similar assets or liabilities in inactive markets.
 - Inputs other than quoted market prices that are observable for the asset or liability.
 - Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

(Continued)

CITY OF LAURENS, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

- Level 3 Inputs to the valuation methodology that are unobservable for an asset or liability and include:
 - Fair value is often based on developed models in which there are few, if any, observable inputs.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used should maximize the use of observable inputs and minimize the use of unobservable inputs.

The valuation methodologies described above may produce a fair value calculation that may not be indicative of future net realizable values or reflective of future fair values. The City believes that the valuation methods used are appropriate and consistent with GAAP. The use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date. There have been no significant changes from the prior year in the methodologies used to measure fair value.

Accounting estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. Those estimates and assumptions affect the reported amounts of assets and deferred outflows of resources and liabilities and deferred inflows of resources disclosure of these balances as of the date of the financial statements. In addition, they affect the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates and assumptions.

Comparative data

Comparative data (i.e. presentation of prior year totals by fund type) has not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read.

NOTE 2 – CASH AND INVESTMENTS

Cash is maintained in demand deposits or savings accounts, certificates of deposit or U.S. Government Securities. There were no deposit or investment transactions during the year that were in violation of either the state statutes or the policy of the City.

Interest rate risk. The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit risk. As of June 30, 2023, the City's cash with the Laurens County Treasurer is invested in instruments allowed under state laws.

Concentration of credit risk. The City's investment policy currently does not involve investment in any individual issuers. Investments issued or explicitly guaranteed by the U.S. Government and investments in mutual funds and external investment pools are excluded from this disclosure requirement.

(Continued)

CITY OF LAURENS, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 2 – CASH AND INVESTMENTS, Continued

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City's policy is that all deposits in excess of federal insurance amounts be collateralized with securities held by the pledging financial institution's trust department or agent in the City's name. At June 30, 2023, all deposits were fully collateralized.

Custodial credit risk – investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investments are not subject to custodial credit risk. The City does not have an investment policy for custodial credit risk but follows the investment policy statutes of the state of South Carolina.

As of June 30, 2023 the City had deposits and investments (restricted and unrestricted) as follows:

Deposits with financial institutions	\$ <u>6,357,833</u>
--------------------------------------	---------------------

Restricted Cash – General Fund

Certain cash, cash equivalents and investments of the City are legally restricted for specified purposes. Restricted cash at June 30, 2023 were as follows:

Victims assistance	\$ 12,640
Law enforcement	1,917
ARPA	1,444,355
1% fund	8,657
Hospitality	<u>641,593</u>
	<u>\$ 2,100,505</u>

NOTE 3 – PROPERTY TAXES

Property taxes are levied based on a calendar year (January 1 – December 31). The property tax assessment for taxes, other than vehicle taxes, is formally levied in October on property values assessed as of the same date. Vehicle property taxes are billed monthly as license tags renew. The property tax bills are mailed in October and are payable between November 1 and January 15. Liens attach to the property at the time taxes are levied. A three percent penalty is assessed on taxes unpaid at January 16. All property taxes are billed and collected by Laurens County, and these collections are remitted to the City. Property tax revenues are recognized when they become available, including those property tax receivables expected to be collected within sixty days after yearend.

The millage rate was 123.5 for the 2023 tax year and the assessed valuation of real property was \$25,910,850. The purpose of the levies was for current expenditures and to defray public expenditures of the City as well as to meet current indebtedness contracted by the City for general corporate purposes.

(Continued)

CITY OF LAURENS, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 3 – PROPERTY TAXES, Continued

Tax Abatement

The County of Laurens provides tax abatements under a Fee-in-Lieu of Tax and Special Source Revenue Credit Program (FILOT + SSRC). Fee-in Lieu of Tax and Special Source Revenue Credit Program (FILOT + SSRC) offers individual incentive packages by abating property taxes to attract new business to the County and to retain current businesses. The Fee-in Lieu of Tax and Special Source Revenue Credit Program (FILOT + SSRC) was established by SC Code Title 12, Chapter 44 and Title 4, Chapter 12 as SC Code Sections 4-29-68, 4-1-170, and 12-44-70. Generally, for taxpayers to be approved for this program they must agree to invest the statutory minimum (A higher amount may be negotiated) within the investment period. The investment period begins on the day in which the property described in the agreement is entered into service and ends at an agreed upon point in time. The taxpayer must also agree to incur costs of designing, acquiring, constructing, improving, or expanding improved or unimproved real estate or personal property used in the operation of a manufacturing or commercial enterprise, infrastructure servicing the project, or certain aircraft within the investment period. The investment period begins on the day in which the property described in the agreement is entered into service and ends at an agreed upon point in time.

Once the investment period begins in the FILOT agreement, the taxpayer may receive a reduction of assessed rate, reduction in millage rate and elimination of (or reduction in) the number of times the millage rates change for the property over the length of the agreement. The taxpayer will receive a specified percentage refund of their fee-in-lieu of tax payment within 30 days of their FILOT payment.

Once the investment period begins in the SSRC agreement, the taxpayer will receive a specified percentage refund of their property taxes for the property included in the agreement within 30 days of their property tax payment.

The City of Laurens' received approximately \$42,000 FILOT revenue for the 2023 tax year under agreements entered into by Laurens County.

Unearned and unavailable revenues

Governmental funds report unavailable revenue in connection with receivables for revenues that are not considered to be available (not collected within 60 days of year-end) to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned (unearned revenue). At June 30, 2023, the General Fund had approximately \$223,000 in revenue related to property taxes that was not available (unavailable revenue) and the ARPA fund had approximately \$1,258,000 in unearned ARPA revenue.

NOTE 4 – RECEIVABLES

Receivables consist of the following at June 30, 2023:

Property taxes	\$	259,043
Hospitality and accommodations tax		64,156
LOST revenue and aid to subdivisions		177,013
Other		80,649
Total	<u>\$</u>	<u>580,861</u>

Receivables are presented in the governmental funds statements and the government-wide statements net of estimated uncollectible accounts.

CITY OF LAURENS, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2023 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, non-depreciable				
Land	\$ 3,566,615	\$ -	\$ -	\$ 3,566,615
Construction in process	193,919	2,748,047	(1,003,054)	1,938,912
Total capital assets, non-depreciable	3,760,534	2,748,047	(1,003,054)	5,505,527
Capital assets, depreciable				
Buildings, furniture and fixtures	7,873,990	-	-	7,873,990
Improvements nonbuildings	3,629,864	12,180	1,003,054	4,645,098
Vehicles and other equipment	5,440,373	443,816	(2,039)	5,882,150
Total capital assets, depreciable	16,944,227	455,996	1,001,015	18,401,238
Less: accumulated depreciation	(8,048,849)	(557,392)	15,435	(8,590,806)
Total capital assets, depreciable, net	8,995,378	(101,396)	1,016,450	9,810,432
Total Capital assets, net	\$ 12,655,912	\$ 2,646,651	\$ 13,396	\$ 15,315,959

Depreciation expense was charged to governmental activities as follows:

General government	\$ 64,100
Law enforcement	139,348
Fire protection	69,674
Street and sanitation	22,296
Recreation and special projects	261,974
Total governmental activities depreciation expense	<u>\$ 557,392</u>

At June 30, 2023, the City recorded \$1,938,912 in construction in process for two projects (1) the renovation of the Municipal Building and (2) the renovation of the Street and Sanitation Building. The Municipal Building project is expected to be completed in May 2024 and the Street and Sanitation Building has a completion date in September 2024. These two projects have the same contractor with a remaining cost of \$1,991,940.

During the year ended June 30, 2023, the City obtained a loan of \$525,000 (See Note 6) for the purchase of garbage trucks. These trucks will not be delivered until fiscal year 2024, the \$525,000 is recorded as a capital asset deposit on the Statement of Net Position.

CITY OF LAURENS, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 6 – LONG-TERM DEBT

The following is a summary of changes in the City's long-term obligations for the year ended June 30, 2023:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
2006 Revenue Bond	\$ 224,395	\$ -	\$ 45,398	\$ 178,997	\$ 48,415
2014 G.O. Bond	295,000	-	145,000	150,000	150,000
2014 Revenue Bond	1,115,000	-	125,000	990,000	130,000
2023 G.O. Bond	-	1,000,000	-	1,000,000	55,000
Total bonds	1,634,395	1,000,000	315,398	2,318,997	383,415
Lease purchase - 2020	462,928	-	72,855	390,073	74,253
Note payable	-	525,000	-	525,000	43,404
Compensated absences	126,272	56,202	-	182,474	-
Total gov. activities	\$ 2,223,595	\$1,581,202	\$ 388,253	\$ 3,416,544	\$ 501,072

General Obligation Bonds, Revenue Bonds

On December 15, 2006, the City issued \$1,050,000 in revenue bonds to finance the purchase of the SunTrust Building. Public Facilities Revenue Bond Series A, was issued for \$393,000 at 4.28%. Public Facilities Revenue Bond Series B, was issued for \$657,000 at 6.45%. Both revenue bonds will be repaid over fifteen years. At June 30, 2023, \$178,997 of these public facilities revenue bonds remains outstanding.

On October 30, 2014, the City issued revenue bonds in the amount of \$1,900,000. The proceeds of this Special Obligation Bond, Series 2014 were used for the acquisition and construction of tourism-related projects and other public facilities. Principal and interest on the bonds is paid from hospitality fees. The bonds carry interest at 2.98%. Principal and interest is being repaid over 15 years beginning October 1, 2015, in principal amounts ranging from \$105,000 to \$155,000. The balance outstanding at June 30, 2023 is \$990,000.

On December 4, 2014, the City issued general obligation bonds in the amount of \$1,100,000. The proceeds were used for the acquisition and construction of public facilities. Principal and interest on the bonds is paid from general revenues. The bonds carry interest at 2.28%. Interest only payments are due each March 1 and June 1 until March, 2017. Principal will be repaid in amounts ranging from \$105,000 to \$155,000, beginning March 1, 2017 and maturing March 1, 2024. The balance outstanding at June 30, 2023 is \$150,000.

On February 21, 2023, the City issued general obligation bonds in the amount of \$1,000,000. The proceeds of this Special Obligation Bond, Series 2023 were used for the acquisition and construction of public facilities. The bonds carry interest at 3.22%. Principal and interest is being repaid over 15 years beginning October 1, 2023, in principal amounts ranging from \$55,000 to \$82,000. The balance outstanding at June 30, 2023 is \$1,000,000.

(Continued)

CITY OF LAURENS, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 6 – LONG-TERM DEBT, Continued

Lease purchases

On June 24, 2020, the City entered into a \$600,504 lease purchase for various capital equipment. The lease purchase has annual payments of \$81,789 beginning in June 2021 which includes interest at 1.92%. The debt was a direct borrowing/direct placement. At June 30, 2023 the outstanding lease purchase agreement was \$390,073.

On January 21, 2023, the City entered into a \$525,000 lease purchase for capital equipment. The lease purchase has annual payments of \$65,243 beginning in January 2024 which includes interest at 4.16%. The debt was a direct borrowing/direct placement. At June 30, 2023 the outstanding lease purchase agreement was \$525,000.

Year Ending June 30,	General Obligation Bonds		Revenue Bonds		Lease Purchase		Principal & Interest
	Principal	Interest	Principal	Interest	Principal	Interest	Total
2024	\$ 205,000	\$ 33,473	\$ 178,415	\$ 39,636	\$117,657	\$29,376	\$ 603,557
2025	55,000	30,429	186,631	32,546	120,929	26,104	451,639
2026	56,000	28,658	190,062	25,092	124,284	22,750	446,846
2027	58,000	26,855	163,889	17,969	127,746	19,289	413,748
2028	60,000	24,987	145,000	13,410	131,313	15,720	390,430
2029- 2033	330,000	94,668	305,000	13,708	289,155	37,066	1,073,586
2034- 2038	386,000	38,093	-	-	-	-	424,093
	<u>\$1,150,000</u>	<u>\$277,163</u>	<u>\$1,168,997</u>	<u>\$142,361</u>	<u>\$915,073</u>	<u>\$150,305</u>	<u>\$3,803,899</u>

Compensated Absences

It is the City's policy to allow the employees to accumulate unused annual vacation pay benefits with a maximum cap of thirty days or 240 hours. Accumulated unused vacation pay may be carried over each calendar year and is payable upon termination or retirement. The general fund is used to liquidate compensated absences incurred in governmental activities.

Accrued sick leave is not payable upon termination. Therefore, no provision for accrued sick leave has been made in these financial statements.

NOTE 7 – OTHER POST EMPLOYMENT BENEFITS

Plan Description

The City's post-employment benefit plan is a single employer plan that pays a portion of the health insurance premiums and dental benefit premiums for its retirees. Coverage is provided through the Employee Insurance Program for the State of South Carolina. City Council establishes plan policies, including benefits and contribution requirements of the City and plan members, which may be amended at its discretion. The City's post-employment benefit plan does not issue a publicly available report.

(Continued)

CITY OF LAURENS, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 7 – OTHER POST EMPLOYMENT BENEFITS, Continued

The Plan is affiliated with the South Carolina Other Retirement Benefits Employer Trust (SC ORBET), an agent multiple-employer irrevocable trust administered by the Municipal Association of South Carolina. The Trust allows the member to pre-fund future obligations. Each participating employer is responsible for determining the appropriate amount of contributions to remit to the Trust. Each member continues to contract with its current health care provider for retiree health coverage. The Trust pays the benefits chosen by the employer directly to the employer or provider. Each member shares in the Trust's administrative and investment-related expenses, lowering the overall costs to each local government.

Participants in the City's plan must be eligible to retire from the South Carolina Retirement System (SCRS or PORS), have at least 20 years of consecutive service with the City, and are within 5 years of being Medicare eligible.

The plan also provides coverage to disabled retirees and their dependents on the same basis as other retirees. Disabled retirees must also have 20 years of consecutive service with the City.

Employees hired before January 1, 2002 are grandfathered under the policy adopted on November 19, 1985 which requires an employee to have 20 years of continuous service and are 55 years of age.

The City pays the employer portion of the retiree only health insurance premium and up to a frozen amount of \$93 toward the employee portion of the retiree only health insurance premium. In addition, the City pays the employer portion of the retiree only dental premium. There were 85 active plan members and 3 retirees and dependent plan members at the actuarial valuation date of January 1, 2019.

The retiree is responsible for the remainder of the premium cost including all spouse and dependent coverage. The City's coverage ends upon the death of the retiree or the retiree's attainment of age 65.

Total OPEB Liability

In previous years, the City has reported a net OPEB obligation (liability) consisting of the difference between the annual required contribution into the plan and the actual contributions made by the City. GASB 75 required employers to determine the Total OPEB Liability (TOL) using the Entry Age Normal (EAN) actuarial funding method and to report a net OPEB liability consisting of the difference between the TOL and the plan's fiduciary net position.

(Continued)

CITY OF LAURENS, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 7 – OTHER POST EMPLOYMENT BENEFITS, Continued

The City's TOL was determined by an actuarial valuation as of December 31, 2022, using the following key actuarial assumptions and other inputs:

Inflation	2.25%
Real wage growth	
SCRS	0.75%
PORS	1.25%
Wage inflation	
SCRS	3.00%
PORS	3.50%
Salary increases, including wage inflation	
SCRS	3.00 – 9.50%
PORS	3.50 – 10.50%
Long-term investment rate of return, net of OPEB	
Plan investment expense, including price inflation	4.75%
Municipal bond index rate	
Prior measurement date	2.06%
Measurement date	3.72%
Tear FNP is projected to be depleted	
Prior measurement date	N/A
Measurement date	N/A
Single equivalent interest rate, net of OPEB	
Investment expense, including price inflation	
Prior measurement date	4.75%
Measurement date	4.75%
Health care cost trends	
Pre-medicare	7.00% for 2021 decreasing to an ultimate rate of 4.50% by 2031

The discount rate used to measure the TOL was based upon the long-term expected rate of return.

The Mortality rates were based on the PUB-2010 Mortality Table for Employees with a 135% multiplier to better reflect anticipated experience and provide a margin for future improvements.

The demographic actuarial assumptions for retirement, disability incidence, withdrawal, and salary increases used in the December 31, 2022 valuation were based on a review of recent plan experience done concurrently with the December 31, 2022 valuation. The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan elections, etc.) used in the December 31, 2022 valuation were based on a review of recent plan experience done concurrently with the December 31, 2022 valuation.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts are subject to

(Continued)

CITY OF LAURENS, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 7 – OTHER POST EMPLOYMENT BENEFITS, Continued

continual revision as actual results are compared with past expectations and new estimates are made about the future. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and included the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between employer and plan members to that point.

The following exhibit presents the TOL of the Plan, calculated using the health care cost trend rates, as well as what the Plan's TOL would be if it were calculated using a health care cost trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

Health Care Cost Trend Sensitivity

	<u>1% Decrease</u>	<u>Current</u>	<u>1% Increase</u>
Total OPEB Liability	\$ 234,467	\$ 271,513	\$ 313,885

The following exhibit presents the TOL of the Plan, calculated using the discount rate of 4.75%, as well as what the Plan's TOL would be if it were calculated using a discount rate that is 1- percentage-point lower or 1-percentage-point higher than the current rate:

Discount Rate Sensitivity

	<u>1% Decrease (3.75%)</u>	<u>Current (4.75%)</u>	<u>1% Increase (5.75%)</u>
Total OPEB Liability	\$ 301,561	\$ 271,513	\$ 243,988

	<u>Total OPEB Liability</u>	<u>Plan Net Position</u>	<u>Net OPEB Liability</u>
Balance as of December 31, 2021	\$ 449,307	\$ 182,036	\$ 267,271
Changes for the year			
Service Cost at the end of the year*	8,394	-	8,394
Interest on TOL and Cash Flows	20,640	-	20,640
Change in benefit terms	-	-	-
Difference between expected and actual experience	(7,757)	-	(7,757)
Changes of assumptions or other inputs	-	-	-
Contributions - employer	-	47,921	(47,921)
Net investment income	-	(29,636)	29,636
Benefit payments and implicit subsidy credit	(29,921)	(29,921)	-
Plan administrative expenses	-	(1,250)	1,250
Net changes	(8,644)	(12,886)	4,242
Balance as of December 31, 2022	<u>\$ 440,663</u>	<u>\$ 169,150</u>	<u>\$ 271,513</u>

*The service cost includes interest for the year.

(Continued)

CITY OF LAURENS, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 7 – OTHER POST EMPLOYMENT BENEFITS, Continued

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB: Since certain expense items are recognized over closed periods each year, the deferred portions of these items must be tracked annually. If the amounts will increase OPEB expense, they are labeled Deferred Inflows of Resources. If they serve to reduce OPEB expense, they are labeled Deferred Inflows of Resources. The recognition of these amounts is accomplished on a level dollar basis, with no interest included in the deferred amounts. Experience gains/losses and the impact of changes in actuarial assumptions or other inputs, if any, are recognized over the average expected remaining service life of the active and inactive Plan members at the beginning of the measurement period.

At June 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 15,649	\$ 71,295
Changes of assumptions or other inputs	14,875	19,539
Net difference between projected and actual earnings on plan investments	40,070	-
Total	<u>\$ 70,594</u>	<u>\$ 90,834</u>

At June 30, 2023, amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB benefits will be recognized in OPEB expense as follows:

Measurement Period Ended December 31,	
2023	\$ 3,015
2024	2,929
2025	2,786
2026	(314)
2027	(8,436)
Thereafter	(20,220)
	<u>\$ (20,240)</u>

(Continued)

CITY OF LAURENS, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 7 – OTHER POST EMPLOYMENT BENEFITS, Continued

The calculation of the OPEB expense for the year ended June 30, 2023 is shown in the following table:

Service Cost at end of year*	\$ 8,394
Interest on the Total OPEB Liability and Cash Flow	20,640
Expensed portion of current-period difference between expected and actual experience in the Total OPEB Liability	(880)
Expensed portion of current-period changes of assumptions or other inputs	-
Projected earnings on plan investments	(9,040)
Expensed portion of current period differences between actual and projected earnings on plan investments	7,735
Administrative costs	1,250
Recognition of beginning Deferred Outflows of Resources as OPEB Expense	9,392
Recognition of beginning Deferred Inflows of Resources as OPEB Expense	(12,404)
OPEB Expense	<u>\$ 25,087</u>

NOTE 8 – PENSION

State Retirement Plan

The City participates in the State of South Carolina's retirement plans, which are administered by the South Carolina Public Employee Benefit Authority ("PEBA").

The South Carolina Public Employee Benefit Authority (PEBA), created July 1, 2012, is the state agency responsible for the administration and management of the retirement systems and benefit programs of the state of South Carolina, including the State Optional Retirement Program and the S.C. Deferred Compensation Program, as well as the state's employee insurance programs. As such, PEBA is responsible for administering the South Carolina Retirement Systems' five defined benefit pension plans. PEBA has an 11-member Board of Directors, appointed by the Governor and General Assembly leadership, which serves as custodian, co-trustee and co-fiduciary of the Systems and the assets of the retirement trust funds. The Retirement System Investment Commission (Commission as the governing body, RSIC as the agency), created by the General Assembly in 2005, has exclusive authority to invest and manage the retirement trust funds' assets. The Commission, an eight-member board, serves as co-trustee and co-fiduciary for the assets of the retirement trust funds. By law, the State Fiscal Accountability Authority (SFAA), which consists of five elected officials, also reviews certain PEBA Board decisions regarding the actuary of the Systems.

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

(Continued)

CITY OF LAURENS, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 8 – PENSION PLANS, Continued

PEBA issues an Annual Comprehensive Financial Report (ACFR) containing financial statements and required supplementary information for the Systems' Pension Trust Funds. The ACFR is publicly available through 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. PEBA is a division of the primary government of the state of South Carolina and therefore, retirement trust fund financial information is also included in the ACFR for the state.

Plan Descriptions

- The South Carolina Retirement System (SCRS), a cost-sharing multiple-employer defined benefit pension plan, was established 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 and other benefits for teachers and employees of the state and its political subdivisions. SCRS covers employees of state agencies, public school districts and participating charter schools, public higher education institutions, other participating local subdivisions of government and first-term individuals elected to the South Carolina General Assembly.
- The South Carolina Police Officers Retirement System (PORS), a cost-sharing multiple-employer defined benefit pension plan, was established 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 and other benefits to police officers and firefighters. PORS also covers peace officers, coroners, probate judges and magistrates.

Plan Membership

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

- SCRS – Generally, all employees of covered employers are required to participate in and contribute to the system as a condition of employment. This plan covers general employees and teachers and first-term individuals elected to the South Carolina General Assembly. An employee member of the system with an effective date of membership prior to July 1, 2012, is a Class Two member. An employee member of the system with an effective date of membership on or after July 1, 2012, is a Class Three member.
- PORS - To be eligible for PORS membership, an employee must be required by the terms of his employment, by election or appointment, to preserve public order, protect life and property, and detect crimes in the state; to prevent and control property destruction by fire; be a coroner in a full-time permanent position; or be a peace officer employed by the Department of Corrections, the Department of Juvenile Justice or the Department of Mental Health. Probate judges and coroners may elect membership in PORS. Magistrates are required to participate in PORS for service as a magistrate. PORS members, other than magistrates and probate judges, must also earn at least \$2,000 per year and devote at least 1,600 hours per year to this work, unless exempted by statute. An employee member of the system with an effective date of membership prior to July 1, 2012, is a Class Two member. An employee member of the system with an effective date of membership on or after July 1, 2012, is a Class Three member.

(Continued)

CITY OF LAURENS, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 8 – PENSION PLANS, Continued

Plan Benefits

Benefit terms are prescribed in Title 9 of the South Carolina Code of Laws. PEBA does not have the authority to establish or amend benefit terms without a legislative change in the code of laws. Key elements of the benefit calculation include the benefit multiplier, years of service, and average final compensation/current annual salary. A brief summary of the benefit terms for each system is presented below.

- SCRS – A Class Two member who has separated from service with at least five or more years of earned service is eligible for a monthly pension at age 65 or with 28 years credited service regardless of age. A member may elect early retirement with reduced pension benefits payable at age 55 with 25 years of service credit. A Class Three member who has separated from service with at least eight or more years of earned service is eligible for a monthly pension upon satisfying the Rule of 90 requirement that the total of the member's age and the member's creditable service equals at least 90 years. Both Class Two and Class Three members are eligible to receive a reduced deferred annuity at age 60 if they satisfy the five- or eight-year earned service requirement, respectively. An incidental death benefit is also available to beneficiaries of active and retired members of employers who participate in the death benefit program.

The annual retirement allowance of eligible retirees or their surviving annuitants is increased by the lesser of one percent or five hundred dollars every July 1. Only those annuitants in receipt of a benefit on July 1 of the preceding year are eligible to receive the increase. Members who retire under the early retirement provisions at age 55 with 25 years of service are not eligible for the benefit adjustment until the second July 1 after reaching age 60 or the second July 1 after the date they would have had 28 years of service credit had they not retired.

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

The retirement allowance of eligible retirees or their surviving annuitants is increased by the lesser of one percent or five hundred dollars every July 1. Only those annuitants in receipt of a benefit on July 1 of the preceding year are eligible to receive the increase.

(Continued)

CITY OF LAURENS, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 8 – PENSION PLANS, Continued

Plan Contributions

Actuarial valuations are performed annually by an external consulting actuary to ensure applicable contribution rates satisfy the funding parameters specified in Title 9 of the South Carolina Code of Laws. Under these provisions, SCRS and PORS contribution requirements must be sufficient to maintain an amortization period for the financing of the unfunded actuarial accrued liability (UAAL) over a period that does not exceed the number of years scheduled in state statute. The Retirement Funding and Administration Act of 2017 increased, but also established a ceiling for SCRS and PORS employee contribution rates. Effective July 1, 2017, employee rates were increased to a capped rate of 9.00 percent for SCRS and 9.75 percent for PORS. The legislation also increased employer contribution rates beginning July 1, 2017 for both SCRS and PORS by two percentage points and further scheduled employer contribution rates to increase by a minimum of one percentage point each year in accordance with state statute. The General Assembly postponed the one percent increase in the SCRS and PORS employer contribution rates that was scheduled to go into effect beginning July 1, 2020. In accordance with the legislative funding schedule, employer contribution rates will continue to increase by 1 percentage point each year until reaching 18.56 percent for SCRS and 21.24 percent for PORS but may be increased further, if the scheduled contributions are not sufficient to meet the funding periods set for the applicable year. The board shall increase the employer contribution rates as necessary to meet the amortization period set in statute.

Pension reform legislation modified statute such that the employer contribution rates for SCRS and PORS to be further increased, not to exceed one-half of one percent in any one year if necessary, in order to improve the funding of the plans. The statute set rates intended to reduce the unfunded liability of SCRS and PORS to the maximum amortization S.C. PEBA | 4 period of 20 years from 30 years over a ten-year schedule, as determined by the annual actuarial valuations of the plan. Finally, under the revised statute, the contribution rates for SCRS and PORS may not be decreased until the plans are at least 85 percent funded.

Required employee contribution rates¹ are as follows:

	Fiscal Year 2023 ¹	Fiscal Year 2022 ¹
SCRS		
Employee Class Two	9.00%	9.00%
Employee Class Three	9.00%	9.00%
PORS		
Employee Class Two	9.75%	9.75%
Employee Class Three	9.75%	9.75%

(Continued)

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

CITY OF LAURENS, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 8 – PENSION PLANS, Continued

Required employer contribution rates¹ are as follows:

	<u>Fiscal Year 2023¹</u>	<u>Fiscal Year 2022¹</u>
SCRS		
Employee Class Two	17.41%	16.41%
Employee Class Three	17.41%	16.41%
Employer Incidental Death Benefit	0.15%	0.15%
PORS		
Employee Class Two	19.84%	18.84%
Employee Class Three	19.84%	18.84%
Employer Incidental Death Benefit	0.20%	0.20%
Employer Accidental Death Benefit	0.20%	0.20%

Actuarial Assumptions and Methods

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

The June 30, 2022, total pension liability (TPL), net pension liability (NPL), and sensitivity information shown in this report were determined by our consulting actuary, Gabriel Roeder Smith & Company (GRS) and are based on an actuarial valuation performed as of July 1, 2021. The total pension liability was rolled-forward from the valuation date to the plans' fiscal year end, June 30, 2022, using generally accepted actuarial principles. There was no legislation enacted during the 2022 legislative session that had a material change in the benefit provisions for any of the systems. S.C. PEBA | 5 The following table provides a summary of the actuarial assumptions and methods used to calculate the TPL as of June 30, 2022.

	SCRS	PORS
Actuarial cost method:	Entry age normal	Entry age normal
Investment rate of return ²	7%	7%
Projected salary increases	3.0% to 11.0% (varies by service) ¹	3.5% to 10.5% (varies by service) ¹
Benefit adjustments	lesser of 1% or \$500 annually	lesser of 1% or \$500 annually

(Continued)

² Includes inflation at 2.25%

CITY OF LAURENS, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 8 – PENSION PLANS, Continued

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

Assumptions used in the determination of the June 30, 2022, TPL are as follows.

Former Job Class	Males	Females
Educators	2020 PRSC Males multiplied by 95%	2020 PRSC Females multiplied by 94%
General Employees and Members of the General Assembly	2020 PRSC Males multiplied by 97%	2020 PRSC Females multiplied by 107%
Public Safety and Firefighters	2020 PRSC Males multiplied by 127%	2020 PRSC Females multiplied by 107%

Net Pension Liability

The NPL is calculated separately for each system and represents that particular system's TPL determined in accordance with GASB 67 less that system's fiduciary net position. NPL totals, as of June 30, 2022, for SCRS and PORS are presented below.

System	City's Net Pension Liability (Asset)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	City's Proportionate Share of the Collective Net Pension Liability
SCRS	\$ 3,070,158	57.1%	.012665%
PORS	\$ 3,671,393	66.4%	.122420%

The TPL is calculated by the Systems' actuary, and each plan's fiduciary net position is reported in the Systems' financial statements. The NPL is disclosed in accordance with the requirements of GASB 67 in the Systems' notes to the financial statements and required supplementary information. Liability calculations performed by the Systems' actuary for the purpose of satisfying the requirements of GASB 67 and 68 are not applicable for other purposes, such as determining the plans' funding requirements.

Long-term Expected Rate of Return

The long-term expected rate of return on pension plan investments is based upon 20-year capital market assumptions. The long-term expected rates of return represent assumptions developed using an arithmetic building block approach primarily based on consensus expectations and market-based inputs. Expected returns are net of investment fees.

(Continued)

CITY OF LAURENS, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 8 – PENSION PLANS, Continued

The expected returns, along with the expected inflation rate, form the basis for the target asset allocation adopted at the beginning of the 2022 fiscal year. The long-term expected rate of return is produced by weighting the expected future real rates of return by the target allocation percentage and adding expected inflation and is summarized in the table on the following page. For actuarial purposes, the 7 percent assumed annual investment rate of return used in the calculation of the TPL includes a 4.75 percent real rate of return and a 2.25 percent inflation component.

Allocation/Exposure	Policy Target	Expected Arithmetic Real Rate of Return	Long Term Expected Portfolio Real Rate of Return
Public Equity³	46.0%	6.79%	3.12%
Bonds	26.0%	(0.35)%	(0.09)%
Private Equity^{1 4}	9.0%	8.75%	0.79%
Private Debt²	7.0%	6.00%	0.42%
Real Assets	12.0%		
Real Estate ²	9.0%	4.12%	0.37%
Infrastructure ²	3.0%	5.88%	0.18%
Total Expected Real Return ⁵	100.0%		4.79%
Inflation for Actuarial Purposes			2.25%
Total Expected Nominal Return			7.04%

Pensions

At June 30, 2023, the City reported a liability of \$3,070,158 and \$3,671,393 for its proportionate share of the net pension liability for SCRS and PORS, respectively. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

For the year ended June 30, 2023, the City recognized pension expense for the SCRS and PORS plans of \$382,199 and \$390,108, respectively. At June 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

(Continued)

³ The target weight to Private Equity will be equal to its actual weight, reported by the custodial bank, as of prior month end. When flows have occurred, flow adjusted weights are used to more accurately reflect the impact of the asset class weight. Private Equity and Public Equity combine for 55% of the entire portfolio.

⁴ Staff and Consultant will notify the Commission if Private Markets assets exceed 25% of total assets.

⁵ Portable Alpha Strategies, which are not included in the Policy Target, will be capped at 12% of total assets; hedge funds (including all hedge funds used in portable alpha implementation) are capped at 20% of total assets.

CITY OF LAURENS, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 8 – PENSION PLANS, Continued

Description	Deferred outflow of resources	Deferred inflow of resources
SCRS		
Differences between expected and actual experience	\$ 125,141	\$ 12,241
Changes in proportionate share and differences between employer contributions and proportionate share of total plan employer contributions	295,074	13,380
Net difference between projected and actual earnings on pension plan investments	-	4,735
City's contributions subsequent to the measurement date	245,430	-
Total SCRS	<u>\$ 665,645</u>	<u>\$ 30,356</u>
PORS		
Differences between expected and actual experience	\$ 214,482	\$ 41,038
Changes in proportionate share and differences between employer contributions and proportionate share of total plan employer contributions	183,746	72,577
Net difference between projected and actual earnings on pension plan investments	-	11,087
City's contributions subsequent to the measurement date	468,473	-
Total PORS	<u>\$ 866,701</u>	<u>\$ 124,702</u>

The \$245,430 and \$468,473 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date for the SCRS and PORS plans, respectively, during the year ended June 30, 2023, will be recognized as a reduction of the net pension liabilities in the year ending June 30, 2024.

The following schedule reflects the amortization of the net balance of remaining deferred outflows/(inflows) of resources at the measurement date. Average remaining service lives of all employees provided with pensions through the pension plan at the measurement date was 4 years for SCRS and PORS:

Year Ended June 30,	SCRS	PORS	Total
2023	\$ 174,895	\$ 119,650	\$ 294,545
2024	155,794	119,480	275,202
2025	(11,427)	(86,066)	(97,493)
2026	80,067	142,780	222,775
	<u>\$ 399,329</u>	<u>\$ 295,700</u>	<u>\$ 695,029</u>

(Continued)

CITY OF LAURENS, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 8 – PENSION PLANS, Continued

Discount Rate

The discount rate used to measure the TPL was 7 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers in SCRS and PORS will be made based on the actuarially determined rates based on provisions in the South Carolina Code of Laws. Based on those assumptions, the System's fiduciary net position was projected to be available to make all the projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL.

Sensitivity Analysis

The following table presents the collective NPL of the participating employers calculated using the discount rate of 7 percent, as well as what the employers' NPL would be if it were calculated using a discount rate that is 1 percent lower (6 percent) or 1 percent higher (8 percent) than the current rate.

System	1.00% Decrease (6%)	Current Discount Rate (7%)	1.00% Increase (8%)
City's proportionate share of the net pension liability of the SCRS	\$ 3,936,321	\$ 3,070,158	\$ 2,350,056
City's proportionate share of the net pension liability of the PORS	\$ 5,119,536	\$ 3,671,393	\$ 2,485,951

Additional Financial and Actuarial Information

Information contained in these Notes to the Schedules of Employer and Nonemployer Allocations and Schedules of Pension Amounts by Employer (Schedules) was compiled from the Systems' audited financial statements for the fiscal year ended June 30, 2022, and the accounting valuation report as of June 30, 2022. Additional financial information supporting the preparation of the Schedules (including the unmodified audit opinion on the financial statements and required supplementary information) is available in the Systems' ACFR.

CITY OF LAURENS, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 9 – HOSPITAL INSURANCE FOR RETIRED EMPLOYEES

The City reimburses retired employees who purchase supplemental Medicare insurance at the following amounts annually:

Years of Service	
20-24 consecutive years	\$ 300
25-29 consecutive years	390
30-34 consecutive years	480
35 or more consecutive years	600

During the year ended June 30, 2023 the City policy to provide health insurance for employees who have retired with twenty years or more of service and have not yet reached the age of 65. Currently, the City is providing health insurance for four retired employees with twenty years of service who have not reached age 65. The cost to the City for this retiree benefit was \$8,426 for the year ended June 30, 2023.

NOTE 10 – TRANSFERS FROM THE COMMISSION OF PUBLIC WORKS

The Commission of Public Works pays the City a franchise fee and a dividend annually based on the results of its operations for its prior fiscal year ended December 31. The amount that the City actually receives is reduced by the value of the in-kind utilities and services provided to the City by the Commission during the prior twelve-month period ended December 31. For the year ending June 30, 2023, franchise fees and dividends payable to the City were \$1,110,705, reduced by in-kind utilities and services of \$351,837, which were provided during the prior twelve-month period ended June 30, 2022. The payments of \$758,868 are reported as revenue from the Commission of Public Works. The value of the in-kind utilities and services provided during the twelve months ended December 31, 2022 is detailed below.

Calculation of payments from the Commission of Public Works:

Gross revenues from the CPW	\$ 1,137,705
Less: in-kind transfers	
City utilities	
City buildings	198,401
Street Lights	153,436
Total in-kind utilities and services	<u>351,837</u>
 Total payments to the City for the year ended June 30, 2023	 <u>\$ 785,868</u>

CITY OF LAURENS, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 11 – RENTAL INCOME

The City of Laurens leases a portion of the Law Enforcement Administrative Building to a financial institution for bank operations (the “Bank”). In turn, the Bank makes monthly payments to the City which includes the monthly base rent, and reimbursements for the tenant’s percentage share of operating and maintenance expenses. The lease agreement between the City of Laurens and the Bank covers an initial fifteen-year period that expired December 31, 2021, however an option to renew the lease for an additional five years was exercised by the Bank pushing the lease agreement to December 31, 2026.

This rental income is pledged to retire the Public Facilities Revenue Bonds Series A and Series B which are payable to Truist Bank.

The Law Enforcement Administrative Building was sold subsequent to yearend, see Note 15.

NOTE 12 – COMMITMENTS AND CONTINGENCIES

Self-Insurance

The City is a member of a limited risk management program for property, casualty, crime, and workers’ compensation insurance. The program incorporates limited risk pools that are professionally administered for the City of Laurens and other municipalities within South Carolina by the Municipal Association of South Carolina. The City is also self-insured for unemployment compensation.

Risk Management and Retention

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered through participation in an insurance purchasing public entity risk pool sponsored by the South Carolina Municipal Association. The City pays an annual premium to the pool and may be subject to supplemental premium assessment should pool claims exceed certain levels. Pool claims have not exceeded those levels in any of the past four years.

There have been no significant reductions in insurance coverage during the fiscal year ended June 30, 2023.

Permissive Use Agreement

The City has entered into a lease agreement with an outside organization to lease athletic fields for City recreation programs. The annual rent is \$1. The lease can be terminated at the discretion of lessor or lessee upon 30 days’ notice.

NOTE 13 – NOTE RECEIVABLE

During the year ended June 30, 2022, the City entered into an economic development agreement to recruit a restaurant to the downtown historic district. At June 30, 2023, the City has a \$150,000 note receivable with an zero interest rate and monthly payments of \$418 through February 2053. The City did not receive any payments on the note receivable in fiscal year 2023 however the restaurant is still in operation.

CITY OF LAURENS, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 14 – PRIOR PERIOD ADJUSTMENT

The City has recorded a prior period adjustment to the financial statements to correct the unearned revenues for ARPA funds at June 30, 2022. The adjustment is summarized as follows:

Primary government	
Beginning net position, as previously reported at June 30, 2022	\$ 11,168,436
Prior period adjustment:	
Change in unearned revenues - ARPA	<u>(1,573,225)</u>
Net position, as restated at July 1, 2022	<u><u>\$ 9,595,211</u></u>
Business-type activities	
Beginning net position, as previously reported at June 30, 2022	\$ 1,573,225
Prior period adjustment:	
Change in unearned revenues - ARPA	<u>(1,573,225)</u>
Net position, as restated at July 1, 2022	<u><u>\$ -</u></u>

NOTE 15 – SUBSEQUENT EVENTS

Subsequent events have been evaluated through the date of the auditor's report, which is the date the financial statements were available to be issued.

Subsequent to yearend, the City sold the Law Enforcement Administrative Building for \$1,100,000, a portion of the proceeds paid off the 2006 Revenue Bond.

**REQUIRED SUPPLEMENTARY
SCHEDULES**

CITY OF LAURENS, SOUTH CAROLINA
SCHEDULE OF REVENUES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
YEAR ENDED JUNE 30, 2023

	Budgeted Amounts		Year Ended June	
	Original	Final	30, 2023	Variance
REVENUE				
Property tax	\$ 2,274,000	\$ 2,274,000	\$ 2,331,329	\$ 57,329
Local option sales tax	760,000	760,000	868,674	108,674
State revenues	972,000	972,000	1,047,277	75,277
Business licenses	1,350,000	1,350,000	1,541,446	191,446
Police fines (net)	160,000	160,000	100,486	(59,514)
Recreation program fees	35,400	35,400	34,078	(1,322)
Commission of public works	785,868	785,868	785,868	-
Residential garbage fees	250,000	250,000	206,375	(43,625)
Vehicle fee	105,000	105,000	120,813	15,813
Permits	168,500	168,500	109,889	(58,611)
Interest received	-	-	55,447	55,447
Franchise fees	136,000	136,000	101,311	(34,689)
Rental income	24,000	24,000	246,384	222,384
Miscellaneous revenue	35,100	35,100	87,001	51,901
Total revenues	7,055,868	7,055,868	7,636,378	580,510
EXPENDITURES				
Governing body	221,129	221,129	281,776	(60,647)
Administration	1,462,104	1,462,104	1,760,306	(298,202)
Building and zoning	140,967	140,967	146,247	(5,280)
Law enforcement	2,259,574	2,259,574	2,746,662	(487,088)
Fire protection	858,381	858,381	880,151	(21,770)
Streets and sanitation	1,346,125	1,346,125	1,262,259	83,866
Information technology	95,132	95,132	78,958	16,174
Recreation	299,873	299,873	331,904	(32,031)
Community dev contrib	118,000	118,000	111,312	6,688
Capital outlay	270,551	270,551	476,383	(205,832)
Debt service	184,032	184,032	295,371	(111,339)
Total expenditures	7,255,868	7,255,868	8,371,329	(1,115,461)
Excess (deficiency)	(200,000)	(200,000)	(734,951)	(534,951)
OTHER FINANCING SOURCES (USES)				
Transfers to other funds	-	-	(203,125)	(203,125)
Debt proceeds	-	-	984,400	984,400
Sale of assets	200,000	200,000	209,445	9,445
Total other financing sources (uses)	200,000	200,000	990,720	790,720
Net changes in fund balances	-	-	255,769	255,769
Fund balances, beginning of year	3,621,417	3,621,417	3,621,417	-
Fund balances, end of year	\$ 3,621,417	\$ 3,621,417	\$ 3,877,186	\$ 255,769

CITY OF LAURENS, SOUTH CAROLINA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
SOUTH CAROLINA RETIREMENT SYSTEM AND POLICE OFFICER RETIREMENT SYSTEM

SCRS	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 245,430	\$ 249,643	\$ 200,033	\$ 186,233	\$ 168,307	\$ 149,305	\$ 119,285	\$ 107,779	\$ 109,840
Contributions in relation to the contractually required contribution	<u>(245,430)</u>	<u>(249,643)</u>	<u>(200,033)</u>	<u>(186,233)</u>	<u>(168,307)</u>	<u>(149,305)</u>	<u>(119,285)</u>	<u>(107,779)</u>	<u>(109,840)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 1,397,668	\$ 1,507,505	\$ 1,285,557	\$ 1,196,870	\$ 1,155,954	\$ 1,101,072	\$ 1,031,878	\$ 974,493	\$ 1,007,704
Contributions as a percentage of covered-employee payroll	17.56%	16.56%	15.56%	15.56%	14.56%	13.56%	11.56%	11.06%	10.90%
PORS	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 468,473	\$ 372,687	\$ 318,860	\$ 310,395	\$ 295,828	\$ 260,451	\$ 236,883	\$ 225,062	\$ 204,013
Contributions in relation to the contractually required contribution	<u>(468,473)</u>	<u>(372,687)</u>	<u>(318,860)</u>	<u>(310,395)</u>	<u>(295,828)</u>	<u>(260,451)</u>	<u>(236,883)</u>	<u>(225,062)</u>	<u>(204,013)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 2,314,591	\$ 1,937,040	\$ 1,748,138	\$ 1,701,725	\$ 1,715,938	\$ 1,603,764	\$ 1,663,506	\$ 1,638,003	\$ 1,521,351
Contributions as a percentage of covered-employee payroll	20.24%	19.24%	18.24%	18.24%	17.24%	16.24%	14.24%	13.74%	13.41%

Notes to schedule:

The amounts presented for each fiscal year were determined as of June 30th of the preceding year.

**CITY OF LAURENS, SOUTH CAROLINA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE CITY'S PENSION PLAN CONTRIBUTIONS
SOUTH CAROLINA RETIREMENT SYSTEM AND POLICE OFFICER RETIREMENT SYSTEM**

SCRS	2023	2022	2021	2020	2019	2018	2017	2016	2015
City's proportion of the net pension liability	0.0127%	0.0114%	0.0101%	0.0109%	0.0107%	0.0107%	0.0101%	0.0107%	0.0111%
City's proportionate share of the net pension liability	\$ 3,070,158	\$ 2,461,157	\$ 2,740,442	\$ 2,499,610	\$ 2,380,781	\$ 2,302,262	\$ 2,147,733	\$ 2,038,220	\$ 1,906,059
City's covered-employee payroll	\$ 1,507,505	\$ 1,285,557	\$ 1,196,870	\$ 1,155,954	\$ 1,101,072	\$ 1,031,878	\$ 974,493	\$ 1,007,704	\$ 1,005,071
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	203.66%	191.45%	228.97%	216.24%	216.22%	223.11%	220.39%	202.26%	189.64%
Plan fiduciary net position as a perecentage of the total pension liability from PEBA	57.1%	60.7%	50.7%	54.4%	54.1%	53.3%	52.9%	57.0%	59.9%
PORS	2022	2022	2021	2020	2019	2018	2017	2016	2015
City's proportion of the net pension liability	0.1224%	0.1163%	0.1129%	0.1183%	0.1164%	0.1231%	0.1286%	0.1231%	0.1208%
City's proportionate share of the net pension liability	\$ 3,671,393	\$ 2,991,182	\$ 3,742,827	\$ 3,390,497	\$ 3,298,133	\$ 3,384,097	\$ 3,260,562	\$ 2,683,265	\$ 2,313,490
City's covered-employee payroll	\$ 1,937,040	\$ 1,748,138	\$ 1,701,725	\$ 1,715,938	\$ 1,603,764	\$ 1,663,506	\$ 1,638,003	\$ 1,521,351	\$ 1,453,457
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	189.54%	171.11%	219.94%	197.59%	205.65%	203.43%	199.06%	176.37%	159.17%
Plan fiduciary net position as a perecentage of the total pension liability from PEBA	66.4%	70.4%	58.8%	62.7%	61.7%	60.9%	60.4%	64.6%	67.5%

CITY OF LAURENS, SOUTH CAROLINA
SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY
MEASUREMENT DATE YEAR ENDED DECEMBER 31, 2022

	2022	2021	2020	2019	2018	2017
TOTAL OPEB LIABILITY						
Service cost at end of year	\$ 8,394	\$ 14,065	\$ 13,634	\$ 14,290	\$ 13,850	\$ 13,423
Interest of the total OPEB liability	20,640	25,747	25,769	25,390	25,375	24,864
Changes of benefit terms	-	-	-	-	-	-
Difference bw expected and actual experience	(7,757)	(80,562)	18,256	(3,708)	3,860	3,598
Changes of assumptions or other inputs	10,540	(25,277)	-	25,711	-	-
Benefit payments	(29,921)	(63,337)	(63,337)	(44,305)	(41,270)	(21,205)
Net change in total OPEB liability	1,896	(129,364)	(5,678)	17,378	1,815	20,680
Total OPEB liability, beginning of year	438,767	568,131	573,809	556,431	554,616	533,936
Total OPEB liability, end of year	440,663	438,767	568,131	573,809	556,431	554,616
PLAN FIDUCIARY NET POSITION						
Contributions - employer	47,921	70,797	99,337	62,305	59,270	39,205
Contributions - non-employer	-	-	-	-	-	-
Contributions - active member	-	-	-	-	-	-
Net investment income	(29,636)	(5,974)	6,441	5,332	800	2,619
Benefit payments	(29,921)	(63,337)	(63,337)	(44,305)	(41,270)	(21,205)
Administrative expense	(1,250)	(4,958)	(1,000)	(3,829)	-	(5,948)
Other	10,540	-	-	-	-	-
Net change in plan fiduciary net position	(2,346)	(3,472)	41,441	19,503	18,800	14,671
Plan fiduciary net position, beginning of year	171,496	174,968	133,527	114,024	95,224	80,553
Plan fiduciary net position, end of year	169,150	171,496	174,968	133,527	114,024	95,224
Net OPEB liability, end of year	<u>\$ 271,513</u>	<u>\$ 267,271</u>	<u>\$ 393,163</u>	<u>\$ 440,282</u>	<u>\$ 442,407</u>	<u>\$ 459,392</u>
Measurement date	December 31, 2022	December 31, 2021	December 31, 2020	December 31, 2019	December 31, 2018	December 31, 2017

**CITY OF LAURENS, SOUTH CAROLINA
SCHEDULE OF NET OPEB LIABILITY**

	YEARS ENDED DECEMBER 31,						
	2022	2021	2020	2019	2018	2017	2016
Total OPEB	\$ 440,663	\$ 438,767	\$ 568,131	\$ 573,809	\$ 556,431	\$ 554,616	\$ 533,936
Plan fiduciary net position	169,150	171,496	174,968	133,527	114,024	95,224	80,553
Net OPEB liability	\$ 271,513	\$ 267,271	\$ 393,163	\$ 440,282	\$ 442,407	\$ 459,392	\$ 453,383
Plan fiduciary net position as a percentage of the total OPEB liability	38.39%	39.09%	30.80%	23.27%	20.49%	17.17%	15.09%
Covered payroll	\$ 2,601,843	\$ 2,601,843	\$ 2,664,762	\$ 2,664,762	\$ 2,569,863	\$ 2,569,863	\$ 2,569,863
Net OPEB liability as a percentage of covered payroll	10.44%	10.27%	14.75%	16.52%	17.22%	17.88%	17.64%

**CITY OF LAURENS, SOUTH CAROLINA
SCHEDULE OF EMPLOYER CONTRIBUTIONS TO OPEB PLAN**

	YEARS ENDED DECEMBER 31,					
	2022	2021	2020	2019	2018	2017
Actuarially determined employer contributions (ADEC)	\$ 31,344	\$ 37,286	\$ 43,056	\$ 41,722	\$ 40,468	\$ 38,287
Contributions in relation to the ADEC	47,921	70,797	99,337	62,305	59,270	39,205
Annual contribution deficiency (excess)	\$ (16,577)	\$ (33,511)	\$ (56,281)	\$ (20,583)	\$ (18,802)	\$ (918)
Covered payroll	\$ 2,601,843	\$ 2,601,843	\$ 2,664,762	\$ 2,664,762	\$ 2,569,863	\$ 2,569,863
Actual contributions as a percentage of covered payroll	1.84%	2.72%	3.73%	2.34%	2.31%	1.53%

CITY OF LAURENS, SOUTH CAROLINA
UNIFORM SCHEDULE OF COURT FINES, ASSESSMENTS, AND SURCHARGES (Per ACT 76)
YEAR ENDED JUNE 30, 2023

FOR THE STATE TREASURER'S OFFICE:

COUNTY / MUNICIPAL FUNDS COLLECTED BY CLERK OF COURT	General Sessions	Magistrate Court	Municipal Court	Total
Court Fines and Assessments:				
Court fines and assessments collected	N/A	N/A	\$ 172,007	\$ 172,007
Court fines and assessments remitted to State Treasurer	N/A	N/A	95,263	95,263
Total Court Fines and Assessments retained	N/A	N/A	76,744	76,744
Surcharges and Assessments retained for victim services:				
Surcharges collected and retained	N/A	N/A	8,469	8,469
Assessments retained	N/A	N/A	4,170	4,170
Total Surcharges and Assessments retained for victim services	N/A	N/A	\$ 12,639	\$ 12,639

FOR THE DEPARTMENT OF CRIME VICTIM COMPENSATION (DCVC)

VICTIM SERVICE FUNDS COLLECTED	Municipal	County	Total
Carryforward from Previous Year – Beginning Balance	\$ 26,484	N/A	\$ 26,484
Victim Service Revenue:			
Victim Service Fines Retained by City/County Treasurer	-	N/A	-
Victim Service Assessments Retained by City/County Treasurer	4,170	N/A	4,170
Victim Service Surcharges Retained by City/County Treasurer	8,469	N/A	8,469
Interest Earned	1	N/A	1
Grant Funds Received			
Grant from:	-	N/A	-
General Funds Transferred to Victim Service Fund	-	N/A	-
Contribution Received from Victim Service Contracts:			
(1) Town of	-	N/A	-
(2) Town of	-	N/A	-
(3) City of	-	N/A	-
Total Funds Allocated to Victim Service Fund + Beginning Balance (A)	\$ 39,124	N/A	\$ 39,124
Expenditures for Victim Service Program:	Municipal	County	Total
Salaries and Benefits	\$ -	N/A	\$ -
Operating Expenditures	26,484	N/A	26,484
Victim Service Contract(s):			
(1) Entity's Name	-	N/A	-
(2) Entity's Name	-	N/A	-
Victim Service Donation(s):			
(1) Domestic Violence Shelter:	-	N/A	-
(2) Rape Crisis Center:	-	N/A	-
(3) Other local direct crime victims service agency:	-	N/A	-
Transferred to General Fund	-	N/A	-
Total Expenditures from Victim Service Fund/Program (B)	26,484	N/A	26,484
Total Victim Service Funds Retained by Municipal/County Treasurer (A-B)	12,640	N/A	12,640
Less: Prior Year Fund Deficit Repayment	-	N/A	-
Carryforward Funds – End of Year	\$ 12,640	N/A	\$ 12,640

**OTHER SUPPLEMENTARY
SCHEDULES**

CITY OF LAURENS, SOUTH CAROLINA
STATEMENT OF EXPENDITURES BY DEPARTMENT -
BUDGET AND ACTUAL - GENERAL FUND
YEAR ENDED JUNE 30, 2023

	Budgeted Amounts		Year Ended June	Variance
	Original	Final	30, 2023	
Governing Body				
Salaries	\$ 156,745	\$ 156,745	\$ 163,310	\$ (6,565)
City attorney salary	-	-	9,074	(9,074)
Employee benefits	37,952	37,952	29,357	8,595
Advertising	500	500	513	(13)
Travel and training	6,000	6,000	12,741	(6,741)
Dues and subscriptions	4,500	4,500	3,213	1,287
Office supplies	200	200	141	59
Miscellaneous expense	15,232	15,232	63,427	(48,195)
Total	221,129	221,129	281,776	(60,647)
Administrative				
Administrative salaries	225,265	225,265	240,322	(15,057)
Employee benefits	983,537	983,537	980,792	2,745
OPEB expense	18,000	18,000	-	18,000
Property, liability and tort insurance	150,600	150,600	214,407	(63,807)
Travel and training	2,000	2,000	2,535	(535)
Dues and subscriptions	600	600	1,909	(1,309)
Office supplies	4,000	4,000	5,213	(1,213)
Uniforms	1,632	1,632	2,342	(710)
Bank charges	5,000	5,000	12,920	(7,920)
Printing	13,000	13,000	17,477	(4,477)
Vehicle maintenance, gas and oil	1,600	1,600	3,508	(1,908)
IT and data processing	27,500	27,500	43,963	(16,463)
Telephone	-	-	32,142	(32,142)
Postage	5,000	5,000	4,327	673
Auditor	18,500	18,500	19,000	(500)
Advertising	700	700	866	(166)
Medicare supplement - retirees	1,170	1,170	1,170	-
Miscellaneous	4,000	4,000	101,741	(97,741)
Landscaping	-	-	8,988	(8,988)
Utilities	-	-	66,684	(66,684)
Total	1,462,104	1,462,104	1,760,306	(298,202)
Building and Zoning				
Salaries	85,493	85,493	93,689	(8,196)
Employee benefits	20,699	20,699	20,673	26
Travel and training	1,500	1,500	579	921
Dues and subscriptions	500	500	145	355
Uniforms	1,000	1,000	923	77
Office supplies	500	500	269	231
Advertising	250	250	280	(30)
Printing	350	350	134	216

CITY OF LAURENS, SOUTH CAROLINA
STATEMENT OF EXPENDITURES BY DEPARTMENT -
BUDGET AND ACTUAL - GENERAL FUND
YEAR ENDED JUNE 30, 2023

	Budgeted Amounts		Year Ended June	Variance
	Original	Final	30, 2023	
Vehicle maintenance	500	500	505	(5)
Gas and oil	6,400	6,400	6,066	334
Codification/enforcement	3,775	3,775	4,543	(768)
Demolition	20,000	20,000	18,441	1,559
Total	140,967	140,967	146,247	(5,280)
Law Enforcement				
Salaries	1,498,072	1,498,072	1,654,830	(156,758)
Employee benefits	402,892	402,892	443,854	(40,962)
Travel and training	20,000	20,000	18,574	1,426
Testing	2,400	2,400	5,495	(3,095)
Dues and subscriptions	2,000	2,000	4,856	(2,856)
Uniforms	19,000	19,000	74,578	(55,578)
Office supplies	9,000	9,000	7,461	1,539
Printing	1,500	1,500	1,152	348
Data processing	23,100	23,100	35,992	(12,892)
Communication equipment	20,000	20,000	22,985	(2,985)
Vehicle maintenance	25,000	25,000	149,732	(124,732)
Miscellaneous expense	1,500	1,500	6,192	(4,692)
Gas and oil	102,400	102,400	124,000	(21,600)
Tires and tubes	10,000	10,000	18,111	(8,111)
Body camera, photo supplies	3,000	3,000	27,710	(24,710)
Law enforcement supplies	12,000	12,000	38,370	(26,370)
Crime watch	1,000	1,000	1,000	-
Detention	20,000	20,000	24,905	(4,905)
Physicals	1,500	1,500	1,246	254
Canine contract and supplies	33,000	33,000	33,447	(447)
Municipal judge retainer	8,000	8,000	12,410	(4,410)
Judicial expense	6,000	6,000	6,902	(902)
Jurors	2,000	2,000	580	1,420
Victims' assistance program	14,000	14,000	14,000	-
E-911 service	22,210	22,210	18,280	3,930
Total	2,259,574	2,259,574	2,746,662	(487,088)
Fire Protection				
Salaries	562,652	562,652	587,455	(24,803)
Volunteer firemen	57,000	57,000	49,352	7,648
Employee benefits	151,029	151,029	146,926	4,103
Travel and training	5,700	5,700	5,082	618
Dues and subscriptions	250	250	40	210
Uniforms and laundry	7,250	7,250	7,994	(744)
Advertising	300	300	269	31
Printing and data processing	500	500	852	(352)

CITY OF LAURENS, SOUTH CAROLINA
STATEMENT OF EXPENDITURES BY DEPARTMENT -
BUDGET AND ACTUAL - GENERAL FUND
YEAR ENDED JUNE 30, 2023

	Budgeted Amounts		Year Ended June	Variance
	Original	Final	30, 2023	
Communication equipment	7,500	7,500	6,463	1,037
Miscellaneous	2,200	2,200	472	1,728
Vehicle maintenance	16,000	16,000	15,969	31
Gas and oil	19,200	19,200	25,517	(6,317)
Tires and tubes	2,500	2,500	2,585	(85)
Personal equipment	7,000	7,000	7,000	-
Station equipment	1,500	1,500	1,494	6
Physicals/immunizations	4,000	4,000	3,095	905
Office supplies	500	500	576	(76)
Truck equipment	10,000	10,000	10,072	(72)
Testing	3,300	3,300	3,535	(235)
Tools	-	-	5,403	(5,403)
Total	858,381	858,381	880,151	(21,770)
Streets and Sanitation				
Salaries	629,759	629,759	643,269	(13,510)
Employee benefits	152,466	152,466	131,425	21,041
Travel and training	1,500	1,500	1,476	24
Uniforms	10,500	10,500	2,291	8,209
Office supplies	5,500	5,500	8,528	(3,028)
Vehicle maintenance	32,000	32,000	41,513	(9,513)
Gas and oil	80,000	80,000	84,333	(4,333)
Tires and tubes	10,500	10,500	7,469	3,031
Equipment maintenance	24,000	24,000	38,362	(14,362)
Small tools	5,000	5,000	4,881	119
Street markings/repairs	60,000	60,000	26,587	33,413
Residential garbage disposal	275,000	275,000	204,893	70,107
Tipping fees	15,000	15,000	16,341	(1,341)
Physicals/immunizations	400	400	60	340
Building repair and maint	37,000	37,000	44,579	(7,579)
Chemicals	2,500	2,500	1,345	1,155
Recycling	5,000	5,000	4,907	93
Totals	1,346,125	1,346,125	1,262,259	83,866
Information Technology				
Salaries	45,698	45,698	45,836	(138)
Employee benefits	11,064	11,064	8,246	2,818
Travel and training	600	600	844	(244)
Uniforms	500	500	115	385
Office supplies	1,300	1,300	1,304	(4)
Map maintenance	5,000	5,000	1,152	3,848
Vehicle maintenance	1,420	1,420	310	1,110
Vcenter maintenance	1,800	1,800	269	1,531

CITY OF LAURENS, SOUTH CAROLINA
STATEMENT OF EXPENDITURES BY DEPARTMENT -
BUDGET AND ACTUAL - GENERAL FUND
YEAR ENDED JUNE 30, 2023

	Budgeted Amounts		Year Ended June 30, 2023	Variance
	Original	Final		
Vshpere maintenance	1,400	1,400	247	1,153
Veeam maintenance	3,200	3,200	975	2,225
Solarwinds renewal	1,550	1,550	1,519	31
CPW contract	12,000	12,000	12,110	(110)
Hardware	2,500	2,500	588	1,912
Webpage	100	100	324	(224)
Internet circuit	2,000	2,000	-	2,000
Cisco SmartNet	5,000	5,000	5,119	(119)
Total	95,132	95,132	78,958	16,174
Recreation				
Salaries	194,487	194,487	224,873	(30,386)
Employee benefits	47,086	47,086	42,595	4,491
Travel and training	1,000	1,000	-	1,000
Office supplies	1,500	1,500	1,551	(51)
Janitorial supplies	3,000	3,000	750	2,250
Dues and subscriptions	350	350	325	25
Vehicle maintenance	600	600	1,285	(685)
Advertising	200	200	-	200
Printing	250	250	489	(239)
Gas and oil	6,400	6,400	4,369	2,031
Tires and tubes	500	500	-	500
Equipment repairs and tools	2,750	2,750	2,544	206
Volleyball	2,000	2,000	2,291	(291)
Ridge expense and activities	1,500	1,500	1,276	224
Football program	6,000	6,000	11,087	(5,087)
Basketball program	3,000	3,000	8,929	(5,929)
Baseball program	14,000	14,000	17,203	(3,203)
Recreation program insurance	3,500	3,500	3,175	325
Summer camp	750	750	-	750
Concession supplies	1,000	1,000	-	1,000
Special events	10,000	10,000	9,162	838
Total	299,873	299,873	331,904	(32,031)
Community Development				
LCEDC	10,000	10,000	10,000	-
City development	50,000	50,000	52,566	(2,566)
Straight Street	3,000	3,000	3,000	-
YMCA contract	5,000	5,000	5,000	-
PTC - Future LDRS Scholarships	15,000	15,000	15,000	-
Miscellaneous donations	13,500	13,500	4,481	9,019
Chamber of Commerce	15,000	15,000	15,000	-
Airmed Care	5,500	5,500	5,265	235

CITY OF LAURENS, SOUTH CAROLINA
STATEMENT OF EXPENDITURES BY DEPARTMENT -
BUDGET AND ACTUAL - GENERAL FUND
YEAR ENDED JUNE 30, 2023

	Budgeted Amounts		Year Ended June 30, 2023	Variance
	Original	Final		
Bridging the Gap	1,000	1,000	1,000	-
Total	118,000	118,000	111,312	6,688
Capital Outlay	270,551	270,551	476,383	(205,832)
Debt service	184,032	184,032	295,371	(111,339)
Total expenses	<u>\$ 7,255,868</u>	<u>\$ 7,255,868</u>	<u>\$ 8,371,329</u>	<u>\$ (1,115,461)</u>

CITY OF LAURENS, SOUTH CAROLINA
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL-HOSPITALITY FUND
YEAR ENDED JUNE 30, 2023

	Budgeted Amounts		Year Ended June	
	Original	Final	30, 2023	Variance
REVENUE				
Hospitality fees	\$ 755,000	\$ 755,000	\$ 756,172	\$ 1,172
Interest received	-	-	8,446	8,446
Total revenues	755,000	755,000	764,618	9,618
EXPENDITURES				
Advertising	20,000	20,000	32,807	(12,807)
Grounds and chemical supplies	2,500	2,500	1,550	950
Beautification	35,000	35,000	30,914	4,086
Programs and events	105,900	105,900	109,005	(3,105)
Athletic programs	27,000	27,000	26,131	869
Other operating	1,600	1,600	1,453	147
Signage	6,000	6,000	3,830	2,170
Maintenance and repairs	95,000	95,000	139,700	(44,700)
Trolley maintenance	2,000	2,000	2,058	(58)
Capital outlay	300,000	300,000	305,056	(5,056)
Debt service	160,000	160,000	158,227	1,773
Total expenditures	755,000	755,000	810,731	(55,731)
Excess (deficiency) of revenue over expenditures	-	-	(46,113)	65,349
OTHER FINANCING SOURCES (USES)				
Transfers to other funds	-	-	203,125	203,125
Total other financing sources (uses)	-	-	203,125	203,125
Net changes in fund balances	-	-	157,012	268,474
Fund balances, beginning of year	589,036	589,036	589,036	-
Fund balances, end of year	\$ 589,036	\$ 589,036	\$ 746,048	\$ 268,474

COMPLIANCE SECTION

CITY OF LAURENS, SOUTH CAROLINA
GO BOND DEBT COVERAGE
JUNE 30, 2023

Real and Other Personal Property Assessed Value	<u>\$ 25,910,850</u>
Debt Limited - Eight Percent (8%) of Total Taxable Assessed Value	2,072,868
Amount of Debt Applicable to Debt Limit Total Bonded Debt	<u>1,150,000</u>
LEGAL DEBT MARGIN	<u><u>\$ 922,868</u></u>



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of City of Laurens, South Carolina, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise City of Laurens, South Carolina's basic financial statements, and have issued our report thereon dated May 20, 2024

Report on Internal Control over Financial Reporting

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

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

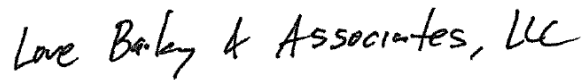
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as 2023-001 that we consider to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Laurens, South Carolina's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

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

A handwritten signature in black ink that reads "Love Bailey & Associates, LLC". The script is cursive and fluid, with the company name written in a single line.

Love Bailey & Associates, LLC
Laurens, South Carolina
May 20, 2024



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City of Laurens, South Carolina's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the City of Laurens, South Carolina's major federal programs for the year ended June 30, 2023. The City of Laurens, South Carolina's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City of Laurens, South Carolina complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City of Laurens, South Carolina and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City of Laurens, South Carolina's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the City of Laurens, South Carolina's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City of Laurens, South Carolina's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City of Laurens, South Carolina's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City of Laurens, South Carolina's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City of Laurens, South Carolina's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City of Laurens, South Carolina's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Love Bailey & Associates, LLC

Love Bailey & Associates, LLC
Laurens, South Carolina
May 20, 2024

CITY OF LAURENS, SOUTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2023

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Assistance	Grant / Contact	Federal
	Listing		
Federal Grantor/Pass-through Grantor/Program or Cluster Title			
<u>US Department of Treasury</u>			
Direct:			
COVID-19 Coronavirus State and Local Fiscal Recovery Fund	21.027	N/A	<u>\$ 2,518,390</u>
Total Federal Expenditures			<u>\$ 2,518,390</u>

CITY OF LAURENS, SOUTH CAROLINA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2023

NOTE 1 - BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") presents the activity of all federal award programs of the City of Liberty, South Carolina (the "City") for the year ended June 30, 2023. Expenditures for federal financial assistance awarded directly from federal agencies, as well as those passed through other government agencies, are included on the Schedule.

NOTE 2 - BASIS OF ACCOUNTING

The accompanying Schedule is presented using the modified accrual basis of accounting, which is described in the notes to the City's financial statements.

NOTE 3 - RELATIONSHIP TO THE FINANCIAL STATEMENTS

Federal award expenditures are reported in the City's financial statements generally as expenditures in the City's General Fund.

NOTE 4 - MATCHING COSTS

Matching costs (i.e., the non-federal share of certain program costs) are not included in the accompanying Schedule.

NOTE 5 - INDIRECT COST RATE

The City has elected not to use the 10-percent de minimus indirect cost rate allowed under the Uniform Guidance.

CITY OF LAURENS, SOUTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2023

Section I - Summary of Auditor's Results

Financial statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

- Material weakness(es) Identified?	<u> X </u>	Yes	<u> </u>	No
				None
- Significant deficiency(ies) Identified?	<u> </u>	Yes	<u> X </u>	Reported
Noncompliance material to financial statements noted?	<u> </u>	Yes	<u> X </u>	No

Federal awards

Internal control over major programs:

- Material Weakness(es) Identified?	<u> </u>	Yes	<u> X </u>	No
				None
- Significant deficiency(ies) Identified?	<u> </u>	Yes	<u> X </u>	Reported

Type of auditor's report issued on compliance for major programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

<u> </u>	Yes	<u> X </u>	No
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Identification of major programs:

Assistance Listing Number(s)

Name of Federal Program or Cluster

21.027

COVID-19 - Coronavirus State and Local Fiscal Recovery Fund

Dollar threshold used to distinguish between type A and Type B programs:

\$750,000

Auditee qualified as low-risk auditee?

<u> </u>	Yes	<u> X </u>	No
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**CITY OF LAURENS, SOUTH CAROLINA
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2023**

Section II – Current Year Financial Statement Findings

Material Weaknesses

2023-001 General Ledger Deficiencies

Criteria: In order to provide an accurate representation of the financial position and performance of the City, a complete and thorough general ledger must be maintained.

Condition and context: The City's general ledger is not being reviewed and balanced monthly. The City's beginning equity didn't roll forward due to prior year journal entries not being recorded. Also, the City lacks proper cutoff procedures for revenues and expenses as well as proper monthend procedures. Also, the City doesn't maintain a capital asset ledger.

Cause: Lack of personnel.

Effect: The lack of proper controls increases the risk of error, fraud, misappropriation of assets and inaccurate financial reporting.

Recommendation: The City should hire an accountant that has both the experience and education to provide the City with proper accounting and finance expertise to maintain a property, plant and equipment inventory listing.

Organization response: The City will be sure to follow its financial close process and will develop and adopt a formal capital asset policy and will work to properly record and track its assets throughout the year.

Section III – Federal Award Findings and Questioned Costs

None Reported

Section IV – Schedule of Prior Year Findings

None Reported