

**CITY OF HARTSVILLE
HARTSVILLE, SOUTH CAROLINA**

**ANNUAL FINANCIAL REPORT
Fiscal Year Ended June 30, 2014**

**CITY OF HARTSVILLE, SOUTH CAROLINA
ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2014**

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MAYOR

Carl M. (Mel) Pennington, IV

MAYOR PRO-TEM

Johnny L. Andrews - District 4

COUNCIL MEMBERS

Adlena F. Graham – District 1

Bernice L. Wilson, Sr. -District 2

Teresa Mack-District 3

Robert J. Braddock, Jr. -District 5

William A. Shirley – District 6

City Manager -----	Natalie M. Zeigler
Finance Director-----	Shannon Morrison
Director of Administrative Services / City Clerk -----	Sherron L. Skipper
Public Service Director -----	James Clemons
Parks & Leisure Services Director-----	Phil Gardner
Police Chief-----	James Hudson, Jr.
Fire Chief-----	Jeff Burr

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February 7, 2015

INDEPENDENT AUDITOR'S REPORT

To the Honorable Members of City Council
City of Hartsville, South Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Hartsville, South Carolina, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining information of the City of Hartsville, South Carolina, as of June 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and other post-employment benefit information on pages 4-11, 56 and 57 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Hartsville, South Carolina's basic financial statements. The combining and individual fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The combining and individual fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements 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 Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated February 7, 2015, on our consideration of the City of Hartsville, 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 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 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 the City of Hartsville, South Carolina's internal control over financial reporting and compliance.

Sheheen Hancock & Godwin, LLP

Sheheen, Hancock and Godwin, LLP
Certified Public Accountants

**CITY OF HARTSVILLE, SOUTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2014**

As management of the City of Hartsville, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2014. To fully understand the entire scope of the city's financial activities, this information should be read in conjunction with the transmittal letter at the front of this report and with the City's financial statements that follow this section.

FINANCIAL HIGHLIGHTS

- The City's assets exceeded liabilities and deferred inflows by \$31,601,093 at the close of the 2014 fiscal year. Of this amount, \$13,681,483 may be used to meet City government's ongoing obligations to citizens and creditors.
- Revenues and other financing sources (uses) totaled \$16,894,160 and expenditures totaled \$12,603,802 for all governmental funds at the fund level. Included in that expenditure total is \$1,849,430 in capital outlay projects. Accordingly, revenues and other financing sources exceeded expenditures by \$4,290,358.
- As of the close of fiscal year 2014, the City of Hartsville's governmental funds reported combined ending fund balances of \$7,461,577. Approximately 22 percent of this amount, \$1,625,365 is available for spending at the governments' discretion (general fund unassigned fund balance).
- The City of Hartsville's business type activities reported net position at fiscal year-end of \$17,919,610, an increase of approximately 13 percent.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-Wide Financial Statements:

The government-wide financial statements are designed to provide readers with a broad overview of City finances in a manner similar to private-sector business.

The *Statement of Net Position* presents information on all City assets and liabilities, with the difference between assets and liabilities reported as net position. Monitoring increases and/or decreases in net position over time enables the City to recognize whether its financial position is deteriorating, stagnating, or improving.

**CITY OF HARTSVILLE, SOUTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2014
(Continued)**

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

Both of the government-wide financial statements distinguish functions of the City of Hartsville principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City of Hartsville include general government, public safety, judicial, streets and grounds, sanitation, and tourism and recreation. The business-type activities of the City include water, sewer, storm water and splash pad services. The government-wide financial statements can be found on pages 12-13 of this report.

Fund Financial Statements:

A *fund* is a grouping of related accounts that is used to maintain control over segregated resources for specific activities or objectives. The City of Hartsville, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. City funds can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds:

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at the end of the fiscal year.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information for governmental funds with similar information presented for governmental activities in the government-wide financial statements. The governmental fund's Balance Sheet and the governmental fund's Statement of Revenue, Expenditures and Changes in Fund Balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Proprietary Funds: The City of Hartsville maintains three enterprise funds, a type of proprietary fund. Enterprise funds are used to report the same functions presented as *business-type activities* in the government-wide financial statements and are used to account for operations. The City of Hartsville uses enterprise funds to account for its water, sewer, storm water, splash pad and concession activities.

**CITY OF HARTSVILLE, SOUTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2014
(Continued)**

Enterprise funds reflect activities that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes. Proprietary funds provide the same types of information as the government-wide financial statements, but in more detail. The basic proprietary fund financial statements can be found on pages 18-21 of this report. Supplementary proprietary fund information can be found on page 70.

Fiduciary Funds: The City acts as agent, or fiduciary, for other entities resources. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the City's fiduciary activities are reported in a separate statement of fiduciary net position. We exclude these activities from the City's government-wide financial statements because the City cannot use these assets to finance its operations. The fiduciary fund statement of net position can be found on page 22 of this report. Supplementary fiduciary fund information can be found on page 71.

Notes to the Financial Statements:

The notes provide additional narrative and tabular information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. Notes are presented after the government-wide and fund financial statements on pages 23-48.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Position:

As noted previously, net position serves over time as a useful indicator of a government's financial position. For the City of Hartsville, assets exceeded liabilities by \$31,601,093, at the close of the most recent fiscal year. Net position is reported in three categories: net investment in capital assets of \$21,678,253, restricted net position of \$2,218,144, and unrestricted net position of \$7,704,696. The City's combined net position increased by \$2,069,849 between fiscal years 2013 and 2014. (See Table A-1)

The largest portion of the City's net position (69 percent) reflects its net investment in capital assets (e.g. land, building, infrastructure, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Hartsville's investment in its capital assets is reported net of related debt, it should be noted that the resources, since they are capital assets themselves, cannot be used to liquidate these liabilities.

**CITY OF HARTSVILLE, SOUTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2014
(Continued)**

Table A-1

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>
Assets						
Current and Other Assets	\$ 3,651,846	\$ 8,238,819	\$ 5,727,860	\$ 6,339,008	\$ 9,379,706	\$ 14,577,827
Capital Assets	<u>16,304,537</u>	<u>16,337,353</u>	<u>15,722,396</u>	<u>17,141,931</u>	<u>32,026,933</u>	<u>33,479,284</u>
Total Assets	<u>19,956,383</u>	<u>24,576,172</u>	<u>21,450,256</u>	<u>23,480,939</u>	<u>41,406,639</u>	<u>48,057,111</u>
Liabilities						
Current Liabilities	423,275	713,039	102,292	65,659	525,567	778,698
Non-Current Liabilities	<u>7,078,551</u>	<u>10,177,200</u>	<u>4,406,820</u>	<u>5,495,670</u>	<u>11,485,371</u>	<u>15,672,870</u>
Total Liabilities	<u>7,501,826</u>	<u>10,890,239</u>	<u>4,509,112</u>	<u>5,561,329</u>	<u>12,010,938</u>	<u>16,451,568</u>
Deferred Inflows						
Revenue	<u>-</u>	<u>4,450</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,450</u>
Net Position						
Net Investment in Capital Assets	9,485,498	9,992,667	11,389,533	11,685,586	20,875,031	21,678,253
Restricted For:						
Economic Development	519,920	801,072	-	-	519,920	801,072
Culture and Recreation	651,372	759,994	-	-	651,372	759,994
Debt Service	-	-	643,713	657,078	643,713	657,078
Unrestricted	<u>1,797,767</u>	<u>2,127,750</u>	<u>4,907,898</u>	<u>5,576,946</u>	<u>6,705,665</u>	<u>7,704,696</u>
Total Net Position	<u>\$ 12,454,557</u>	<u>\$ 13,681,483</u>	<u>\$ 16,941,144</u>	<u>\$ 17,919,610</u>	<u>\$ 29,395,701</u>	<u>\$ 31,601,093</u>

Changes in net position:

Table A-2 on page 8 and the narrative that follows consider the operations of governmental and business-type activities separately.

Governmental Activities

Revenues for the City's governmental activities increased by \$1,138,572, while total expenditures increased by \$4,962.

Business-type activities:

The City's business-type activities are the water and sewer enterprise fund, a combined public utility consisting of water and sewer services, storm water fund, the newly established splash pad and concessions. The total of charges for services, interest revenue and transfers of \$4,365,381 exceeded the total expenses of \$3,383,189, yielding a positive change in net position of \$982,192 for fiscal year 2014. Since the water, sewer and storm water utilities are proprietary funds their capital expenses and principal payments are recorded on the balance sheet like non-governmental businesses. Therefore, the positive change in net position does not reflect payment of \$425,693 in principal payments, \$617,111 in capital expenses, and \$1,488,595 in construction in progress for ongoing projects for all four utilities.

**CITY OF HARTSVILLE, SOUTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2014
(Continued)**

Table A-2
City of Hartsville Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2013	2014	2013	2014	2013	2014
Revenues						
Program Revenues:						
Fees, Fines and Charges for Services	\$ 4,721,222	\$ 4,402,848	\$ 3,832,400	\$ 4,213,437	\$ 8,553,622	\$ 8,616,285
Operating Grants	125,706	56,038	-	-	125,706	56,038
Capital Grants	812,155	1,378,304	-	-	812,155	1,378,304
General Revenues:						
Property Taxes	4,912,507	5,416,946	-	-	4,912,507	5,416,946
Miscellaneous	515,032	360,162	97,458	111,609	612,490	471,771
Unrestricted Investment Earnings	98	2,264	1,477	1,081	1,575	3,345
Intergovernmental Revenues	198,848	182,516	-	-	198,848	182,516
Gain on Disposition of Capital Assets	36,103	(32,046)	-	-	36,103	4,057
Transfer - Utility Fund	(732,465)	(39,254)	732,465	39,254	-	-
Total Revenues	<u>10,589,206</u>	<u>11,727,778</u>	<u>4,663,800</u>	<u>4,365,381</u>	<u>15,253,006</u>	<u>16,129,262</u>
Expenses						
General Government	2,390,483	2,413,863	-	-	2,390,483	2,413,863
Public Safety	4,314,066	4,420,123	-	-	4,314,066	4,420,123
Public Works	1,929,210	2,042,387	-	-	1,929,210	2,042,387
Economic Development	68,405	87,701	-	-	68,405	87,701
Culture and Recreation	893,407	865,930	-	-	893,407	865,930
Airport	70,045	72,758	-	-	70,045	72,758
Cemetery	112,079	117,723	-	-	112,079	117,723
Interest on Long-Term Debt	241,909	207,558	-	-	241,909	207,558
Capital Outlay	492,770	289,293	-	-	492,770	289,293
Enterprise Funds:						
Water and Sewer	-	-	2,529,737	3,089,292	2,529,737	3,089,292
Other Proprietary Funds	-	-	171,763	293,897	171,763	293,897
Total Expenses	<u>10,512,374</u>	<u>10,517,336</u>	<u>2,701,500</u>	<u>3,383,189</u>	<u>13,213,874</u>	<u>13,900,525</u>
Change in Net Position	76,832	1,210,442	1,962,300	982,192	2,039,132	2,192,634
Net Position, Beginning of Year (Restated)	<u>12,377,725</u>	<u>12,471,041</u>	<u>14,978,844</u>	<u>16,937,418</u>	<u>27,356,569</u>	<u>29,408,459</u>
Net Position, End of Year	<u>\$ 12,454,557</u>	<u>\$ 13,681,483</u>	<u>\$ 16,941,144</u>	<u>\$ 17,919,610</u>	<u>\$ 29,395,701</u>	<u>\$ 31,601,093</u>

**CITY OF HARTSVILLE, SOUTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2014
(Continued)**

Financial Analysis of the City's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds: The focus of the City's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources, which is useful in determining the City's financing requirements. Unassigned fund balance serves as a useful measure of the City's net resources available for spending at the end of the fiscal year. The general fund is the chief operating fund of the City. A strong fund balance is necessary in the general fund to meet the cash flow requirements of the City during the fiscal year.

At the end of the current fiscal year, the City governmental funds reported a combined ending fund balance of \$7,461,577. In the general fund there was a committed balance of \$246,707, and assigned balance of \$469,958 and an unassigned fund balance of \$1,625,365. The remaining fund balance consisted of \$5,119,547 in restricted located in special revenue funds.

Proprietary Fund: As previously stated, the City's proprietary funds provide the same information found in the government-wide financial statements, but in more detail.

Unrestricted, undesignated net position of the water and sewer fund at the end of the year was \$5,576,946 or 31% of total proprietary fund net position in the amount of \$17,919,610. The City's largest component of proprietary fund net position is net investment in capital assets, of \$11,685,586 or 65% of total net position. Other factors concerning the finances of this fund have been previously discussed with regard to City of Hartsville's business-type activities.

General Fund Budgetary Highlights

The City's budget is prepared according to South Carolina law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The general fund has a legally adopted budget. During the course of the fiscal year 2014 no amendments were made to the City's general fund budgets.

**CITY OF HARTSVILLE, SOUTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2014
(Continued)**

Capital Asset and Debt Administration

Capital Assets

At the end of 2014, the City had invested \$33,479,284 in a broad range of capital assets, net of depreciation. (See Table A-3 below)

Table A-3
City of Hartsville Capital Assets

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>
Land	\$ 4,691,305	\$ 4,639,788	\$ 138,188	\$ 138,188	\$ 4,829,493	\$ 4,777,976
Construction in Progress	204,003	1,068,165	1,652,289	1,864,493	1,856,292	2,932,658
Buildings and Systems	3,314,500	2,617,355	133,872	134,518	3,448,372	2,751,873
Infrastructure	19,758,456	19,992,052	24,337,612	25,210,449	44,096,068	45,202,501
Machinery and Equipment	9,438,330	9,529,076	1,807,119	2,181,857	11,245,449	11,710,933
Splash Pad	-	-	-	606,843	-	606,843
Accumulated Depreciation	<u>(21,102,057)</u>	<u>(21,509,083)</u>	<u>(12,346,684)</u>	<u>(12,994,417)</u>	<u>(33,448,741)</u>	<u>(34,503,500)</u>
Total	<u>\$ 16,304,537</u>	<u>\$ 16,337,353</u>	<u>\$ 15,722,396</u>	<u>\$ 17,141,931</u>	<u>\$ 32,026,933</u>	<u>\$ 33,479,284</u>

Major capital asset events during the current year include the following:

Government Activities

- Handicap Park \$ 32,455
- Machinery and Vehicles \$ 363,126
- Oakdale House \$ 59,430
- Multi County BP project \$ 93,891
- Airport upgrades in progress (grant projects) \$ 954,494

Business-type Activities

- Splashpad \$ 69,415
- Flexnet Rural Development \$1,143,284
- South Hartsville CDBG water projects in progress \$ 116,080
- Jet-Vac Truck \$ 295,932
- College Avenue sewer line replacement \$ 175,178

**CITY OF HARTSVILLE, SOUTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2014
(Continued)**

Additional information on the City of Hartsville's capital assets can be found in Note 6, beginning on page 35 of this report.

Long-Term Debt

At year end the City had \$15,672,870 in outstanding notes, bonds, capital leases and compensated absences, compared to \$11,485,371 at June 30, 2014. The City's bonded debt represents bonds secured solely by specified revenue sources (i.e. revenue bonds and tax increment bonds).

South Carolina state statutes limit the amount of general obligation debt a governmental entity may issue without a referendum, to 8 percent of its total assessed valuation. For fiscal year 2014 the total debt limitation of assessed values for the City is \$ 2,077,510 with \$962,510 remaining.

Additional information on the City of Hartsville's long term debt as reported for fiscal year 2014 can be found in Note 8, beginning on page 37 of this report.

Economic Factors and Next Year's Budgets and Rates

At June 30, 2014, the unemployment rate for Darlington County was 7.0%. This compares unfavorably with the State's rate at June 30, 2014 of 5.3% and the national rate of 6.1%. These indicators along with other concerns about our struggling economy were considered in preparing the City's budget for the 2014 fiscal year.

After careful evaluation by all departments the budget for fiscal year end 2014 was adopted with minimal increases due to some capital items that were necessary for operations. While the City continues to be relatively stable in this slow economy, we have taken a conservative approach to our budget projections for 2014 in hopes that the current recession we are experiencing will continue to subside.

In our business-type activities the budget for fiscal year 2014 increased due to the implementation of our rate study that went into effect on July 1, 2009. It provides for small increases over a five year period that will provide the City with the funding to ensure that we can properly maintain our infrastructure and continue providing quality services to the citizens of Hartsville.

Requests for Information

This financial report is designed to provide a general financial overview for those interested in the City of Hartsville government finances. Questions or requests for additional financial information may be addressed to Shannon Morrison, Finance Director via regular mail: City of Hartsville, P.O. Drawer 2497, 100 East Carolina Avenue, Hartsville, South Carolina 29551.

CITY OF HARTSVILLE, SOUTH CAROLINA
STATEMENT OF NET POSITION
June 30, 2014

	Governmental Activities	Business-type Activities	Total	Component Unit
Assets				
Cash and Cash Equivalents	\$ 2,365,299	\$ 3,913,243	\$ 6,278,542	\$ 54,864
Restricted Cash	4,567,006	657,078	5,224,084	-
Investments	332,675	1,131,385	1,464,060	1,354,828
Receivables, Net	768,996	702,519	1,471,515	-
Inventories	-	118,836	118,836	-
Interfund Balances	184,053	(184,053)	-	-
Due From Other Governmental Units	20,790	-	20,790	-
Capital Assets:				
Land	4,639,788	138,188	4,777,976	-
Construction in Progress	1,068,165	1,864,493	2,932,658	-
Buildings and Systems	2,617,355	134,518	2,751,873	-
Machinery and Equipment	9,529,076	2,181,857	11,710,933	-
Infrastructure	19,992,052	25,210,449	45,202,501	-
Splash Pad	-	606,843	606,843	-
Less: Accumulated Depreciation	(21,509,083)	(12,994,417)	(34,503,500)	-
Total Capital Assets, Net of Depreciation	<u>16,337,353</u>	<u>17,141,931</u>	<u>33,479,284</u>	<u>-</u>
Total Assets	<u>24,576,172</u>	<u>23,480,939</u>	<u>48,057,111</u>	<u>1,409,692</u>
Liabilities				
Accounts Payable and Accrued Liabilities	648,117	50,211	698,328	-
Accrued Interest Payable	59,803	15,448	75,251	-
Due to Agency Funds	5,119	-	5,119	-
Long-Term Liabilities:				
Due Within One Year:				
General Obligation Bonds	455,096	-	455,096	-
Revenue Bonds	325,517	435,764	761,281	-
Capital Leases	444,187	68,697	512,884	-
Compensated Absences	274,033	39,325	313,358	-
Due in More Than One Year:				
General Obligation Bonds	3,641,359	-	3,641,359	-
Revenue Bonds	3,689,483	4,777,563	8,467,046	-
Capital Leases	1,347,525	174,321	1,521,846	-
Total Liabilities	<u>10,890,239</u>	<u>5,561,329</u>	<u>16,451,568</u>	<u>-</u>
Deferred Inflows				
Unavailable Revenue - Grants and Contributions	4,450	-	4,450	-
Net Position				
Net Investment in Capital Assets	9,992,667	11,685,586	21,678,253	-
Restricted for:				
Economic Development	801,072	-	801,072	-
Culture and Recreation	759,994	-	759,994	-
Debt Service	-	657,078	657,078	-
Unrestricted	<u>2,127,750</u>	<u>5,576,946</u>	<u>7,704,696</u>	<u>1,409,692</u>
Total Net Position	<u>\$ 13,681,483</u>	<u>\$ 17,919,610</u>	<u>\$ 31,601,093</u>	<u>\$ 1,409,692</u>

The notes to the financial statements are an integral part of these statements.

CITY OF HARTSVILLE, SOUTH CAROLINA
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2014

Function/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Unit
	Expenses	Fees, Fines & Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business-type Activities	
Government Activities							
General Government Administration	\$ 2,413,863	\$ 2,454,187	\$ 37,841	\$ -	\$ 78,165	\$ -	\$ 78,165
Public Safety	4,420,123	585,491	18,076	16,962	(3,799,594)	-	(3,799,594)
Public Works	2,042,387	1,180,065	-	354,001	(508,321)	-	(508,321)
Economic Development	87,701	-	-	-	(87,701)	-	(87,701)
Culture and Recreation	865,930	134,155	121	32,455	(699,199)	-	(699,199)
Airport	-	-	-	-	902,128	-	902,128
Cemetery	72,738	-	-	974,886	(68,773)	-	(68,773)
Capital Outlay	308,485	48,950	-	-	(308,485)	-	(308,485)
Interest on Long-Term Debt	188,366	-	-	-	(188,366)	-	(188,366)
Total Governmental Activities	10,517,356	4,402,848	56,038	1,378,304	(4,680,146)	-	(4,680,146)
Business-Type Activities:							
Water & Sewer	3,089,292	3,820,226	-	-	-	730,934	730,934
Other Proprietary Funds	293,897	393,211	-	-	-	99,314	99,314
Total Business-Type Activities	3,383,189	4,213,437	-	-	830,248	830,248	830,248
Total Primary Government	\$ 13,900,525	\$ 8,616,285	\$ 56,038	\$ 1,378,304	(4,680,146)	830,248	(3,849,898)
Component Unit							
Hartsville Museum Foundation, Inc.	\$ 44,436	\$ -	\$ -	\$ 154,576	-	-	110,140
General Revenues:							
Taxes:							
Property Taxes, Levied for General Purposes					2,372,813	-	2,372,813
Public Service Taxes					1,463,326	-	1,463,326
Sales and Use Tax					1,106,768	-	1,106,768
Payments in Lieu of Taxes					474,039	-	474,039
Unrestricted Investment Earnings					2,264	1,081	3,345
Unrealized Gain on Investments					-	-	-
Miscellaneous					360,162	111,609	471,771
Intergovernmental Revenues					182,516	-	182,516
Gain/(Loss) on Disposition of Assets					(32,046)	-	(32,046)
Transfers - Utility Fund					(39,254)	39,254	-
Total General Revenues and Transfers					5,890,588	151,944	6,042,532
Change in Net Position					1,210,442	982,192	2,192,634
Net Position, Beginning of Year (Restated)					12,471,041	16,937,418	29,408,459
Net Position, End of Year					\$ 13,681,483	\$ 17,919,610	\$ 31,601,093

The notes to the financial statements are an integral part of these statements.

CITY OF HARTSVILLE, SOUTH CAROLINA
BALANCE SHEET- GOVERNMENTAL FUNDS
June 30, 2014

	General Fund	Special Revenue Fund	Infrastructure Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and Cash Equivalents	\$ 2,365,299	\$ -	\$ -	\$ -	\$ 2,365,299
Investments, Net of Discounts	332,675	-	-	-	332,675
Receivables:					
Intergovernmental Receivable	355,190	-	-	-	355,190
Sanitation Receivable, Net	243,903	-	-	-	243,903
Property Tax Receivable, Net	160,291	-	-	-	160,291
Accounts Receivable, Net	5,550	4,062	-	-	9,612
Due from Other Funds	246,679	2,143	-	-	248,822
Due from Other Governments	20,790	-	-	-	20,790
Restricted Cash	-	62,846	3,503,650	1,000,510	4,567,006
Total Assets	\$ 3,730,377	\$ 69,051	\$ 3,503,650	\$ 1,000,510	\$ 8,303,588
Liabilities					
Accounts Payable and Accrued Expenses	\$ 648,117	\$ -	\$ -	\$ -	\$ 648,117
Compensated Absences	29,237	-	-	-	29,237
Due to Other Funds	9,888	51,000	9,000	-	69,888
Total Liabilities	687,242	51,000	9,000	-	747,242
Deferred Inflows					
Unavailable Revenue - Property Taxes	90,319	-	-	-	90,319
Unavailable Revenue - Grants and Contributions	4,450	-	-	-	4,450
Total Deferred Inflows	94,769	-	-	-	94,769
Fund Balances					
Restricted for:					
Economic Development	-	18,051	3,494,650	115,320	3,628,021
Culture and Recreation	-	-	-	759,994	759,994
Capital Outlay	731,532	-	-	-	731,532
Committed To:					
Cemetery Care	246,707	-	-	-	246,707
Assigned to:					
Donations and Sponsorships	344,762	-	-	-	344,762
Economic Development	-	-	-	125,196	125,196
Unassigned	1,625,365	-	-	-	1,625,365
Total Fund Balances	2,948,366	18,051	3,494,650	1,000,510	7,461,577
Total Liabilities, Deferred Inflows and Fund Balances	\$ 3,730,377	\$ 69,051	\$ 3,503,650	\$ 1,000,510	\$ 8,303,588

The notes to the financial statements are an integral part of these statements.

CITY OF HARTSVILLE, SOUTH CAROLINA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
June 30, 2014

Total Fund Balances - Governmental Funds (Exhibit C) \$ 7,461,577

Amounts reported for governmental activities in the Statement of Net Position are different because:

Receivables will be collected this year, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds.

Property Taxes 90,319

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. The cost of the assets are \$37,846,436 and the accumulated depreciation is \$21,509,083 16,337,353

Accrued interest on bonds in governmental accounting was not due and payable in the current period and, therefore, has not been reported as a liability in the funds. (59,803)

Long-term liabilities, including debt premiums and deferred refunding charges, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:

General Obligation Bonds	(3,641,359)
General Obligation Bonds - Current	(455,096)
Revenue Bonds	(3,689,483)
Revenue Bonds - Current	(325,517)
Capital Leases	(1,347,525)
Capital Leases - Current	(444,187)
Compensated Absences	(244,796)
	(244,796)

Total Net Position - Governmental Activities (Exhibit A) **\$ 13,681,483**

CITY OF HARTSVILLE, SOUTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES- GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2014

	General Fund	Special Revenue Fund	Infrastructure Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
Taxes					
Property Taxes	\$ 2,370,042	\$ -	\$ -	\$ -	\$ 2,370,042
Other Taxes	1,673,442	-	-	896,652	2,570,094
Fee in Lieu	-	-	474,039	-	474,039
Franchise Fees	715,186	-	-	-	715,186
Licenses, Permits and Fees	1,885,904	-	-	-	1,885,904
Intergovernmental Revenue	182,516	-	-	-	182,516
Charges for Services	1,180,065	-	-	-	1,180,065
Fines and Forfeitures	78,193	-	-	-	78,193
Investment Earnings	2,150	-	114	-	2,264
Contributions and Donations	46,071	-	-	-	46,071
Rents	79,186	-	-	-	79,186
Fire Contract	494,550	-	-	-	494,550
Insurance Proceeds	113,917	-	-	-	113,917
Grants	-	1,388,269	-	-	1,388,269
Miscellaneous	175,788	-	-	74,723	250,511
Total Revenues	<u>8,997,010</u>	<u>1,388,269</u>	<u>474,153</u>	<u>971,375</u>	<u>11,830,807</u>
Expenditures					
Current					
General Government	2,084,198	-	-	-	2,084,198
Public Safety	3,847,347	-	-	-	3,847,347
Public Works	1,777,727	-	-	-	1,777,727
Economic Development	-	-	-	76,337	76,337
Culture and Recreation	743,118	-	-	-	743,118
Airport	63,329	-	-	-	63,329
Cemetery	102,468	-	-	-	102,468
Capital Outlay	507,248	1,177,309	164,873	-	1,849,430
Debt Service					
Principal	415,240	-	1,090,000	386,911	1,892,151
Interest	62,058	-	25,000	80,639	167,697
Total Expenditures	<u>9,602,733</u>	<u>1,177,309</u>	<u>1,279,873</u>	<u>543,887</u>	<u>12,603,802</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(605,723)</u>	<u>210,960</u>	<u>(805,720)</u>	<u>427,488</u>	<u>(772,995)</u>
Other Financing Sources (Uses)					
Bond Proceeds	-	-	4,015,000	-	4,015,000
Capital Lease Proceeds	961,279	-	-	-	961,279
Bond Issuance Costs	-	-	(34,500)	-	(34,500)
Sale of Capital Assets	160,828	-	-	-	160,828
Transfers In	501,470	-	-	49,580	551,050
Transfers Out	(69,415)	(240,039)	-	(280,850)	(590,304)
Total Other Financing Sources (Uses)	<u>1,554,162</u>	<u>(240,039)</u>	<u>3,980,500</u>	<u>(231,270)</u>	<u>5,063,353</u>
Net Change in Fund Balances	948,439	(29,079)	3,174,780	196,218	4,290,358
Fund Balances, Beginning of Year (Restated)	<u>1,999,927</u>	<u>47,130</u>	<u>319,870</u>	<u>804,292</u>	<u>3,171,219</u>
Fund Balances, End of Year	<u>\$ 2,948,366</u>	<u>\$ 18,051</u>	<u>\$ 3,494,650</u>	<u>\$ 1,000,510</u>	<u>\$ 7,461,577</u>

The notes to the financial statements are an integral part of these statements.

CITY OF HARTSVILLE, SOUTH CAROLINA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2014

Total Net Change In Fund Balances - Governmental Funds (Exhibit E)	\$ 4,290,358
Amounts reported for governmental activities in the Statement of Activities are different because of the following:	
Capital outlays are reported in the governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense. This is the amount by which capital outlay of \$1,540,945 exceeds depreciation expense of \$1,306,582 in the period.	234,363
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position	(4,015,000)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.	1,534,719
Capital Lease proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position	(961,279)
Repayment of capital leases is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.	357,432
Because some revenues will not be collected for several months after the County's fiscal year ends, they are not considered "available" revenues and are deferred in the governmental funds. Deferred tax revenue decreased in the current year.	2,771
The loss on disposal of assets has been included in the Statement of Activities, whereas in the governmental funds, losses from disposal of assets decreases financial resources. Thus, the change in net position differs from the change in fund balance by the carrying amount of the assets disposed	(192,874)
In the Statement of Activities, certain operating expenses -compensated absences- are measured by the amount of financial resources used (essentially, the amounts actually paid). This year, the amount earned exceeded vacation used by this amount.	(19,379)
Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. Accrued interest decreased in the current year.	<u>(20,669)</u>
Change in Net Position of Governmental Activities (Exhibit B)	<u>\$ 1,210,442</u>

The notes to the financial statements are an integral part of these statements.

CITY OF HARTSVILLE, SOUTH CAROLINA
STATEMENT OF NET POSITION- PROPRIETARY FUNDS
June 30, 2014

EXHIBIT G

Assets

Current Assets:

Cash and Cash Equivalents	\$ 3,913,243
Investments	1,131,385
Accounts Receivable, Net	702,519
Due from Other Funds	2,626
Inventory	<u>118,836</u>
 Total Current Assets	 <u>5,868,609</u>

Non-Current Assets:

Restricted Cash	657,078
Land	138,188
Construction in Progress	1,864,493
Capital Assets, Net	<u>15,139,250</u>
 Total Non-Current Assets	 <u>17,799,009</u>

Total Assets	<u>23,667,618</u>
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Liabilities

Current Liabilities:

Accounts Payable and Accrued Expenses	50,211
Accrued Interest Payable	15,448
Compensated Absences	39,325
Due to Other Funds	186,679
Current Portion of Revenue Bonds Payable	435,764
Current Portion of Capital Lease Payable	<u>68,697</u>
 Total Current Liabilities	 <u>796,124</u>

Long-Term Liabilities:

Revenue Bonds Payable	4,777,563
Capital Lease Payable	<u>174,321</u>
 Total Liabilities	 <u>5,748,008</u>

Net Position

Net Investment in Capital Assets	11,685,586
Restricted for Debt Service	657,078
Unrestricted	<u>5,576,946</u>
 Total Net Position	 <u>\$ 17,919,610</u>

The notes to the financial statements are an integral part of these statements.

CITY OF HARTSVILLE, SOUTH CAROLINA
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION- PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2014

	Water & Sewer	Other Proprietary Funds	Total Proprietary Funds
Operating Revenues			
Charges for Services			
Service Charges	\$ 3,688,943	\$ 270,426	\$ 3,959,369
Taps	1,800	-	1,800
Penalties	81,250	-	81,250
Other Fees and Charges	48,233	122,785	171,018
Miscellaneous	1,473	-	1,473
Tower Leases	110,136	-	110,136
	<u>3,931,835</u>	<u>393,211</u>	<u>4,325,046</u>
Total Revenues			
Operating Expenses			
Bad Debt Expense	88,349	(2,876)	85,473
Contract Services	653,217	43,689	696,906
Depreciation	627,496	20,236	647,732
Dues and Subscriptions	1,155	100	1,255
Employee Benefits	72,179	6,602	78,781
Equipment	26,398	-	26,398
Insurance	175,998	11,354	187,352
Legal and Professional	147,186	3,624	150,810
Miscellaneous	5,438	15,600	21,038
Office Supplies	12,097	26,674	38,771
Payroll Taxes	49,120	4,293	53,413
Postage	17,161	-	17,161
Repairs and Maintenance	12,240	5,082	17,322
Salaries	638,956	97,950	736,906
Supplies	62,106	42,872	104,978
System Repairs and Maintenance	188,027	13,983	202,010
Telephone	9,877	1,908	11,785
Training	2,257	-	2,257
Uniforms	10,936	1,438	12,374
Utilities	-	125	125
Vehicle Expense	71,602	1,243	72,845
Water Testing Fees	18,278	-	18,278
	<u>2,890,073</u>	<u>293,897</u>	<u>3,183,970</u>
Total Operating Expenses			
Operating Income	<u>1,041,762</u>	<u>99,314</u>	<u>1,141,076</u>
Non-Operating Income (Expense)			
Investment Income	1,081	-	1,081
Bond Issuance Costs	(11,900)	-	(11,900)
Interest Expense	(187,319)	-	(187,319)
	<u>(198,138)</u>	<u>-</u>	<u>(198,138)</u>
Total Non-Operating Income (Expense)			
Income Before Contributions and Transfers	<u>843,624</u>	<u>99,314</u>	<u>942,938</u>
Operating Transfers In	190,039	69,415	259,454
Operating Transfers Out	(220,200)	-	(220,200)
	<u>(30,161)</u>	<u>69,415</u>	<u>39,254</u>
Total Contributions and Transfers			
Change in Net Position	813,463	168,729	982,192
Net Position, Beginning of Year (Restated)	<u>15,855,872</u>	<u>1,081,546</u>	<u>16,937,418</u>
Net Position, End of Year	<u>\$ 16,669,335</u>	<u>\$ 1,250,275</u>	<u>\$ 17,919,610</u>

The notes to the financial statements are an integral part of these statements.

CITY OF HARTSVILLE, SOUTH CAROLINA
STATEMENT OF CASH FLOWS- PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2014

Cash Flows from Operating Activities	
Cash Received from Customers	\$ 4,118,063
Cash Paid to Suppliers	(1,865,221)
Cash Paid To Employees	<u>(699,443)</u>
Net Cash Provided by Operating Activities	<u>1,553,399</u>
Cash Flows From Non-Capital Financing Activities	
Operating Transfers from Other Funds	39,254
Increase in Due to Other Funds	<u>177,677</u>
Net Cash Provided by Non-Capital Financing Activities	<u>216,931</u>
Cash Flows from Capital and Related Financing Activities	
Proceeds from Revenue Bond	1,253,543
Proceeds from Capital Leases	295,632
Bond Issuance Costs	(11,900)
Purchases of Capital Assets	(2,105,706)
Principal Paid on Capital Debt	(425,693)
Interest Paid on Capital Debt	<u>(187,319)</u>
Net Cash Used by Capital and Related Financing Activities	<u>(1,181,443)</u>
Cash Flows from Investing Activities	
Interest Income	<u>968</u>
Net Cash Provided by Investing Activities	<u>968</u>
Net Change in Cash and Cash Equivalents	589,855
Cash and Cash Equivalents, Beginning of Year	<u>3,980,466</u>
Cash and Cash Equivalents, End of Year	<u>\$ 4,570,321</u>

The notes to the financial statements are an integral part of these statements.

CITY OF HARTSVILLE, SOUTH CAROLINA
STATEMENT OF CASH FLOWS- PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2014
(Continued)

**RECONCILIATION OF OPERATING INCOME TO NET CASH
PROVIDED BY OPERATING ACTIVITIES**

Operating Income	\$ 1,141,076
Adjustments to Reconcile Operating Income to Net Cash Provided	
By Operating Activities:	
Depreciation	647,732
(Increase) in Accounts Receivable, Net	(206,983)
(Decrease) in Accounts and other Payables	<u>(28,426)</u>
Net Cash Provided by Operating Activities	<u>\$ 1,553,399</u>

RECONCILIATION OF TOTAL CASH AND CASH EQUIVALENTS

Current Assets - Cash and Cash Equivalents	\$ 3,913,243
Non-Current Assets - Restricted Cash	<u>657,078</u>
Total Cash and Cash Equivalents	<u>\$ 4,570,321</u>

The notes to the financial statements are an integral part of these statements.

CITY OF HARTSVILLE, SOUTH CAROLINA
STATEMENT OF NET POSITION - FIDUCIARY FUND
June 30, 2014

	<u>Agency Funds</u>
Assets	
Cash	\$ 164,390
Due from Other Governments	5,119
Capital Assets, Net	<u>151,880</u>
Total Assets	<u>\$ 321,389</u>
Liabilities	
Due To Agency Recipient	<u>\$ 321,389</u>
Total Liabilities	<u>\$ 321,389</u>

The notes to the financial statements are an integral part of these statements.

CITY OF HARTSVILLE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

Note 1. Summary of Significant Accounting Policies

The City of Hartsville, South Carolina was chartered in 1891 and incorporated in 1906. The City operates under the council-manager form of government. Under this form of government, the City is governed by six council members elected from single-member districts and a mayor elected at large who serves as council chair. The Council is the legislative body of the City and has the major responsibility for determining the policies and direction of the municipal government. The City Manager reports to Council and is responsible for the City's daily operations. The City provides the following services: general administrative services, public safety, health and social services, development and planning, culture and recreation and public improvements.

The financial statements of the City of Hartsville have been prepared in conformity with accounting principles generally accepted in the United States of America, (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. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. Following are the more significant of the City's accounting policies.

A. Reporting Entity

In evaluating how to define the City of Hartsville, South Carolina, for financial reporting purposes, management has considered all potential component units. As required by accounting principles generally accepted in the United States of America, these basic financial statements present the City of Hartsville and its component units, entities for which the City is considered to be financially accountable or for which exclusion of a component unit would render the financial statements incomplete or misleading. Discretely presented component units are reported in a separate column in the basic financial statements to emphasize that they are legally separate from the City. The criteria for including organizations as component units within the City's reporting entity, as set forth in Section 2100 of *GASB's Codification of Governmental Accounting and Financial Reporting Standards*, include whether:

- the organization is legally separate (can sue and be sued in their own name)
- the City holds the corporate powers of the organization
- the City appoints voting majority of the organization's board
- 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
- there is a fiscal dependency by the organization on the City

Based on the aforementioned criteria, the City of Hartsville has one component units.

Discretely Presented Component Unit: Hartsville Museum Foundation, Inc. (the "Foundation") is a discretely presented component unit. The Foundation is a non-profit private foundation that raises money on behalf of the Hartsville Museum. Because the nature and significance of the relationship between the City and the Foundation is such that the exclusion of the Foundation would cause the City basic financial statements to be incomplete, the financial statements of the Foundation are included in those of the City. Separate financial statements for the Hartsville Museum Foundation, Inc. are not issued.

CITY OF HARTSVILLE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS

June 30, 2014

(Continued)

B. Basis of Presentation

The City's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

Government-Wide Financial Statements:

The statement of net position and the statement of activities display information about the City as a whole. These statements include the financial activities of the City, except fiduciary funds. The statements distinguish between those activities of the City that are governmental in nature and those that are considered business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Program revenues include charges paid by the recipients of goods or services offered by the program and grant and contributions that are restricted to meeting operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The statement of activities presents a comparison between direct and program revenues for the different business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The City does not allocate indirect cost.

Fund Financial Statements:

Fund financial statements of the City are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

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

The funds of the City are described below:

CITY OF HARTSVILLE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS

June 30, 2014

(Continued)

Governmental Funds

Governmental funds are those through which most governmental functions of the City are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The General Fund, Special Revenue Fund and Infrastructure Fund are the City's major governmental funds.

General Fund

The *General Fund*, a major fund, is the primary operating fund of the City and is always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

Special Revenue Fund

The *Special Revenue Fund*, a major fund, is used to account for revenues and expenditures from a variety of grants and/or donations that are to be used for specific purposes. These include, but are not limited to, public safety operating grants, airport capital grants, and donations to be used for construction of recreation facilities.

Accommodations Tax Fund

The *Accommodations Tax Fund*, a non-major fund, is used to account for taxes levied on accommodations within the city. Proceeds from accommodations tax are allocated to a special fund for tourism.

Cargill Development Fund

The *Cargill Development Fund*, a non-major fund, is used to account for activities associated with ongoing development of the property donated to the City by the Cargill Corporation.

Infrastructure Park Fund

The *Infrastructure Park Fund*, a major fund, is used to account for special assessment taxes levied on property located within the Park, payments to improve the park and payment to reduce debt associated with the park.

Hospitality Tax Fund

The *Hospitality Tax Fund*, a non-major fund, is used to account for taxes levied on prepared foods and beverages located within the city. Proceeds from hospitality tax must be used exclusively for (1) tourism related buildings; (2) tourism related cultural, recreational, or historical facilities; (3) beach access and re-nourishment; (4) highways, roads, streets, and bridges providing access to tourist destinations; (5) advertisements and promotions related to tourism development; or (6) water and sewer infrastructure to serve tourism related demand.

CITY OF HARTSVILLE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS

June 30, 2014

(Continued)

Proprietary Fund

Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows. The following is the City's proprietary fund:

Enterprise Funds

Enterprise funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector. The enterprise funds are as follows:

Water and Sewer Fund. Accounts for monies collected from charges for services of water and sewer fees.

Storm Water Fund. Accounts for monies collected from service charges related to storm water fee residents inside city limits.

Splash Pad Fund. Accounts for monies collected from admission to water park.

Recreation Concessions Fund. Accounts for monies collected from admission to ball fields and concession sales.

Fiduciary Funds

Fiduciary fund reporting focuses on net position and changes in net position. The City has three fiduciary funds which are agency funds.

Agency Funds

Agency funds account for assets held by the City in a purely custodial capacity. The reporting entity includes three agency funds. Since agency funds are custodial in nature (i.e., assets equal liabilities), they do not involve the measurement of results of operations. The agency funds are as follows:

Parking and Beautification Fund. Accounts for monies collected from district franchise taxes and parking fees as well as operating expenses of the Hartsville Parking, Beautification and Business Improvement Commission.

Narcotics Fund. Accounts for monies collected from Darlington County Combined Drug Unit Forfeitures Program.

Police Evidence Fund. Accounts for monies collected from sale of seized evidence.

C. Measurement Focus and Basis of Accounting

Government-Wide Financial Statements

The government-wide financial statements are prepared using a flow of economic resources measurement focus. All assets and liabilities associated with the operation of the City are included on the statement of net position.

**CITY OF HARTSVILLE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS**

June 30, 2014

(Continued)

Fund Financial Statements

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reflects the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which governmental activities of the government-wide financial statements are prepared.

Governmental fund financial statements, therefore, include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the fund financial statements for governmental funds.

Agency funds are not involved in the measurement of results of operations; therefore, measurement focus is not applicable to them.

Basis of Accounting

In the government-wide statement of net position and statement of activities, both governmental and business-like activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset is used, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds and agency funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when "measurable and available." Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year-end. Items such as property taxes, state shared revenue, federal and state grant programs are considered to be susceptible to accrual. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for the general obligation bond principal and interest and compensated absences, which are reported when due.

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

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

D. Cash, Cash Equivalents and Investments

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, amounts in demand deposits, and certificates of deposits.

CITY OF HARTSVILLE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS

June 30, 2014

(Continued)

Investments

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. The City's investment objectives are: 1) Conformance with all federal regulations, state statutes and other legal requirements, including City charter and City ordinances, including this policy. 2) Preservation of capital and the protection of investment principal. 3) Maintenance of sufficient liquidity to meet anticipated disbursements and cash flows. 4) Diversification to avoid incurring unreasonable risks regarding securities owned. 5) Attainment of a high rate of return for the City's investments.

E. Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible taxes receivables are based upon historical trends and the periodic aging of taxing receivables. Major receivable balances for the governmental activities include property taxes, state shared revenue and grants. Property taxes receivables are carried at cost less an allowance for uncollectible.

In the fund financial statements, material receivables in governmental funds include revenue accruals such as property taxes, state shared revenue and grants if they are both measurable and available. Non-exchange 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. All trade and property tax receivables are recorded net of any allowances for uncollectible.

F. Inventories

Inventories of material and supplies in the proprietary fund are stated at cost on a first-in/first-out (FIFO) method.

G. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature of normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, laws of other governments, or imposed by enabling legislation.

H. Capital Assets

The accounting treatment over property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

**CITY OF HARTSVILLE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS**

June 30, 2014

(Continued)

Government-Wide Statements

In the government-wide financial statements, fixed assets are accounted for as capital assets. All fixed assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for estimated historical cost was used to value many of the assets acquired prior to July 1, 2002. The City maintains a capitalization policy of \$5,000 for its capital assets. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset's life are not capitalized. Interest incurred during construction is not capitalized for general capital assets.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the statement of activities, with accumulated depreciation reflected in the statement of net position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Buildings	25-50 years
Public domain infrastructure	25-50 years
Improvements	10-50 years
Utility system	10-50 years
Vehicles	3-5 years
Furniture and Equipment	3-20 years

Fund Financial Statements

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

I. Short-term Inter-fund Receivables/Payable

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

J. Compensated Absences

The City reports Compensated Absences in accordance with the provisions of GASB Statement No. 16, Accounting for Compensated Absences. The City's policies regarding vacation and sick leave are based on years of service, with a total of 7.5 to 18 days of vacation and 12 days of sick leave per year accumulated by each employee. However, employees are not paid for the accumulated sick leave upon retirement or other termination and, therefore, no liability has been accrued in the financial statements for accumulated sick leave. Each employee may accumulate a maximum of 45 days for vacation.

CITY OF HARTSVILLE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS

June 30, 2014

(Continued)

The entire compensated absence liability for unused vacation is reported on the government-wide financial statements. In the fund financial statements, Governmental Funds report only the compensated absence liability payable from expendable available financial resources. For the Proprietary Fund, the entire amount of compensated absences is reported as a fund liability.

K. Deferred Inflows of Resources

The City's Governmental Funds report a separate section for deferred inflows of resources. This separate financial statement element reflects an increase in net assets that applies to a future period(s). The City will not recognize the related revenues until a future event occurs. The City has only one type of item which occurs because Governmental Fund revenues are not recognized until available (collected not later than 60 days after the end of the City's fiscal year) under the modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, deferred property taxes and grants are reported in the governmental funds balance sheet. The City did have one deferred inflows of resources to report in its government-wide statements but none to report in the proprietary fund financial statements for the current year.

L. Long-Term Debt

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

All long-term debt to be repaid from governmental and business-type resources is reported as liabilities in the government-wide statements. Bond issuance costs are expensed in the fund financial statements in the year they are incurred. The long-term debt consists primarily of bonds payable, capital leases, and accrued compensated absences.

Long-term debt for government funds is not reported as a liability in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principle and interest reported as expenditures. The accounting for Proprietary Funds is the same in the fund statements as it is in the government-wide statements.

M. Equity Classifications

Government-Wide Statements

Equity is classified as net position and displayed in three components:

- a. Net investment in capital assets. This consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, capital leases or other borrowings that are attributable to the acquisition, constructions, or improvements of those assets.
- b. Restricted net position. This consists of net position with constraints placed on the use either by either external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or law through constitutional provisions or enabling legislation.

CITY OF HARTSVILLE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS

June 30, 2014

(Continued)

- c. Unrestricted net position. All other net position that do not meet the definition of "restricted" or "net investment in capital assets" are classified as unrestricted.

The City classifies governmental fund balances as follows:

- Non-spendable—Includes amounts that inherently cannot be spent either because they are not in a spendable form (i.e., prepaids, inventories, long-term loan receivables, etc.) or because they are legally or contractually required to be maintained intact (i.e., principal on an endowment, etc.).
- Restricted—Includes amounts that are constrained by specific purposes which are externally imposed by (a) other governments through laws and regulations, (b) grantors or contributions through agreements, (c) creditors through debt covenants or other contracts, or (d) imposed by law through constitutional provisions or enabling legislation.
- Committed—Includes amounts that are constrained for specific purposes that are internally imposed by the government through formal action made by City Council, which is the highest level of decision making authority, before the end of the reporting period. Those committed amounts cannot be used for any other purpose unless the government removes or changes the specified use by taking the same type of action it employed to previously commit those amounts.
- Assigned—Includes amounts that are intended to be used for specific purposes that are neither considered restricted nor committed, designated by Council before the end of the reporting period.
- Unassigned—Includes amounts that do not qualify to be accounted for and reported in any of the other fund balance categories. This classification represents the amount of fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund. The General Fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds, if expenditures incurred for specific purposes exceeded the amounts that are restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

Proprietary fund equity is classified the same as in the government-wide statements.

The City generally uses restricted amounts first when both restricted and unrestricted (committed, assigned and unassigned) fund balance is available unless there are legal documents, contracts, or agreements that prohibit doing such. Additionally, the City would first use committed, then assigned and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

N. Operating and Non-Operating Revenues and Expenses

Proprietary Fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities. Operating expenses for the Proprietary Fund include costs of sales, administrative expenses and depreciation of capital assets. All other expenses are reported as non-operating expenses.

CITY OF HARTSVILLE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS

June 30, 2014

(Continued)

O. Capital Contributions

Contributions of capital on government-wide and enterprise fund financial statements arise from outside contributions of capital assets, contributions from other funds or from grants or outside contributions of resources restricted to capital acquisition and construction.

P. Inter-fund Transactions

Transactions between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as inter-fund transfers. Inter-fund transfers are reported as other financing sources/uses in the governmental funds and non-operating revenues/expenses in the enterprise fund. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Q. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the City's management to make estimates and assumptions. The estimates and assumptions affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reported period. Actual results could differ from those estimates.

R. Statement of Cash Flows

For purposes of the statement of cash flows, the City's Proprietary Fund considers cash and cash equivalents. Cash equivalents are defined as short-term, highly liquid investments that are readily convertible to known amounts of cash and are so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. Cash equivalents include certificates of deposits, treasury bills and money market funds.

Note 2. Deposits and Investments

Deposits – Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the City's deposits may not be recovered. The City's policy requires deposits to be 100 percent secured by collateral valued at market or par, whichever is lower, less the amount of the Federal Deposit Insurance Corporation (FDIC) insurance. Deposits of the City's reporting entity are insured or collateralized with securities held by the City, its agent, or by the pledging financial institutions trust department or agent in the name of the City. As of June 30, 2014, \$2,989,098 of the City's bank balance of \$12,005,770, which has a carrying value of \$11,610,214, was exposed to custodial credit risk as follows:

**CITY OF HARTSVILLE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS**

June 30, 2014

(Continued)

Uninsured by FDIC, but collateral held by pledging bank in the City's name	\$2,989,098
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Investments

The City has no formal policy relating to interest rate risk or credit risk of investments. The City's investments in debt securities are unrated. The table presented below is designed to disclose the level of market risk and custody credit risk assumed by the City based upon whether the investments are insured or registered and upon who holds the security at June 30, 2014. The categories of credit risk are defined as follows:

Category 1 - Insured or registered with securities held by the entity or its agent in the entity's name

Category 2 - Uninsured and unregistered with securities held by counterparty's trust department or agent in the entity's name

Category 3 - Uninsured and unregistered with securities held by counterparty or by its trust department or agent but not in the entity's name

Type of Investment	Category of Credit Risk			Carrying Amount	Fair Value
	Type #1	Type #2	Type #3		
Certificates of Deposit	\$ -	\$ 84,218	\$ -	\$ 84,218	\$ 84,218
Mutual Funds and Money Market Funds	<u>1,379,842</u>	<u>-</u>	<u>-</u>	<u>1,379,842</u>	<u>1,379,842</u>
Total Deposits	<u>\$ 1,379,842</u>	<u>\$ 84,218</u>	<u>\$ -</u>	<u>\$ 1,464,060</u>	<u>\$ 1,464,060</u>

Note 3. Restricted Cash

Certain resources, which have been set aside for grant expenditures and bond reserves, are classified as restricted cash on the Special Revenue Fund and Proprietary Fund's balance sheet because their use is limited. The amount of restricted cash held by the Special Revenue Fund and Proprietary Fund amounted to \$4,567,006 and \$657,078, respectively, as of June 30, 2014.

Note 4. Property Taxes

The City assesses and levies property taxes in accordance with applicable laws of the State of South Carolina. Real property and personal property of every description owned and used in the City, except that which is exempt from taxation under the Constitution and Laws of the State, is subject to taxation. An annual ordinance establishing the millage rate associated with the levy is adopted each year as a part of the budget adoption process.

Real property and all personal property other than vehicles are assessed for property tax purposes on January 1 of each year. All taxable property is assessed in proportion to its value on that date. The basis for value of taxable property within the City is taken from the records of the Darlington County Auditor. Taxes are levied in October and are due and payable at that time. Property taxes are due by January 15, and penalties are imposed as follows: 3% prior to February 1, an additional 7% prior to March 15, and an additional 5% after March 15.

CITY OF HARTSVILLE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014
(Continued)

Receivables as of year-end for the City's individual major funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General	Enterprise	Total
Receivables:			
Taxes	\$ 246,753	\$ -	\$ 246,753
Accounts	9,612	996,246	1,005,858
Intergovernmental	355,190	-	355,190
Sanitation	<u>309,870</u>	<u>-</u>	<u>309,870</u>
Gross Receivables	921,425	996,246	1,917,671
Less Allowance for Uncollectibles	<u>(152,429)</u>	<u>(293,727)</u>	<u>(446,156)</u>
Net Total Receivables	<u>\$ 768,996</u>	<u>\$ 702,519</u>	<u>\$ 1,471,515</u>

Note 5. Inter-fund Receivables and Payables

Inter-fund balances at June 30, 2014, (all of which are expected to be received or paid within one year), consisted of the following individual fund receivables and payables:

Due to/from other funds:

<u>Fund</u>	<u>Receivables</u>	<u>Payables</u>
General Fund	\$ 246,679	\$ 9,888
Special Revenue Funds	2,143	60,000
Proprietary Fund	2,626	186,679
Agency Fund	<u>5,119</u>	<u>-</u>
Totals	<u>\$ 256,567</u>	<u>\$ 256,567</u>

Inter-fund receivables and payables are mainly due to temporary cash expenditures from the General Fund to cover accounts payable and payroll activity.

**CITY OF HARTSVILLE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS**

June 30, 2014

(Continued)

Note 6. Capital Assets

Capital asset activity for the year ended June 30, 2014, was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental Activities:					
Non-depreciable Assets:					
Land	\$ 4,691,305	\$ 5,000	\$ (106,517)	\$ 50,000	\$ 4,639,788
Construction in Progress	204,003	1,068,165	-	(204,003)	1,068,165
Depreciable Assets					
Building and Systems	3,314,500	66,387	(713,532)	(50,000)	2,617,355
Infrastructure	19,758,456	38,265	(8,672)	204,003	19,992,052
Machinery and Equipment	9,438,329	363,127	(272,380)	-	9,529,076
Totals	<u>37,406,593</u>	<u>1,540,944</u>	<u>(1,101,101)</u>	<u>-</u>	<u>37,846,436</u>
Less Accumulated Depreciation For:					
Building and Systems	1,809,438	87,868	(657,971)	-	1,239,335
Infrastructure	11,706,066	777,212	-	-	12,483,278
Machinery and Equipment	7,586,553	441,502	(241,585)	-	7,786,470
Total Accumulated Depreciation	<u>21,102,057</u>	<u>1,306,582</u>	<u>(899,556)</u>	<u>-</u>	<u>21,509,083</u>
Governmental Activities Capital Assets, Net	<u>\$ 16,304,536</u>	<u>\$ 234,362</u>	<u>\$ (201,545)</u>	<u>\$ -</u>	<u>\$ 16,337,353</u>
Business-Type Activities:					
Non-depreciable Assets:					
Land	\$ 138,188	\$ -	\$ -	\$ -	\$ 138,188
Construction in Progress	1,652,289	1,488,595	-	(1,276,391)	1,864,493
Depreciable Assets					
Building and Systems	133,872	-	-	646	134,518
Infrastructure	24,337,612	193,009	(38,439)	718,267	25,210,449
Machinery and Equipment	1,807,120	354,687	-	20,050	2,181,857
Splash Pad	-	69,415	-	537,428	606,843
Totals	<u>28,069,081</u>	<u>2,105,706</u>	<u>(38,439)</u>	<u>-</u>	<u>30,136,348</u>
Less Accumulated Depreciation For:					
Building and Systems	105,429	2,537	-	-	107,966
Infrastructure	10,604,733	561,552	-	-	11,166,285
Machinery and Equipment	1,636,523	75,066	-	-	1,711,589
Splash Pad	-	8,577	-	-	8,577
Total Accumulated Depreciation	<u>12,346,685</u>	<u>647,732</u>	<u>-</u>	<u>-</u>	<u>12,994,417</u>
Business-Type Activities Capital Assets, Net	<u>\$ 15,722,396</u>	<u>\$ 1,457,974</u>	<u>\$ (38,439)</u>	<u>\$ -</u>	<u>\$ 17,141,931</u>

**CITY OF HARTSVILLE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS**

June 30, 2014

(Continued)

Depreciation expense was charged to functions/programs of the City as follows:

Governmental Activities	
General Government	\$ 310,286
Public Safety	572,776
Public Works	264,660
Culture and Recreation	122,812
Economic Development	11,364
Airport	9,429
Cemetery	<u>15,255</u>
 Total Depreciation Expense- Governmental Activities	 <u>\$ 1,306,582</u>

Construction in progress and construction commitments – governmental activities and business-type activities consisted of the following at June 30, 2014:

	<u>Expenditures To Date</u>	<u>Total Contract</u>	<u>Contract Payments Remaining</u>
Governmental Activities:			
Airport Grant #13	\$ 36,576	\$ 36,576	\$ -
Airport Grant #14	917,918	976,718	58,800
Multi-County BP Project	93,891	93,891	-
Oakdale Sidewalk and Lights	<u>19,780</u>	<u>417,036</u>	<u>397,256</u>
 Total	 <u>\$ 1,068,165</u>	 <u>\$ 1,524,221</u>	 <u>\$ 456,056</u>
Business-Type Activities:			
Flexnet Rural Development	\$ 1,379,638	\$ 1,379,638	\$ -
Segars Mills Pumpstation	46,509	46,509	-
Black Creek Force Main	144,727	363,959	219,232
Storm Water	<u>293,619</u>	<u>293,619</u>	<u>-</u>
 Total	 <u>\$ 1,864,493</u>	 <u>\$ 2,083,725</u>	 <u>\$ 219,232</u>

**CITY OF HARTSVILLE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS**

June 30, 2014

(Continued)

Note 7. Accounts Payable and Accrued Expenses

The significant components of accounts payable and accrued expenses for governmental activities at June 30, 2014, are as follows:

Accounts Payable	\$ 476,601
Accrued Payroll, Withholdings, Fringe and Benefits	<u>171,516</u>
Total Accounts Payable and Accrued Expenses - Governmental Activities	<u>\$ 648,117</u>

Note 8. Long-term Debt

Governmental Activities:

As of June 30, 2014, the governmental long-term debt consisted of general obligation bonds, revenue bonds, capital leases and compensated absences.

General Obligation Bonds

On June 29, 2013, the City issued Series 2013 Special Obligation Bonds totaling \$3,665,000 with principal and interest payments due March 30 of each year. The bonds range in maturity dates from 2014 to 2022. The interest rate is fixed at 2.35%.

On June 29, 2013, the City issued Series 2013 General Obligation Bonds totaling \$1,224,500 with principal and interest payments due June 29 of each year. The bonds range in maturity dates from 2014 to 2023. The interest rate is fixed at 2.35%.

Annual debt service requirements to maturity for general obligation bonds are as follows:

Year Ending June 30,	Principal	Interest	Total
2015	\$ 455,096	\$ 94,148	\$ 549,244
2016	466,159	83,666	549,825
2017	476,911	72,930	549,841
2018	488,357	61,946	550,303
2019	500,002	50,698	550,700
2020-2023	<u>1,709,930</u>	<u>84,844</u>	<u>1,794,774</u>
	<u>\$ 4,096,455</u>	<u>\$ 448,232</u>	<u>\$ 4,544,687</u>

Revenue Bonds Payable

On February 5, 2014, the City issued Series 2014A Refunding Special Source Revenue Bonds totaling \$1,115,000 with principal and interest payments due annually on February 1st. The bonds range in maturity dates from 2015 to 2018. The interest rate is 1.61%.

On February 5, 2014, the City issued Series 2014B Improvement Special Source Revenue Bonds totaling \$2,900,000 with principal and interest payments due on annually on February 1st. The bonds range in maturity dates from 2015 to 2025. The interest rate is 2.92%.

**CITY OF HARTSVILLE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS**

June 30, 2014

(Continued)

Annual debt service requirements to maturity for general obligation bonds are as follows:

Year Ending June 30,	Principal	Interest	Total
2015	\$ 325,517	\$ 101,491	\$ 427,008
2016	330,315	96,693	427,008
2017	336,339	90,669	427,008
2018	342,481	84,529	427,010
2019	350,651	78,266	428,917
2020-2024	1,912,949	231,634	2,144,583
2025	416,748	12,169	428,917
	<u>\$ 4,015,000</u>	<u>\$ 695,451</u>	<u>\$ 4,710,451</u>

Capital Leases Payable

On July 10, 2006, the City entered into a capital lease/purchase agreement with BB&T to purchase a rescue truck and a tanker truck in the amount of \$610,338. The City refinanced the debt with 1st Citizens. The lease is payable in annual installments beginning July 15, 2011, including interest at a rate of 2.11%

On July 14, 2010, the City entered into a capital lease/purchase agreement with BB&T to purchase an aerial platform truck, a 2011 Mack truck and a 2008 Freightliner truck in the amount of \$1,016,289. The lease is payable in annual installments beginning July 15, 2011, including interest ranging from 2.72% to 3.44%.

On April 19, 2011, the City entered into a capital lease/purchase agreement with BB&T to purchase seven police vehicles and one public service truck in the amount of \$312,500. The lease is payable in annual installments beginning April 19, 2011, including interest at a rate of 2.44%.

On September 10, 2013, the City entered into a capital lease/purchase agreement with Hartsville Outdoor Equipment Inc. to purchase a Kubota tractor in the amount of \$12,658. The lease is payable in monthly installments beginning October 9, 2013.

On September 11, 2013, the City entered into a capital lease/purchase agreement with Wells Fargo to purchase a New Holland tractor in the amount of \$82,121. The lease is payable in monthly installments beginning October 9, 2013, including an interest rate of 4.95%.

On January 23, 2014, the City entered into a capital lease/purchases agreement with First Citizens Bank and Trust Company to purchase a fire truck in the amount \$735,000. The lease is payable in annual installments beginning January 23, 2015, including interest at a rate of 1.98%.

On February 10, 2014, the City entered into a capital lease/purchases agreement with First Citizens Bank and Trust Company to purchase equipment in the amount \$135,000. The lease is payable in annual installments beginning February 10, 2015, including interest at a rate of 1.78%.

**CITY OF HARTSVILLE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS**

June 30, 2014

(Continued)

The following is a schedule of the future minimum lease payments under capital lease, and the present value of the net minimum lease payments at June 30, 2014.

Year Ending 30-Jun	Governmental Activities
2015	\$ 489,981
2016	329,630
2017	250,709
2018	248,070
2019	235,211
2020-2021	397,673
Total Minimum Lease Payments	1,951,274
Less: Amount Representing Interest	(159,562)
Present Value of Minimum Lease Payments	\$ 1,791,712

Business-type Activities:

Revenue Bonds

On June 29, 1987, the City issued Series 1987A and 1987B Waterworks and Sewer System Improvement Bond totaling \$2,143,100 and \$250,000, respectively, with monthly principal and interest payments starting June 28, 1988, and due the 28th of each month. The bonds range in maturity dates from 1988 to 2017. The interest rate is fixed at 5.75%.

On December 11, 1997, the City issued Series 1997A and 1997B Waterworks and Sewer System Improvement Revenue Bonds totaling \$1,113,700 and \$131,800, respectively, with monthly principal and interest payments starting January 11, 1998, and due the 11th of each month. The bonds range in maturity dates from 1998 to 2026. The interest rate is fixed at 4.875%.

On June 23, 1998, the City issued SRF Wastewater System Improvement Bonds totaling \$2,496,678 with quarterly principal and interest payments due each July 1, October 1, January 1, and April 1. The bonds range in maturity dates from 1999 to 2019. The interest rate is fixed at 2.25%.

On June 25, 2004, the City issued Series 2004 Waterworks and Sewer System Improvement Revenue Bonds Special Obligation Bonds totaling \$2,448,500 with monthly principal and interest payments starting July 25, 2004, and due the 25th of each month. The bonds range in maturity dates from 2004 to 2044. The interest rate is fixed at 4.375%.

On April 24, 2014, the City issued Series 2014 Waterworks and Sewer System Improvement Revenue Bonds totaling \$1,590,000 with principal and interest payments due on the 24th of each month. The bonds range in maturity dates from 2004 to 2044. The interest rate ranges from 2.92% to 3.25%.

**CITY OF HARTSVILLE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS**

June 30, 2014

(Continued)

Annual debt service requirements to maturity for revenue bonds are as follows:

Year Ending June 30,	Principal	Interest	Total
2015	\$ 435,764	\$ 211,731	\$ 647,495
2016	429,076	191,108	620,184
2017	302,735	175,501	478,236
2018	315,772	164,694	480,466
2019	275,248	607,174	882,422
2020-2024	831,830	547,075	1,378,905
2025-2029	770,649	402,263	1,172,912
2030-2034	751,017	261,718	1,012,735
2034-2039	516,391	117,709	634,100
2040-2044	584,845	12,034	596,879
	<u>\$ 5,213,327</u>	<u>\$ 2,691,007</u>	<u>\$ 7,904,334</u>

Capital Leases Payable

On September 23, 2010, the City entered into a capital lease/purchase agreement with Kubota to purchase two zero turn tractors and a grass catcher bagger in the amount of \$24,079. The lease is payable in monthly installments beginning October 23, 2010, including interest at a rate of 0.16%.

On September 20, 2013, the City entered into a capital lease/purchase agreement with Leasing 2 Inc. to purchase a vacuum truck in the amount of \$295,632. The lease is payable in annual installments beginning April 1, 2014, including interest at a rate of 3.17%.

The following is a schedule of the future minimum lease payments under capital lease, and the present value of the net minimum lease payments at June 30, 2014.

Year Ending 30-Jun	Business-Type Activities
2015	\$ 68,697
2016	65,594
2017	63,880
2018	63,880
Total Minimum Lease Payments	262,051
Less: Amount Representing Interest	(19,033)
Present Value of Minimum Lease Payments	<u>\$ 243,018</u>

CITY OF HARTSVILLE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014
(Continued)

Note 9. Long Term Debt

The following is a summary of changes in long-term obligations of the City as of June 30, 2014:

	<u>Balance</u> <u>June 30, 2013</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2014</u>	<u>Due Within</u> <u>One year</u>
<i>Governmental Activities:</i>					
G.O. Bonds	\$ 4,541,174	\$ -	\$ (444,719)	\$ 4,096,455	\$ 455,096
Revenue Bond	1,090,000	4,015,000	(1,090,000)	4,015,000	325,517
Capital Lease	1,187,865	961,279	(357,432)	1,791,712	444,187
Compensated Absences	250,840	23,193	-	274,033	-
Totals	<u>\$ 7,061,533</u>	<u>\$ 4,999,472</u>	<u>\$ (1,892,151)</u>	<u>\$ 10,177,200</u>	<u>\$ 1,224,800</u>
<i>Business-Type Activities:</i>					
Revenue Bonds	\$ 4,322,028	\$ 1,253,543	\$ (362,244)	\$ 5,213,327	\$ 435,764
Capital Lease	10,835	295,632	(63,449)	243,018	68,697
Compensated Absences	35,518	3,807	-	39,325	-
Totals	<u>\$ 4,368,381</u>	<u>\$ 1,552,982</u>	<u>\$ (425,693)</u>	<u>\$ 5,495,670</u>	<u>\$ 504,461</u>

Note 10. Debt Limitations

The amount of legal debt margin as of June 30, 2014, is computed as follows:

Total Assessed Value	<u>\$25,968,870</u>
Debt Limit 8% of Assessed Value	\$ 2,077,510
Amount of Debt Applicable to Debt Limit	<u>(1,115,000)</u>
Legal Debt Margin	<u>\$ 962,510</u>

Note 11. Employee Retirement Plans

Plan Description – Substantially all City employees are members of the South Carolina Retirement System (SCRS) or the South Carolina Police Officers Retirement System (PORS). The South Carolina Retirement System and the South Carolina Police Officers Retirement System are cost-sharing, multiple-employer defined benefit pension plan administered by the South Carolina Retirement System, a division of the South Carolina State Budget and Control Board. Both systems offer retirement and disability benefits, cost of living adjustments on an ad-hoc basis, life insurance benefits and survivor benefits. The Plan's provisions are established under Title 9 of the SC Code of Laws. Only the South Carolina State Budget and Control Board has the authority to establish and amend benefits.

**CITY OF HARTSVILLE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS**

June 30, 2014

(Continued)

A Comprehensive Annual Financial Report containing financial statements and required supplementary information for the SCRS and SCPOS is issued and publicly available by writing the South Carolina Retirement System, P.O. Box 11960, Columbia, South Carolina, 29211-1960.

Funding Policy - Both employees and employer are required to contribute to the Plan under the authority of Title 9 of the SC Code of Laws. Employees covered under SCRS and the PORS are required to contribute at a rate of 7.5% and 7.84% of salary, respectively. Employers are required to contribute at a rate of 10.45% to the SCRS defined benefit plan and 12.44% to the PORS defined benefit plan. In addition to the above rates, participating employers of the South Carolina Retirement System contribute .15% to provide group life insurance benefits and contribute .20% to provide accidental death benefits for PORS participants.

The payroll for the employees covered by the SCRS for the year ended June 30, 2014, was \$2,498,935. The payroll for the employees covered by the PORS for the year ended June 30, 2014, was \$1,921,336. The City's total payroll, without adjustment for accruals was \$4,335,086.

The County's SCRS and PORS contributions for the year ended June 30, 2014, are as follows:

<u>SCRS</u>	<u>Actual & Required Contribution Amounts</u>
Employee Contributions	\$186,719
Employer Contributions	\$261,139
<u>PORS</u>	
Employee Contributions	\$148,182
Employer Contributions	\$239,014

The City contributed amounts equal to the required contribution to the SCRS and the PORS of \$406,854 and \$471,432 for the years ended June 30, 2012, and 2013, respectively.

The City's contributions are actuarially determined, but are communicated to and paid by the City as a percentage of the employees' annual earnings.

Generally all full time, part time or temporary personnel who fill a permanent position are required to participate in and contribute to the SCRS as a condition of employment. However, all full time, part time or temporary personnel who fill a permanent position are not required to participate in and contribute to the PORS as a condition of employment.

Employees who retire at or after age 65 or with 30 years of credited services are entitled to full retirement benefits, payable monthly for life, with an annual rate equal to 1.82% of average final compensation, for each year of credited service. Benefits vest on reaching 5 years of service.

Vested employees are entitled to a deferred annuity commencing at age 60.

**CITY OF HARTSVILLE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS**

June 30, 2014

(Continued)

Note 12. Post-Employment Health Care Benefits

Plan Description. The City is a member of the South Carolina Other Retirement Benefits Employer Trust (SC ORBET), an agent multiple-employer healthcare plan that provides employment and postemployment healthcare benefits. Participants must be eligible to retire and have 10 or more years of earned South Carolina Retirement System service credit with a participating state insurance program employer, with the last five years of employment consecutive and in a full time position with the City to receive benefits upon retirement. The Plan offers medical and dental insurance benefits for eligible retirees and their spouses. The City pays the employer portion of the employee-only premium for retiree-only medical and dental coverage; the retiree pays the rest of the premium. The retiree must pay the full premium for spouse coverage. Coverage is available to 1) retired participants, 2) active participants hired prior to July 1, 2009 who have at least 10 years of service at the time of retirement, and 3) participants hired on or after July 1, 2009 who have at least 25 years of service at the time of retirement. All other eligible retirees receive no explicit subsidy for the City. Upon reaching age 65, all retirees become responsible for their own premiums.

SC ORBET contracts with an actuarial consultant to provide an actuarial valuation of the City's OPEB liability under GASB Statement 45. The most recent OPEB liability actuarial valuation was completed in July 2011 for the plan year that ended June 30, 2014. A copy of the financial report and the required supplementary information of the Trust may be obtained from the Municipal Association of South Carolina, PO Box 12109, Columbia, SC 29211.

Funding Policy. GASB Statement 45 does not mandate the prefunding of postemployment benefits liability. The City currently funds these benefits on a pay-as-you-go basis. No assets have been segregated and restricted to provide postemployment benefits.

Annual OPEB Cost. The annual required contribution (ARC), an actuarially determined rate, represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize unfunded actuarial liabilities over a period not to exceed thirty (30) years.

The following table represents the OPEB costs for the year and the annual required contribution:

Normal Cost	\$	51,909
Amortization of Unfunded		40,546
Interest		-
Annual Required Contribution	\$	92,455

Funding Status and Funding Progress. The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ending June 30, 2014, was as follows:

**CITY OF HARTSVILLE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS**

June 30, 2014

(Continued)

Annual Required Contribution	\$	92,455
Actual Contribution		92,455
Percent Contributed		100%
Net OPEB Obligation		-
Actuarial Accrued Liability		1,190,321
Plan Assets		371,091
Unfunded Actuarial Accrued Liability	\$	<u>819,230</u>
Covered Payroll	\$	<u>3,963,233</u>
Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll		20.67%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The required schedule of funding progress provides multiyear trend information (only one year available) that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions. Projections of benefits are based on the substantive plan (the plan as understood by the employer and plan members) and include the types and benefits in force at the valuation date and the pattern of sharing benefits costs between the City and plan members at that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of plan assets. Significant methods and assumptions were as follows:

Actuarial valuation date:	July 1, 2008
Actuarial cost method:	Entry Age normal
Amortization method:	Level Percent of Payroll
Remaining amortization period:	30 years
Actuarial assumptions:	
Investment rate of return	7.50%
Projected salary increases	3.00% per year
Healthcare inflation rate	10.5% to 5.0% in .50% annual steps

Note 13. Commitments and Contingencies

The City receives state and federal grants for specific purposes that are subject to review and audit by state and federal agencies. Such audits could result in a request for reimbursement by the state and federal agencies for expenditures disallowed under the terms and conditions of the appropriate agency. In the opinion of City management, such disallowances, if any, will not be significant.

CITY OF HARTSVILLE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014
(Continued)

In the normal course of business, the City enters into agreements with contractors for construction projects. As of June 30, 2014, open contracts and project budgets for construction totaled \$3,607,946, of which \$2,932,658 has been recorded as construction in progress.

Various claims and lawsuits are pending against the City. As of the issuance of the financial statements, it is not known whether any unfavorable outcomes are likely, however, it appears that should there be any unfavorable outcomes, some cause of action may not be covered by insurance.

Note 14. Insurance and Risk Management

The City is exposed to various risks of loss related to torts, theft, damage, destruction of assets, errors and omissions, injuries to employees and natural disasters. The City maintains insurance covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured loss to the City.

Settled claims have not exceeded this coverage in any of the past three years. There are no significant reductions in insurance coverage in the prior year.

The City paid insurance premiums to the South Carolina Counties Property and Liability Trust totaling \$229,238 to cover risks that may occur in normal operations. These risks include loss of real property and contents, motor vehicles, errors and omissions, general liability and theft and dishonesty.

The City paid insurance premiums to the South Carolina Counties Workers' Compensation Trust totaling \$118,857 for workers' compensation coverage.

Note 15. Deferred Compensation Plans

Several optional deferred compensation plans are available to City employees through the State of South Carolina. Certain employees of the City have elected to participate. The multiple employer plans, created under Internal Revenue Code Sections 457, 401(k), and 403(b) are administered by third parties and are included in the Comprehensive Annual Financial Report of the State of South Carolina. Compensation deferred under the Section 401(k) and 403(b) plans is placed in trust for the contributing employee.

Employees may also withdraw the current value of their contributions prior to termination if they meet requirements specified by the applicable plan. The City has no liability for losses under the plans.

Note 16. Intergovernmental Revenues

The City receives funds from both the State of South Carolina and the federal government for various grants and projects. The majority of these funds are accounted for in the Special Revenue Funds with the major exception being grants from the federal government accounted for in the Proprietary Fund.

CITY OF HARTSVILLE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014
(Continued)

Note 17. Inter-fund Transfers

Transfers from (to) other funds for the year ended June 30, 2014, consist of the following:

General Fund

Transfer from Proprietary Fund	\$	220,200
Transfer from Special Revenue Fund		281,270
Transfer to Splash Pad		<u>(69,415)</u>
 Net Total Transfer From	 \$	 <u>432,055</u>

Special Revenue Fund

Transfer from Accomodation - SRF	\$	49,580
Transfer to Hospitality Fund - SRF		(49,580)
Transfer to General Fund		(281,270)
Transfer to Water/Sewer Fund		<u>(190,039)</u>
 Net Total Transfer To	 \$	 <u>(471,309)</u>

Proprietary Fund

Transfer from General Fund (Splash Pad)	\$	69,415
Transfer from Special Revenue Fund (Water/Sewer Fund)		190,039
Transfer to General Fund		<u>(220,200)</u>
 Net Total Transfer From	 \$	 <u>39,254</u>

General Fund

Transfers from: Funds were transferred into the General Fund from the Special Revenue Fund and Proprietary Fund for revenues related to capital grants and franchise fees.

Transfers to: Funds were transferred to the Splash Pad Fund from the General Fund for expenditures related to the Splash Pad construction.

Special Revenue Fund

Transfers to: Funds were transferred to the General Fund and Water/Sewer Fund for expenditures related to capital grants.

Proprietary Fund

Transfers from: Funds were transferred from the General Fund and Special Revenue Fund into the Proprietary Fund for expenditures related to the Splash Pad construction and water/sewer capital grants.

Transfers to: Funds were transferred to the General Fund from the Proprietary Fund for revenues related to franchise fees.

CITY OF HARTSVILLE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014
(Continued)

Note 18. Operating Lease Commitments

The City has an operating lease on seven buildings, of which three are leased to Nonprofit organizations for a \$1. One of the remaining leases is for five years starting July 1, 2013, and the remaining four leases are for one year terms. Either party may terminate the rental agreement at any time. Rent is payable on the first day of the month in the amount of \$5,500. Rental income amounted to \$50,799 for the fiscal ended June 30, 2014.

The City leases space atop its water towers to three communications companies. Each lease is cancelable by either party. The City receives annual payments from the companies. Each lease provides for yearly increases of the lease payments ranging from three to five percent depending upon the lease. Lease income for the year ended June 30, 2014, totaled \$110,136.

Note 19. Impact of Recently Issued Accounting Principles

In June 2012, the GASB issued Statement 68, *Reporting Accounting and Financial for Pensions*. GASB 68 provides guidance for reporting information about financial support of pensions. This Statement is effective for periods beginning after June 15, 2014, which impacts the Town's June 30, 2015, financial statements.

Note 20. Changes in Beginning Net Position/Fund Balance

The following discloses the restatement of the governmental net position as of beginning of the fiscal year:

Net Position, beginning of the year, as previously stated	\$ 12,454,557
Increase resulting from recognition of previously unreported cash account	54,731
Decrease resulting from recognition of bond issuance costs related to GASB Statement No. 65	<u>(38,247)</u>
Net Position, end of the year, as restated	<u>\$ 12,471,041</u>

The following discloses the restatement of the general fund balance as of beginning of the fiscal year:

Fund Balance, beginning of year, as previously stated	\$ 1,945,196
Increase resulting from recognition of previously unreported cash account	<u>54,731</u>
Fund Balance, end of year, as restated	<u>\$ 1,999,927</u>

CITY OF HARTSVILLE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS

June 30, 2014

(Continued)

The following discloses the restatement of the proprietary net position as of beginning of the fiscal year:

Net Position, beginning of the year, as previously stated	\$ 16,941,144
Decrease resulting from recognition of bond issuance costs related to GASB Statement No. 65	<u>(3,726)</u>
Net Position, end of the year, as restated	<u>\$ 16,937,418</u>

Note 21. Subsequent Events

The City of Hartsville has evaluated subsequent events through February 7, 2015, which is the date the financial statements were available to be issued.

SUPPLEMENTAL INFORMATION

GENERAL FUND

The general fund is used to account for resources traditionally associated with government which are not required legally or by sound financial management to be accounted for in another fund.

**CITY OF HARTSVILLE, SOUTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2014**

Revenues	Budget	Actual	Variance Positive (Negative)
Taxes			
Property Taxes	\$ 2,378,000	\$ 2,370,042	\$ (7,958)
Vehicle Taxes	237,500	290,543	53,043
PLOT Taxes	95,000	127,584	32,584
Accommodations Tax	30,000	91,880	61,880
Merchant Inventory Tax	56,667	56,667	-
Local Option Sales Tax	<u>930,000</u>	<u>1,106,768</u>	<u>176,768</u>
Total Taxes	<u>3,727,167</u>	<u>4,043,484</u>	<u>316,317</u>
Licenses, Fees and Permits			
Franchise Fees	758,000	715,186	(42,814)
Business License Fees	1,415,000	1,512,973	97,973
Telecommunications Fees	75,000	48,582	(26,418)
Permits	202,257	177,446	(24,811)
Fire	25,000	12,748	(12,252)
Recreation	<u>107,300</u>	<u>134,155</u>	<u>26,855</u>
Total Licenses, Fees and Permits	<u>2,582,557</u>	<u>2,601,090</u>	<u>18,533</u>
Intergovernmental Revenue			
Local Government Funds	<u>165,000</u>	<u>182,516</u>	<u>17,516</u>
Total Intergovernmental Revenue	<u>165,000</u>	<u>182,516</u>	<u>17,516</u>
Charges for Services			
Solid Waste	<u>1,161,500</u>	<u>1,180,065</u>	<u>18,565</u>
Total Charges for Services	<u>1,161,500</u>	<u>1,180,065</u>	<u>18,565</u>
Fines and Forfeitures			
Police	87,000	71,115	(15,885)
Victim's Rights	<u>8,000</u>	<u>7,078</u>	<u>(922)</u>
Total Fines and Forfeitures	<u>95,000</u>	<u>78,193</u>	<u>(16,807)</u>
Miscellaneous			
School Resource Officer	60,000	78,847	18,847
Fire Contracts	440,000	494,550	54,550
Cemetery	60,000	48,950	(11,050)
Rent Income	46,800	79,186	32,386
Contributions and Donations	-	46,071	46,071
Insurance Proceeds	-	113,917	113,917
Other	55,400	47,991	(7,409)
Interest Income	<u>1,700</u>	<u>2,150</u>	<u>450</u>
Total Miscellaneous	<u>663,900</u>	<u>911,662</u>	<u>247,762</u>
Total Revenues	<u>8,395,124</u>	<u>8,997,010</u>	<u>601,886</u>

**CITY OF HARTSVILLE, SOUTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2014
(Continued)**

Expenditures

General Government	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Advertisement	\$ 3,600	\$ 1,193	\$ 2,407
Banking Fees	10,000	18,872	(8,872)
Computer Expenses	46,000	174,102	(128,102)
Contract Services	245,240	335,867	(90,627)
Contingency	196,552	-	196,552
Dues and Subscriptions	7,949	6,987	962
Employee Benefits	60,208	61,736	(1,528)
Grant Expenditures	60,000	75,641	(15,641)
Insurance	300,734	231,251	69,483
Legal and Professional Fees	40,000	68,974	(28,974)
Miscellaneous	79,720	105,406	(25,686)
Office Supplies	19,765	17,182	2,583
Payroll Taxes	42,271	38,503	3,768
Postage	6,900	5,380	1,520
Repairs and Maintenance	57,458	96,140	(38,682)
Salaries	556,376	530,800	25,576
Telephone	13,950	12,432	1,518
Training	34,240	22,506	11,734
Utilities	275,500	275,574	(74)
Vehicle Expense	-	5,609	(5,609)
Travel	2,500	43	2,457
Total General Government	<u>2,058,963</u>	<u>2,084,198</u>	<u>(25,235)</u>

**CITY OF HARTSVILLE, SOUTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2014
(Continued)**

Public Safety

Police	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Boarding Prisoners	\$ 10,000	\$ 750	\$ 9,250
Contracted Services	63,019	62,166	853
Demolition	65,000	63,338	1,662
Dues and Subscriptions	4,545	2,550	1,995
Employee Benefits	171,510	182,395	(10,885)
Insurance	316,739	294,079	22,660
Legal and Professional	10,285	10,904	(619)
Miscellaneous	8,359	4,503	3,856
Office Supplies	9,800	6,153	3,647
Payroll Taxes	105,189	117,722	(12,533)
Postage	1,920	1,283	637
Repairs and Maintenance	31,900	28,837	3,063
Salaries	1,385,451	1,542,470	(157,019)
Supplies	2,600	2,291	309
Telephone	13,992	11,685	2,307
Training	34,800	20,262	14,538
Uniforms	18,000	12,668	5,332
Utilities	16,000	15,356	644
Vehicle Expense	176,700	155,148	21,552
911 E Contract	68,930	65,704	3,226
Police Total	<u>2,514,739</u>	<u>2,600,264</u>	<u>(85,525)</u>
Fire			
Contract Services	70,127	69,660	467
Dues and Subscriptions	1,000	4,312	(3,312)
Employee Benefits	71,263	136,643	(65,380)
Insurance	143,594	131,081	12,513
Legal and Professional	7,800	8,367	(567)
Office Supplies	2,500	2,565	(65)
Payroll Taxes	42,852	47,588	(4,736)
Postage	300	706	(406)
Miscellaneous	1,690	37,093	(35,403)
Repairs and Maintenance	31,020	28,463	2,557
Salaries	564,452	636,940	(72,488)
Supplies	1,060	1,052	8
Telephone	16,000	17,536	(1,536)
Training	20,000	19,484	516
Uniforms	11,550	11,603	(53)
Utilities	11,500	13,984	(2,484)
Vehicle Expense	53,500	68,958	(15,458)
911 E Contract	10,900	11,048	(148)
Fire Total	<u>1,061,108</u>	<u>1,247,083</u>	<u>(185,975)</u>
Total Public Safety	<u>3,575,847</u>	<u>3,847,347</u>	<u>(271,500)</u>

**CITY OF HARTSVILLE, SOUTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2014
(Continued)**

Culture and Recreation	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Advertisement	\$ 1,000	\$ 389	\$ 611
Contract Services	35,000	54,147	(19,147)
Dues and Subscriptions	144	185	(41)
Employee Benefits	25,094	25,178	(84)
Insurance	52,251	50,776	1,475
Legal and Professional	1,650	1,534	116
Miscellaneous	3,000	3,169	(169)
Office Supplies	1,500	2,039	(539)
Payroll Taxes	18,110	15,854	2,256
Postage	200	10	190
Repairs and Maintenance	37,869	74,603	(36,734)
Salaries	238,542	233,743	4,799
Telephone	6,552	7,360	(808)
Training	1,928	1,928	-
Utilities	123,554	117,106	6,448
Vehicle Expense	15,000	18,895	(3,895)
Supplies	12,100	14,858	(2,758)
Uniforms	2,875	3,228	(353)
Small Tools and Equipment	7,000	6,497	503
Program Expenses	<u>72,400</u>	<u>111,619</u>	<u>(39,219)</u>
Total Culture and Recreation	<u>655,769</u>	<u>743,118</u>	<u>(87,349)</u>

**CITY OF HARTSVILLE, SOUTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2014
(Continued)**

Cemetery	Budget	Actual	Variance Positive (Negative)
Building Maintenance	\$ 3,500	\$ 2,188	\$ 1,312
Contract Services	86,400	88,600	(2,200)
Miscellaneous	19,200	11,469	7,731
Telephone	250	211	39
Total Cemetery	109,350	102,468	6,882
Airport			
Contract Services	28,200	31,167	(2,967)
Insurance	2,550	2,228	322
Repairs and Maintenance	26,000	25,945	55
Telephone	600	511	89
Utilities	4,200	3,478	722
Total Airport	61,550	63,329	(1,779)

**CITY OF HARTSVILLE, SOUTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2014
(Continued)**

Public Works	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Bad Debt Expense	-	(51,499)	51,499
Contract Services	52,000	47,037	4,963
County Tipping Fee	162,000	174,454	(12,454)
Dues and Subscriptions	3,000	379	2,621
Employee Benefits	79,020	82,168	(3,148)
Insurance	228,153	205,858	22,295
Legal and Professional	2,150	3,365	(1,215)
Miscellaneous	500	223	277
Office Supplies	1,200	1,576	(376)
Payroll Taxes	57,029	55,919	1,110
Postage	125	39	86
Repairs and Maintenance	98,200	108,515	(10,315)
Salaries	771,978	773,360	(1,382)
Small Equipment and Tools	14,500	16,504	(2,004)
Supplies	27,000	33,178	(6,178)
Telephone	5,300	8,273	(2,973)
Training	3,400	1,169	2,231
Vehicle Expense	176,000	272,824	(96,824)
Uniforms	12,750	23,990	(11,240)
Utilities	15,800	20,395	(4,595)
Total Public Works	<u>1,710,105</u>	<u>1,777,727</u>	<u>(67,622)</u>

**CITY OF HARTSVILLE, SOUTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2014
(Continued)**

	<u>Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Capital Outlay			
General Government	\$ -	\$ 146,587	\$ (146,587)
Public Safety	155,710	58,913	96,797
Culture and Recreation	5,000	15,021	(10,021)
Cemetary	5,000	-	5,000
Airport	33,750	51,330	(17,580)
Public Works	<u>64,945</u>	<u>235,397</u>	<u>(170,452)</u>
Total Capital Outlay	<u>264,405</u>	<u>507,248</u>	<u>(242,843)</u>
Debt Service			
Principal	389,834	415,240	(25,406)
Interest	<u>70,571</u>	<u>62,058</u>	<u>8,513</u>
Total Debt Service	<u>460,405</u>	<u>477,298</u>	<u>(16,893)</u>
Total Expenditures	<u>8,896,394</u>	<u>9,602,733</u>	<u>(706,339)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(501,270)</u>	<u>(605,723)</u>	<u>1,308,225</u>
Other Financing Sources (Uses)			
Capital Lease Proceeds	-	961,279	961,279
Sale of Capital Assets	50,000	160,828	110,828
Operating Transfers In	451,270	501,470	50,200
Operating Transfers Out	<u>-</u>	<u>(69,415)</u>	<u>(69,415)</u>
Total Other Financing Sources (Uses)	<u>501,270</u>	<u>1,554,162</u>	<u>1,052,892</u>
Net Change in Fund Balance	<u>\$ -</u>	948,439	<u>\$ 948,439</u>
Fund Balance, Beginning of Year (Restated)		<u>1,999,927</u>	
Fund Balance, End of Year		<u>\$ 2,948,366</u>	

**CITY OF HARTSVILLE, SOUTH CAROLINA
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
For the Fiscal Year Ended June 30, 2014**

	Budgeted Amounts			Variance
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Positive (Negative)
Revenues				
Taxes	\$ 3,748,667	\$ 3,727,167	\$ 4,043,484	\$ 316,317
Licenses, Fees and Permits	2,694,300	2,582,557	2,601,090	18,533
Intergovernmental	176,673	165,000	182,516	17,516
Charges for Services	1,124,700	1,161,500	1,180,065	18,565
Fines and Forfeitures	147,000	95,000	78,193	(16,807)
Miscellaneous	<u>756,700</u>	<u>663,900</u>	<u>911,662</u>	<u>247,762</u>
Total Revenues	<u>8,648,040</u>	<u>8,395,124</u>	<u>8,997,010</u>	<u>601,886</u>
Expenditures				
Current:				
General Government	1,907,801	2,058,963	2,084,198	(25,235)
Public Safety	3,548,076	3,575,847	3,847,347	(271,500)
Culture and Recreation	813,196	655,769	743,118	(87,349)
Cemetery	89,150	109,350	102,468	6,882
Airport	63,370	61,550	63,329	(1,779)
Public Works	1,709,470	1,710,105	1,777,727	(67,622)
Capital Outlay	416,677	264,405	507,248	(242,843)
Debt Service				
Principal	187,223	389,834	415,240	(25,406)
Interest	<u>74,735</u>	<u>70,571</u>	<u>62,058</u>	<u>8,513</u>
Total Expenditures	<u>8,809,698</u>	<u>8,896,394</u>	<u>9,602,733</u>	<u>(706,339)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(161,658)</u>	<u>(501,270)</u>	<u>(605,723)</u>	<u>(104,453)</u>
Other Financing Sources (Uses)				
Capital Lease Proceeds	-	-	961,279	961,279
Sale of Capital Assets	5,000	50,000	160,828	110,828
Operating Transfers In	382,288	451,270	501,470	50,200
Operating Transfers Out	<u>(225,630)</u>	<u>-</u>	<u>(69,415)</u>	<u>(69,415)</u>
Total Other Financing Sources (Uses)	<u>161,658</u>	<u>501,270</u>	<u>1,554,162</u>	<u>1,052,892</u>
Net Change in Fund Balance	-	-	948,439	948,439
Fund Balance, Beginning of Year (Restated)	<u>1,999,927</u>	<u>1,999,927</u>	<u>1,999,927</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 1,999,927</u>	<u>\$ 1,999,927</u>	<u>\$ 2,948,366</u>	<u>\$ 948,439</u>

**CITY OF HARTSVILLE, SOUTH CAROLINA
REQUIRED SUPPLEMENTAL INFORMATION
OTHER POST EMPLOYMENT BENEFIT PLAN – DEFINED HEALTHCARE PLAN
SCHEDULES OF EMPLOYER CONTRIBUTIONS AND FUNDING PROGRESS
For the Fiscal Year Ended June 30, 2014**

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Applicable to Fiscal Year Ending	Annual OPEB Cost	Contribution for Fiscal Year	Annual Percentage Contributed	Net OPEB Obligation
June 30, 2014	\$ 92,455	\$ 92,455	100.00%	\$ -
June 30, 2013	\$ 125,689	\$ 125,689	100.00%	\$ -
June 30, 2012	\$ 125,787	\$ 125,787	100.00%	\$ -
June 30, 2011	\$ 126,000	\$ 126,000	100.00%	\$ -
June 30, 2010	\$ 126,000	\$ 126,000	100.00%	\$ -

*TBD - To be determined

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Aggregate* (b)	Underfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
July 1, 2013	\$ 371,091	\$ 1,190,321	\$ 819,230	31.18%	\$ 3,963,233	20.67%
June 30, 2013	\$ 100,056	\$ 1,452,286	\$ 1,352,230	6.89%	\$ 3,554,727	38.04%
June 30, 2012	\$ 94,438	\$ 1,452,286	\$ 1,357,848	6.50%	\$ 3,554,727	38.20%

CITY OF HARTSVILLE, SOUTH CAROLINA
NOTES TO REQUIRED SUPPLEMENTAL INFORMATION
June 30, 2014

Note 1. Budgets and Budgetary Accounting

Budgets, except for the Special Revenue Fund, are adopted on a basis consistent with generally accepted accounting principles. The accounting system provides for appropriate budgetary control. Budgetary comparisons are included in the supplemental schedules for the General Fund. Unused appropriations for all annually budgeted funds lapse at the end of the year.

Note 2. Legal Compliance – Budgets

The City Manager submits a proposed operating budget for the fiscal year to the City Council. The operating budget includes proposed expenditures and the means of financing them. Prior to July 1, the budget is legally enacted through passage of an ordinance. The City Manager is authorized to transfer budgeted amounts within departments as necessary to achieve the goals of the budget. Any revisions that alter the total expenditures of any fund must be approved by City Council. Budgeted amounts reflected in the accompanying financial statements are the final authorized amounts as revised during the year.

The City has not presented budget information for the Special Revenue Fund, since budgetary control is maintained on an individual grant basis. Since grant periods may differ from the City's fiscal year, a comparison of budgetary information for the total Special Revenue Fund would not be meaningful and has not been presented in the accompanying financial statements.

The general government, public safety, culture and recreation, airport, public works, capital outlay and debt service has excess expenditures over appropriations in the amount of \$25,235, \$271,500, \$87,349 and \$1,779, \$67,622, \$242,843 and \$16,893 respectively.

SPECIAL REVENUE FUNDS

Special revenue funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes.

Hospitality Tax Fund

The *Hospitality Tax Fund*, a major fund, is used to account for taxes levied on prepared foods and beverages located within the city. Proceeds from hospitality tax must be used exclusively for (1) tourism related buildings; (2) tourism related cultural, recreational, or historical facilities; (3) beach access and re-nourishment; (4) highways, roads, streets, and bridges providing access to tourist destinations; (5) advertisements and promotions related to tourism development; or (6) water and sewer infrastructure to serve tourism related demand.

Special Revenue Fund

The *Special Revenue Fund*, a major fund, is used to account for revenues and expenditures from a variety of grants and/or donations that are to be used for specific purposes. These include, but are not limited to, public safety operating grants, airport capital grants, and donations to be used for construction of recreation facilities.

Infrastructure Park Fund

The *Infrastructure Park Fund*, a major fund, is used to account for special assessment taxes levied on property located within the Park, payments to improve the park and payment to reduce debt associated with the park.

Cargill Development Fund

The *Cargill Development Fund*, a non-major fund, is used to account for activities associated with ongoing development of the property donated to the City by the Cargill Corporation.

Accommodations Tax Fund

The *Accommodations Tax Fund*, a non-major fund, is used to account for taxes levied on accommodations within the city. Proceeds from accommodations tax are allocated to a special fund for tourism.

**CITY OF HARTSVILLE, SOUTH CAROLINA
HOSPITALITY TAX FUND
BALANCE SHEET
June 30, 2014**

Assets

Restricted Cash \$ 759,994

Total Assets **\$ 759,994**

Liabilities and Fund Balance

Fund Balance

Restricted for Culture and Recreation \$ 759,994

Total Liabilities and Fund Balance **\$ 759,994**

**CITY OF HARTSVILLE, SOUTH CAROLINA
HOSPITALITY TAX FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
For the Fiscal Year Ended June 30, 2014**

Revenues

Other Taxes \$ 775,992

Total Revenues 775,992

Expenditures

Economic Development 36,770

Debt Services

Principal 386,911

Interest 80,639

Total Expenditures 504,320

Excess of Revenues Over
Expenditures 271,672

Other Financing Sources (Uses)

Transfer from Accomodations Fund 49,580

Transfer to General Fund (212,630)

Total Other Financing Sources (Uses) (163,050)

Net Change in Fund Balance 108,622

Restricted Fund Balance, Beginning of Year 651,372

Restricted Fund Balance, End of Year \$ 759,994

**CITY OF HARTSVILLE, SOUTH CAROLINA
SPECIAL REVENUE FUND
BALANCE SHEET
June 30, 2014**

Assets

Cash	\$ 62,846
Accounts Receivable	4,062
Due from Other Funds	<u>2,143</u>
Total Assets	<u>\$ 69,051</u>

Liabilities and Fund Balance

Due to Other Funds	<u>\$ 51,000</u>
Total Liabilities	<u>51,000</u>
Fund Balance	
Restricted for Economic Development	<u>18,051</u>
Total Liabilities and Fund Balance	<u>\$ 69,051</u>

CITY OF HARTSVILLE, SOUTH CAROLINA
SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
For the Fiscal Year Ended June 30, 2014

Revenues

Grant Proceeds \$ 1,388,269

Total Revenues 1,388,269

Expenditures

Capital Outlay

General Government 1,131,595

Public Safety 32,863

Economic Development 12,851

Total Expenditures 1,177,309

Excess of Revenues Over
Expenditures 210,960

Other Financing Sources (Uses)

Transfer to General Fund (50,000)

Transfer to Utility Fund (190,039)

Total Other Financing Sources (Uses) (240,039)

Net Change in Fund Balance (29,079)

Restricted Fund Balance, Beginning of Year 47,130

Restricted Fund Balance, End of Year \$ 18,051

**CITY OF HARTSVILLE, SOUTH CAROLINA
VICTIM'S ASSISTANCE
SCHEDULE OF FINES, ASSESSMENTS AND SURCHARGES
For the Fiscal Year Ended June 30, 2014**

Court Fines

Court Fines Collected	\$ 57,422
Court Fines Retained by Town	<u>(53,411)</u>

Court Fines Remitted to the State Treasurer	<u>\$ 4,011</u>
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Court Assessments

Court Assessments Collected	61,528
Court Assessments Retained by Town	<u>(6,881)</u>

Court Assessments Remitted to the State Treasurer	<u>54,647</u>
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Court Surcharges

Court Surcharges Collected	47,607
Court Surcharges Retained by Town	<u>(8,619)</u>

Court Surcharges Remitted to the State Treasurer	<u>38,988</u>
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Victim's Services

Funds Available for Carryforward, Beginning of Year	(51,446)
Court Assessments Allocated to Victim Services	15,500
Victim Assistance Fund Expenditures	<u>(28,204)</u>

Fund Available for Carryforward, End of Year	<u>\$ (64,150)</u>
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**CITY OF HARTSVILLE, SOUTH CAROLINA
INFRASTRUCTURE PARK FUND
BALANCE SHEET
June 30, 2014**

Assets

Cash	\$ 3,503,650
Total Assets	<u>\$ 3,503,650</u>

Liabilities and Fund Balance

Due to Other Funds	\$ 9,000
Total Liabilities	<u>9,000</u>
Fund Balance	
Restricted for Economic Development	<u>3,494,650</u>
Total Liabilities and Fund Balance	<u>\$ 3,503,650</u>

**CITY OF HARTSVILLE, SOUTH CAROLINA
 INFRASTRUCTURE PARK FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 For the Fiscal Year Ended June 30, 2014**

Revenues

Fee in Lieu	\$ 474,039
Investment Earnings	<u>114</u>
 Total Revenues	 <u>474,153</u>

Expenditures

Economic Development	164,873
Debt Service	
Principal	1,090,000
Interest	<u>25,000</u>
 Total Expenditures	 <u>1,279,873</u>

Excess (Deficiency) of Revenues Over Expenditures	<u>(805,720)</u>
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Other Financing Sources (Uses)

Bond Proceeds	4,015,000
Bond Issuance Costs	<u>(34,500)</u>
 Total Other Financing Sources (Uses)	 <u>3,980,500</u>

Net Change in Fund Balance	3,174,780
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Restricted Fund Balance, Beginning of Year	<u>319,870</u>
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Restricted Fund Balance, End of Year	<u>\$ 3,494,650</u>
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**CITY OF HARTSVILLE, SOUTH CAROLINA
CARGILL DEVELOPMENT FUND
BALANCE SHEET
June 30, 2014**

Assets

Cash \$ 125,196

Total Assets **\$ 125,196**

Liabilities and Fund Balance

Fund Balance
Restricted for Economic Development \$ 125,196

Total Liabilities and Fund Balance **\$ 125,196**

CITY OF HARTSVILLE, SOUTH CAROLINA
CARGILL DEVELOPMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
For the Fiscal Year Ended June 30, 2014

Revenues

Miscellaneous \$ 74,723

Expenditures

Cargil Development 11,948

Net Change in Fund Balance 62,775

Restricted Fund Balance, Beginning of Year 62,421

Restricted Fund Balance, End of Year \$ 125,196

**CITY OF HARTSVILLE, SOUTH CAROLINA
ACCOMMODATIONS TAX FUND
BALANCE SHEET
June 30, 2014**

Assets

Cash \$ 115,320

Total Assets **\$ 115,320**

Liabilities and Fund Balance

Fund Balance
Restricted for Economic Development \$ 115,320

Total Liabilities and Fund Balance **\$ 115,320**

**CITY OF HARTSVILLE, SOUTH CAROLINA
 ACCOMMODATIONS TAX FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 For the Fiscal Year Ended June 30, 2014**

Revenues

Other Taxes	\$ 120,660
Total Revenues	<u>120,660</u>

Expenditures

Economic Development	<u>27,619</u>
Total Expenditures	<u>27,619</u>

Excess of Revenues Over Expenditures	<u>93,041</u>
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Other Financing Sources (Uses)

Transfer To Hospitality Fund	(49,580)
Transfer To General Fund	<u>(18,640)</u>
Total Other Financing Sources (Uses)	<u>(68,220)</u>

Net Change in Fund Balance	24,821
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Restricted Fund Balance, Beginning of Year	<u>90,499</u>
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Restricted Fund Balance, End of Year	<u>\$ 115,320</u>
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SEWER SYSTEM ENTERPIRSE FUND

The enterprise fund is used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the government's council is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or where the government's council has decided that periodic determination of net income is appropriate for accountability purposes. The City has three funds that consist of Water and Sewer, Storm Water and Splash Pad.

Water and Sewer Fund. Accounts for monies collected from charges for services of water and sewer fees.

Storm Water Fund. Accounts for monies collected from service charges related to storm water fee residents inside city limits.

Splash Pad Fund. Accounts for monies collected from admission to water park.

Recreation Concessions Fund. Accounts for monies collected from admission to ball fields and concessions sales.

**CITY OF HARTSVILLE, SOUTH CAROLINA
 PROPRIETARY FUNDS
 COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION –
 BUDGET TO ACTUAL
 For the Fiscal Year Ended June 30, 2014**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Operating Revenues			
Charges for Services			
Service Charges	\$ 3,787,000	\$ 3,959,369	\$ 172,369
Taps	11,000	1,800	(9,200)
Penalties	83,000	81,250	(1,750)
Other Fees and Charges	106,000	171,018	65,018
Miscellaneous	2,500	1,473	(1,027)
Tower Leases	<u>90,000</u>	<u>110,136</u>	<u>20,136</u>
Total Revenues	<u>4,079,500</u>	<u>4,325,046</u>	<u>245,546</u>
Operating Expenses			
Bad Debt Expense	-	85,473	(85,473)
Contract Services	659,700	696,906	(37,206)
Contingency	52,169	-	52,169
Depreciation	613,602	647,732	(34,130)
Dues and Subscriptions	700	1,255	(555)
Employee Benefits	76,064	78,781	(2,717)
Equipment	26,398	26,398	-
Insurance	221,893	187,352	34,541
Legal and Professional	165,950	150,810	15,140
Miscellaneous	3,306	21,038	(17,732)
Office Supplies	10,000	38,771	(28,771)
Payroll Taxes	54,903	53,413	1,490
Postage	15,500	17,161	(1,661)
Repairs and Maintenance	15,800	17,322	(1,522)
Salaries	758,162	736,906	21,256
Supplies	93,550	104,978	(11,428)
System Repairs and Maintenance	409,200	202,010	207,190
Telephone	7,500	11,785	(4,285)
Training	4,500	2,257	2,243
Uniforms	6,700	12,374	(5,674)
Utilities	4,800	125	4,675
Vehicle Expense	65,550	72,845	(7,295)
Water Testing Fees	<u>30,000</u>	<u>18,278</u>	<u>11,722</u>
Total Operating Expenses	<u>3,295,947</u>	<u>3,183,970</u>	<u>111,977</u>
Operating Income (Loss)	<u>783,553</u>	<u>1,141,076</u>	<u>357,523</u>
Non-Operating Income (Expense)			
Investment Income	750	1,081	331
Bond Issuance Costs	-	(11,900)	(11,900)
Interest Expense	<u>(349,967)</u>	<u>(187,319)</u>	<u>162,648</u>
Total Non-Operating Income (Expense)	<u>(349,217)</u>	<u>(198,138)</u>	<u>151,079</u>
Income Before Contributions and Transfers	<u>434,336</u>	<u>942,938</u>	<u>508,602</u>
Operating Transfers In	-	259,454	259,454
Operating Transfers (Out)	<u>(220,000)</u>	<u>(220,200)</u>	<u>(200)</u>
Change in Net Position	214,336	982,192	767,856
Net Position, Beginning of Year (Restated)	<u>16,937,418</u>	<u>16,937,418</u>	<u>-</u>
Net Position, End of Year	<u>\$ 17,151,754</u>	<u>\$ 17,919,610</u>	<u>\$ 767,856</u>

FIDUCIARY FUNDS

Agency funds are used to account for assets held by the government as an agent for individuals, private organizations, other governments and/or other funds.

Trust funds are used to account for assets held by the government in a trustee capacity.

Parking and Beautification Fund.

Accounts for monies collected from district franchise taxes and parking fees as well as operating expenses of the Hartsville Parking, Beautification and Business Improvement Commission.

Narcotics Fund.

Accounts for monies collected from Darlington County Combined Drug Unit Forfeitures Program.

Police Evidence Fund.

Accounts for monies collected from sale of seized evidence.

CITY OF HARTSVILLE, SOUTH CAROLINA
FUDUCIARY FUNDS
COMBINING SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES –
ALL AGENCY FUNDS
For the Fiscal Year Ended June 30, 2014

	Balance <u>July 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2014</u>
Police Evidence Fund				
Cash	\$ 8,104	\$ -	\$ -	\$ 8,104
Total Assets	<u>\$ 8,104</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,104</u>
Due to Agency Recipient	<u>\$ 8,104</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,104</u>
Total Liabilities	<u>\$ 8,104</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,104</u>
Parking and Beautification Commission				
Cash	\$ 89,833	\$ 29,014	\$ (12,893)	\$ 105,954
Due from Other Governments	838	-	(838)	-
Capital Assets, Net of Accumulated Depreciation	<u>151,880</u>	<u>-</u>	<u>-</u>	<u>151,880</u>
Total Assets	<u>\$ 242,551</u>	<u>\$ 29,014</u>	<u>\$ (13,731)</u>	<u>\$ 257,834</u>
Due to Agency Recipient	<u>\$ 242,551</u>	<u>\$ 16,121</u>	<u>\$ (838)</u>	<u>\$ 257,834</u>
Total Liabilities	<u>\$ 242,551</u>	<u>\$ 16,121</u>	<u>\$ (838)</u>	<u>\$ 257,834</u>
Narcotics Fund				
Cash	\$ 39,854	\$ 12,344	\$ (1,866)	\$ 50,332
Due from Other Governments	<u>-</u>	<u>5,119</u>	<u>-</u>	<u>5,119</u>
Total Assets	<u>\$ 39,854</u>	<u>\$ 17,463</u>	<u>\$ (1,866)</u>	<u>\$ 55,451</u>
Due to Agency recipient	<u>\$ 39,854</u>	<u>\$ 15,597</u>	<u>\$ -</u>	<u>\$ 55,451</u>
Total Liabilities	<u>\$ 39,854</u>	<u>\$ 15,597</u>	<u>\$ -</u>	<u>\$ 55,451</u>

COMPLIANCE SECTION

**CITY OF HARTSVILLE, SOUTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2014**

<u>Federal Grantor/Pass-through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Federal Expenditures</u>
Direct Programs:			
U.S. Department of Agriculture Community Facility Grant	10.766		\$ 50,000
U.S. Department of Homeland Security: Assistance to Firefighters Grant	97.044		17,081
U.S. Department of Transportation: Airport Improvement Program	20.106		* <u>900,572</u>
Total Direct Programs			<u>967,653</u>
Pass-through Programs from:			
South Carolina Department of Commerce: Community Development Block Grant Program	14.228	4-CL-10-013	25,030
Community Development Block Grant Program	14.225		<u>125,992</u>
Total Pass-Through Programs			<u>151,022</u>
Total Expenditures of Federal Awards			<u>\$ 1,118,675</u>

*Tested as major program

CITY OF HARTSVILLE, SOUTH CAROLINA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2014

- Note 1.** The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal award programs of City of Hartsville, South Carolina for the year ended June 30, 2014. All federal awards received directly from federal agencies as well as those passed through other government agencies are included on the Schedule.
- Note 2.** The accompanying Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting, which is described in the notes to the City's basic financial statements.
- Note 3.** Federal awards expenditures are reported in the City's basic financial statements as expenditures in the General Fund and Special Revenue Fund.
- Note 4.** Difference between the amount of revenue received from federal wards and the related expenditures are recognized as either deferred revenue or receivables in the basic financial statements. The amounts recorded on the Schedule of Expenditures of Federal Awards agree with the amounts recorded in the basic financial statements.

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February 7, 2015

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 Members of City Council
City of Hartsville, 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, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Hartsville, South Carolina, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City of Hartsville, South Carolina's basic financial statements and have issued our report thereon dated February 7, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Hartsville, South Carolina's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Hartsville, South Carolina's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Hartsville, 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 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Hartsville, South Carolina's financial statements are free of 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 determination of financial statement amounts. 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.

Sheheen Hancock & Godwin, LLP

Sheheen, Hancock & Godwin, LLP

Certified Public Accountants

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February 7, 2015

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

To the Honorable Members of City Council
City of Hartsville, South Carolina

Report on Compliance for Each Major Federal Program

We have audited the City of Hartsville, South Carolina's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City of Hartsville, South Carolina's major federal programs for the year ended June 30, 2014. The City of Hartsville, 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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Hartsville, South Carolina's major federal programs based on our audit of the types of compliance requirements referred to above. 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Hartsville, South Carolina's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City of Hartsville, South Carolina's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Hartsville, 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, 2014.

Report on Internal Control Over Compliance

Management of the City of Hartsville, South Carolina, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Hartsville, South Carolina's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Hartsville, South Carolina's 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 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Sheheen Hancock & Godwin, LLP
Sheheen, Hancock & Godwin, LLP
Certified Public Accountants

CITY OF HARTSVILLE, SOUTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2014

A. SUMMARY OF RESULTS

1. The financial statement opinion is unmodified.
2. No significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements. No material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
3. The audit disclosed no instances of noncompliance to the financial statements for the City of Hartsville.
4. No material weaknesses in internal control over major programs were disclosed by the audit. No significant deficiencies in internal control over major programs were disclosed by the audit.
5. We have issued an unmodified report on compliance for major programs.
6. There were no findings disclosed.
7. Major Programs are as follows:

US Department of Transportation:
Airport Improvement Grant – CFDA 20.106

8. Type A programs are those exceeding \$300,000. Type B programs are those exceeding \$100,000.
9. City of Hartsville did not qualify as a low-risk auditee.

**CITY OF HARTSVILLE, SOUTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2014
(Continued)**

B. FINDINGS RELATED TO FINANCIAL STATEMENTS

There were no current year findings

**CITY OF HARTSVILLE, SOUTH CAROLINA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Fiscal Year Ended June 30, 2014**

13-1 Oversight of the Financial Reporting Process

The City does not presently have an employee with the expertise and training to prepare its annual financial statements or identify material misstatements.

Corrective action was taken.

13-2 Fiscal Management over Fixed Asset Records

The City did not maintain the fixed asset records during the fiscal year. The schedules maintained for the Governmental Funds and the Proprietary Funds were not updated for all current year additions.

Corrective action was taken.

13-3 Fiscal Management of Bank Accounts

The City was not posting all bank account activity to the general ledger. Also, the City had minimal oversight of certain bank accounts by the finance department. It was also determined that the City was not reconciling all bank accounts on a consistent basis to the bank statement and general ledger.

Corrective action was taken.

13-4 Fiscal Management of Federal Grant Reporting

The City does not presently have an employee with the expertise or training to review the compliance and fiscal management over all grant agreements.

Corrective action was taken.

13-5 Management Review of Payroll

The City does not have a process of managerial oversight review of the entered payroll data prior to the completion of the payroll. There does not appear to be a managerial oversight review of the payroll register after the data input, but prior to electronic submission to the third party payroll provider.

Corrective action was taken.