

**CITY OF HARTSVILLE
HARTSVILLE, SOUTH CAROLINA**

**ANNUAL FINANCIAL REPORT
Fiscal Year Ended June 30, 2016**

**CITY OF HARTSVILLE, SOUTH CAROLINA
ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2016**

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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-----Jerry Thompson.
Fire Chief-----Jeff Burr

SHEHEEN, HANCOCK & GODWIN, LLP

CERTIFIED PUBLIC ACCOUNTANTS
1011 FAIR STREET
P.O. DRAWER 428
CAMDEN, SOUTH CAROLINA 29201
FOUNDED 1959

AUSTIN M. SHEHEEN, JR., CPA
TERRY M. HANCOCK, CPA
LARRY F. GODWIN, CPA
THOMAS B. MYERS, CPA
DARYL W. TAYLOR, CPA
ANTHONY E. BOYKIN, CPA
JANE M. PEACOCK, CPA
MATTHEW C. IRICK, CPA
J. RICHARD PARKER, CPA
R. MARC WOOD

MEMBERS OF
AMERICAN INSTITUTE OF CPA'S

SOUTH CAROLINA ASSOCIATION OF CPA'S

TELEPHONE
(803) 432-1424
FAX
(803) 432-1831

WEBSITE: WWW.SHGCPA.COM

MARC A. QUIGLEY, CPA
REBECCA M. LEE, CPA
TRACY L. FAILE, CPA
SHANE E. KIRKLEY, CPA
B. KEACH JORDAN, CPA
ADRIENNE BERG LUCAS
CHRISTOPHER H. HARRELL
JOHN F. MARTIN

October 31, 2016

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, 2016, 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, 2016, 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 and budgetary comparison information for the General Fund on pages 4-11 and 60, and the schedules of funding progress and employer contributions, schedule of City's proportionate share of net pension liabilities and Schedule of City's Contributions on pages 61-63 to 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 combining and individual fund financial statements 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 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 October 31, 2016, 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
Camden, South Carolina

**CITY OF HARTSVILLE, SOUTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2016**

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, 2016. 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 \$26,374,987 at the close of the 2016 fiscal year. Of this amount, \$8,993,423 may be used to meet City government's ongoing obligations to citizens and creditors.
- Revenues and other financing sources (uses) totaled \$13,111,438 and expenditures totaled \$14,365,864 for all governmental funds at the fund level. Included in that expenditure total is \$3,054,090 in capital outlay projects. Accordingly, expenditures exceeded revenues and other financing sources by \$1,254,426.
- As of the close of fiscal year 2016, the City of Hartsville's governmental funds reported combined ending fund balances of \$4,760,859. Approximately 56 percent of this amount, \$2,682,215 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 \$17,381,564, an increase of approximately 5 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, 2016
(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 and 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 four 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 and sewer, storm water, splash pad and concession activities.

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 78.

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

**CITY OF HARTSVILLE, SOUTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2016
(Continued)**

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 79.

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 23-52.

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 \$26,374,987, at the close of the most recent fiscal year. Net position is reported in three categories: net investment in capital assets of \$21,633,978, restricted net position of \$1,787,991, and unrestricted net position of \$2,953,018. The City's combined net position increased by \$672,226 between fiscal years 2015 and 2016. (See Table A-1)

The largest portion of the City's net position (83 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, 2016
(Continued)**

Table A-1

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>
Assets						
Current and Other Assets	\$ 6,820,650	\$ 5,796,139	\$ 6,343,202	\$ 8,229,872	\$ 13,163,852	\$ 14,026,011
Capital Assets	17,974,110	19,563,197	17,159,717	18,014,536	35,133,827	37,577,733
Total Assets	<u>24,794,760</u>	<u>25,359,336</u>	<u>23,502,919</u>	<u>26,244,408</u>	<u>48,297,679</u>	<u>51,603,744</u>
Deferred Outflows						
Pension Cost	<u>660,988</u>	<u>838,179</u>	<u>112,973</u>	<u>158,868</u>	<u>773,961</u>	<u>997,047</u>
Liabilities						
Current Liabilities	2,115,662	2,149,554	617,374	735,319	2,733,036	2,884,873
Non-Current Liabilities	<u>14,149,370</u>	<u>15,018,070</u>	<u>5,725,209</u>	<u>8,283,901</u>	<u>19,874,579</u>	<u>23,301,971</u>
Total Liabilities	<u>16,265,032</u>	<u>17,167,624</u>	<u>6,342,583</u>	<u>9,019,220</u>	<u>22,607,615</u>	<u>26,186,844</u>
Deferred Inflows						
Revenue	<u>656,548</u>	<u>36,468</u>	<u>104,718</u>	<u>2,492</u>	<u>761,266</u>	<u>38,960</u>
Net Position						
Net Investment in Capital						
Assets	11,274,445	11,146,560	12,151,092	10,487,417	23,425,537	21,633,977
Restricted For:						
Economic Development	689,982	919,370	-	-	689,982	919,370
Culture and Recreation	819,011	716,140	-	-	819,011	716,140
Debt Service	9,330	42,390	658,464	117,163	667,794	159,553
Unrestricted	<u>(4,258,600)</u>	<u>(3,831,037)</u>	<u>4,359,035</u>	<u>6,776,984</u>	<u>100,435</u>	<u>2,945,947</u>
Total Net Position	<u>\$ 8,534,168</u>	<u>\$ 8,993,423</u>	<u>\$ 17,168,591</u>	<u>\$ 17,381,564</u>	<u>\$ 25,702,759</u>	<u>\$ 26,374,987</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 \$301,193, while total expenditures decreased by \$1,557,773.

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 \$3,830,622 exceeded the total expenses of \$2,912,517, yielding a positive change in net position of \$918,105 for fiscal year 2016. Since the water and sewer, storm water, splash pad and concessions 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 \$5,386,692 in principal payments, \$195,130 in capital expenses, \$1,390,680 in construction in progress for ongoing projects for all four utilities and \$7,905,185 for issuing of new debt.

**CITY OF HARTSVILLE, SOUTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2016
(Continued)**

Table A-2
City of Hartsville Changes in Net Position

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>
Revenues						
Program Revenues:						
Fees, Fines and Charges for Services	\$ 4,704,717	\$ 4,399,833	\$ 4,034,531	\$ 3,820,927	\$ 8,739,248	\$ 8,220,760
Operating Grants	47,559	51,152	-	-	47,559	51,152
Capital Grants	696,883	193,523	200,874	77,452	897,757	270,975
General Revenues:						
Property Taxes	5,856,366	6,027,184	-	-	5,856,366	6,027,184
Miscellaneous	342,009	628,156	109,054	702,340	451,063	1,330,496
Unrestricted Investment Earnings	581	688	1,004	4,408	1,585	5,096
Intergovernmental Revenues	169,950	169,950	-	-	169,950	169,950
Gain on Disposition of Capital Assets	6,569	99,529	-	-	6,569	99,529
Transfer - Utility Fund	218,693	774,505	(218,693)	(774,505)	-	-
Total Revenues	<u>12,043,327</u>	<u>12,344,520</u>	<u>4,126,770</u>	<u>3,830,622</u>	<u>16,170,097</u>	<u>16,175,142</u>
Expenses						
General Government	2,112,794	2,944,813	-	-	2,112,794	2,944,813
Public Safety	4,403,498	4,821,718	-	-	4,403,498	4,821,718
Public Works	2,121,009	1,965,129	-	-	2,121,009	1,965,129
Economic Development	330,972	633,393	-	-	330,972	633,393
Culture and Recreation	795,506	869,355	-	-	795,506	869,355
Airport	67,278	77,051	-	-	67,278	77,051
Cemetery	120,117	115,874	-	-	120,117	115,874
Interest on Long-Term Debt	68,743	208,747	-	-	68,743	208,747
Capital Outlay	235,807	249,185	-	-	235,807	249,185
Enterprise Funds:						
Water and Sewer	-	-	3,247,551	3,197,187	3,247,551	3,197,187
Other Proprietary Funds	-	-	336,218	420,462	336,218	420,462
Total Expenses	<u>10,255,724</u>	<u>11,885,265</u>	<u>3,583,769</u>	<u>3,617,649</u>	<u>13,839,493</u>	<u>15,502,914</u>
Change in Net Position	1,787,603	459,255	543,001	212,973	2,330,604	672,228
Net Position, Beginning of Year	<u>6,746,565</u>	<u>8,534,168</u>	<u>16,625,590</u>	<u>17,168,591</u>	<u>23,372,155</u>	<u>25,702,759</u>
Net Position, End of Year	<u>\$ 8,534,168</u>	<u>\$ 8,993,423</u>	<u>\$ 17,168,591</u>	<u>\$ 17,381,564</u>	<u>\$ 25,702,759</u>	<u>\$ 26,374,987</u>

**CITY OF HARTSVILLE, SOUTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2016
(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 \$4,760,859. In the general fund there was a committed balance of \$49,474, and assigned balance of \$358,342 and an unassigned fund balance of \$2,682,215. The remaining fund balance consisted of \$1,670,828 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 \$6,776,983 or 37% of total proprietary fund net position in the amount of \$17,381,564. The City's largest component of proprietary fund net position is net investment in capital assets, of \$10,487,418 or 62% 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. There were no budget amendments during fiscal year 2016.

**CITY OF HARTSVILLE, SOUTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2016
(Continued)**

Capital Asset and Debt Administration

Capital Assets

At the end of 2016, the City had invested \$37,577,733 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>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>
Land	\$ 4,715,438	\$ 4,715,438	\$ 138,188	\$ 138,188	\$ 4,853,626	\$ 4,853,626
Construction in Progress	2,417,013	2,870,007	2,433,652	2,439,517	4,850,665	5,309,524
Buildings and Systems	2,630,049	2,699,801	134,518	134,518	2,764,567	2,834,319
Infrastructure	20,645,427	21,955,544	25,265,680	26,675,048	45,911,107	48,630,592
Machinery and Equipment	10,367,239	11,262,401	2,304,335	2,499,465	12,671,574	13,761,866
Splash Pad	-	-	617,843	631,558	617,843	631,558
Accumulated Depreciation	<u>(22,801,056)</u>	<u>(23,939,994)</u>	<u>(13,734,499)</u>	<u>(14,503,758)</u>	<u>(36,535,555)</u>	<u>(38,443,752)</u>
Total	<u>\$ 17,974,110</u>	<u>\$ 19,563,197</u>	<u>\$ 17,159,717</u>	<u>\$ 18,014,536</u>	<u>\$ 35,133,827</u>	<u>\$ 37,577,733</u>

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

Government Activities

Machinery and Vehicles	\$ 972,042
Multi-County BP Project	\$ 1,388,575
Pride Park	\$ 26,104
Burry Park	\$ 45,253
Security Cameras	\$ 27,247
Airport Upgrades	\$ 46,648
Lawton Park - Playground	\$ 144,103
Building Improvements	\$ 69,752
Byerly Park Upgrades	\$ 78,178
Wayfinding Signage	\$ 7,000

Business-type Activities

Machinery and Vehicles	\$ 195,130
Public Service Complex	\$ 207,353
Traffic Circle Project	\$ 13,208
Black Creek Pump Upgrades	\$ 31,844
Prestwood Sewer Rehab	\$ 21,962
Boutique Hotel Project	\$ 28,548
Black Creek Grinders	\$ 6,470
Flexnet Rual Development	\$ 313,759
Industrial Park	\$ 40,445
Splash Pad Improvements	\$ 38,268
Segars Mill Project	\$ 727,090

**CITY OF HARTSVILLE, SOUTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2016
(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 \$16,270,440 in outstanding notes, bonds, capital leases and compensated absences, compared to \$14,005,030 at June 30, 2015, and \$8,982,324 in net pension liability, compared to \$7,839,203 at June 30, 2015. 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 2016 the total debt limitation of assessed values for the City is \$ 2,098,907 with \$1,210,907 remaining.

Additional information on the City of Hartsville's long term debt as reported for fiscal year 2016 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, 2016, the unemployment rate for Darlington County was 6.8%. This compares unfavorably with the latest State's unemployment rate of 5.1% and the national rate of 5.0%. These indicators along with other concerns about our struggling economy were considered in preparing the City's budget for the 2016 fiscal year.

The City has been very fortunate and due to sound fiscal decisions, was able to decrease millage by 3 percent. While the City continues to be relatively stable in this slow economy, we have taken a conservative approach to our budget projections for 2017 in hopes that the current recession we are experiencing will continue to subside.

In our business-type activities the budget for fiscal year 2016 increased minimally due to expected volume increases and considered the implementation of our rate study that went into effect on July 1, 2014. It provides for no rate increase over a five year period while still providing 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, 2016

	Governmental Activities	Business-type Activities	Total	Component Unit
Assets				
Cash and Cash Equivalents	\$ 2,582,301	\$ 7,395,610	\$ 9,977,911	\$ 65,336
Restricted Cash	1,975,925	117,163	2,093,088	-
Investments	-	-	-	1,346,126
Receivables, Net	1,130,782	645,872	1,776,654	-
Inventories	-	137,875	137,875	-
Interfund Balances	66,648	(66,648)	-	-
Due From Other Governmental Units	40,483	-	40,483	-
Capital Assets:				
Land	4,715,438	138,188	4,853,626	-
Construction in Progress	2,870,007	2,439,517	5,309,524	-
Buildings and Systems	2,699,801	134,518	2,834,319	-
Machinery and Equipment	11,262,401	2,499,465	13,761,866	-
Infrastructure	21,955,544	26,675,049	48,630,593	-
Splash Pad	-	631,558	631,558	-
Less: Accumulated Depreciation	(23,939,994)	(14,503,759)	(38,443,753)	-
Total Capital Assets, Net of Depreciation	<u>19,563,197</u>	<u>18,014,536</u>	<u>37,577,733</u>	<u>-</u>
Deferred Outflows of Resources				
Prepaid Pension Cost	838,179	158,868	997,047	-
Total Assets and Deferred Outflows of Resources	<u>26,197,515</u>	<u>26,403,276</u>	<u>52,600,791</u>	<u>1,411,462</u>
Liabilities				
Accounts Payable and Accrued Liabilities	818,538	33,321	851,859	-
Accrued Interest Payable	51,216	21,767	72,983	-
Renters Deposits	5,220	-	5,220	-
Due to Agency Funds	4,017	-	4,017	-
Long-Term Liabilities:				
Due Within One Year:				
General Obligation Bonds	476,911	-	476,911	-
Revenue Bonds	336,339	585,000	921,339	-
Capital Leases	424,028	90,097	514,125	-
Compensated Absences	33,285	5,134	38,419	-
Due in More Than One Year:				
Compensated Absences	250,110	38,156	288,266	-
General Obligation Bonds	2,698,289	-	2,698,289	-
Revenue Bonds	3,022,829	6,695,000	9,717,829	-
Capital Leases	1,458,241	157,022	1,615,263	-
Net Pension Liability	<u>7,588,601</u>	<u>1,393,723</u>	<u>8,982,324</u>	<u>-</u>
Total Liabilities	<u>17,167,624</u>	<u>9,019,220</u>	<u>26,186,844</u>	<u>-</u>
Deferred Inflows				
Unavailable Revenue - Pension	36,468	2,492	38,960	-
Total Deferred Inflows of Resources	<u>36,468</u>	<u>2,492</u>	<u>38,960</u>	<u>-</u>
Net Position				
Net Investment in Capital Assets	11,146,560	10,487,417	21,633,977	-
Restricted for:				
Economic Development	919,370	-	919,370	-
Culture and Recreation	716,140	-	716,140	-
Debt Service	42,390	117,163	159,553	-
Unrestricted	<u>(3,831,037)</u>	<u>6,776,984</u>	<u>2,945,947</u>	<u>1,411,462</u>
Total Net Position	<u>\$ 8,993,423</u>	<u>\$ 17,381,564</u>	<u>\$ 26,374,987</u>	<u>\$ 1,411,462</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, 2016

Function/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Unit
		Fees, Fines & Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business-type Activities	Total	
Government Activities								
General Government Administration	\$ 2,944,813	\$ 2,405,846	\$ 25,694	\$ -	\$ (513,273)	\$ -	\$ (513,273)	\$ -
Public Safety	4,821,718	675,743	25,458	-	(4,120,517)	-	(4,120,517)	-
Public Works	1,965,129	1,181,122	-	-	(784,007)	-	(784,007)	-
Economic Development	633,393	-	-	-	(633,393)	-	(633,393)	-
Culture and Recreation	869,355	72,587	-	143,465	(653,303)	-	(653,303)	-
Airport	77,051	-	-	50,058	(26,993)	-	(26,993)	-
Cemetery	115,874	64,535	-	-	(51,339)	-	(51,339)	-
Capital Outlay	249,185	-	-	-	(249,185)	-	(249,185)	-
Interest on Long-Term Debt	208,747	-	-	-	(208,747)	-	(208,747)	-
Total Governmental Activities	<u>11,885,265</u>	<u>4,399,833</u>	<u>51,152</u>	<u>193,523</u>	<u>(7,240,757)</u>	<u>-</u>	<u>(7,240,757)</u>	<u>-</u>
Business-Type Activities:								
Water & Sewer	3,197,187	3,596,760	-	77,452	-	477,025	477,025	-
Other Proprietary Funds	420,462	224,167	-	-	-	(196,295)	(196,295)	-
Total Business-Type Activities	<u>3,617,649</u>	<u>3,820,927</u>	<u>-</u>	<u>77,452</u>	<u>-</u>	<u>280,730</u>	<u>280,730</u>	<u>-</u>
Total Primary Government	<u>\$ 15,502,914</u>	<u>\$ 8,220,760</u>	<u>\$ 51,152</u>	<u>\$ 270,975</u>	<u>(7,240,757)</u>	<u>280,730</u>	<u>(6,960,027)</u>	<u>-</u>
Component Unit								
Hartsville Museum Foundation, Inc.	\$ 61,445	\$ -	\$ -	\$ 15,292				(46,153)
General Revenues:								
Taxes:								
Property Taxes, Levied for General Purposes					2,694,459	-	2,694,459	-
Public Service Taxes					1,816,220	-	1,816,220	-
Sales and Use Tax					1,062,142	-	1,062,142	-
Payments in Lieu of Taxes					454,363	-	454,363	-
Unrestricted Investment Earnings					688	4,408	5,096	26,472
Unrealized Loss on Investments					-	-	-	(31,690)
Miscellaneous					628,156	702,340	1,330,496	-
Intergovernmental Revenues					169,950	-	169,950	-
Gain on Disposition of Assets					99,529	-	99,529	4,142
Transfers - Utility Fund					774,505	(774,505)	-	-
Total General Revenues and Transfers					<u>7,700,012</u>	<u>(67,757)</u>	<u>7,632,255</u>	<u>(1,076)</u>
Change in Net Position					459,255	212,973	672,228	(47,229)
Net Position, Beginning of Year (Restated)					<u>8,534,168</u>	<u>17,168,591</u>	<u>25,702,759</u>	<u>1,458,691</u>
Net Position, End of Year					<u>\$ 8,993,423</u>	<u>\$ 17,381,564</u>	<u>\$ 26,374,987</u>	<u>\$ 1,411,462</u>

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

CITY OF HARTSVILLE, SOUTH CAROLINA
BALANCE SHEET- GOVERNMENTAL FUNDS
June 30, 2016

	General Fund	Hospital Tax Fund	Infrastructure Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and Cash Equivalents	2,582,300	\$ -	\$ -	\$ -	\$ 2,582,300
Receivables:					
Intergovernmental Receivable	620,924	-	-	-	620,924
Sanitation Receivable, Net	204,363	-	-	-	204,363
Property Tax Receivable, Net	289,851	-	-	10,094	299,945
Accounts Receivable, Net	5,550	-	-	-	5,550
Due from Other Funds	370,747	-	-	816	371,563
Due from Other Governments	40,483	-	-	-	40,483
Restricted Cash	-	717,321	922,899	335,705	1,975,925
Total Assets	<u>\$ 4,114,218</u>	<u>\$ 717,321</u>	<u>\$ 922,899</u>	<u>\$ 346,615</u>	<u>\$ 6,101,053</u>
Liabilities					
Accounts Payable and Accrued Expenses	\$ 770,694	\$ -	\$ 47,844	\$ -	\$ 818,538
Compensated Absences	33,285	-	-	-	33,285
Renter Deposit	5,220	-	-	-	5,220
Due to Other Governments	4,017	-	-	-	4,017
Due to Other Funds	50,185	1,181	97,956	155,592	304,914
Total Liabilities	<u>863,401</u>	<u>1,181</u>	<u>145,800</u>	<u>155,592</u>	<u>1,165,974</u>
Deferred Inflows					
Unavailable Revenue - Property Taxes	167,858	-	-	6,362	174,220
Total Deferred Inflows	<u>167,858</u>	<u>-</u>	<u>-</u>	<u>6,362</u>	<u>174,220</u>
Fund Balances					
Restricted for:					
Economic Development	-	-	777,099	142,271	919,370
Culture and Recreation	-	716,140	-	-	716,140
Debt Service	-	-	-	42,390	42,390
Committed To:					
Cemetery Care	49,474	-	-	-	49,474
Assigned to:					
Donations and Sponsorships	358,342	-	-	-	358,342
Unassigned	2,675,143	-	-	-	2,675,143
Total Fund Balances	<u>3,082,959</u>	<u>716,140</u>	<u>777,099</u>	<u>184,661</u>	<u>4,760,859</u>
Total Liabilities, Deferred Inflows and Fund Balances	<u>\$ 4,114,218</u>	<u>\$ 717,321</u>	<u>\$ 922,899</u>	<u>\$ 346,615</u>	<u>\$ 6,101,053</u>

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, 2016**

Total Fund Balances - Governmental Funds (Exhibit C)	\$ 4,760,859
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	174,220
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 \$43,503,191 and the accumulated depreciation is \$23,939,994.	
	19,563,197
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.	
	(51,216)
Deferred outflows and inflows of resources related to pension are applicable to future periods and, therefore, not reported in the funds.	
Deferred outflows of resources related to pensions of \$838,179 equals \$355,373 deferred outflows of resources pension expense (from pension schedule) plus \$482,806 deferred outflow of 2016 employer contributions related to pensions.	
	838,179
Deferred inflows of resources related to pensions (from pension schedule)	
	(36,468)
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	(2,698,289)
General Obligation Bonds - Current	(476,911)
Revenue Bonds	(3,022,829)
Revenue Bonds - Current	(336,339)
Capital Leases	(1,458,241)
Capital Leases - Current	(424,028)
Net Pension Liability	(7,588,601)
Compensated Absences	(250,110)
Total Net Position Governmental Activities (Exhibit A)	\$ <u>8,993,423</u>

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

CITY OF HARTSVILLE, SOUTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2016

	General Fund	Hospitality Tax Fund	Infrastructure Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
Taxes					
Property Taxes	\$ 2,461,884	\$ -	\$ -	\$ 169,678	\$ 2,631,562
Other Taxes	1,758,458	871,621	78,626	169,657	2,878,362
Fee in Lieu	-	-	454,363	-	454,363
Franchise Fees	657,721	-	-	-	657,721
Licenses, Permits and Fees	1,851,597	-	-	-	1,851,597
Intergovernmental Revenue	169,950	-	-	-	169,950
Charges for Services	1,181,122	-	-	-	1,181,122
Fines and Forfeitures	145,468	-	-	-	145,468
Investment Earnings	537	-	151	-	688
Contributions and Donations	71,559	-	-	-	71,559
Rents	102,256	-	-	-	102,256
Fire Contract	499,390	-	-	-	499,390
Insurance Proceeds	39,508	-	-	-	39,508
Grants	-	-	-	173,116	173,116
Miscellaneous	545,427	-	5,500	7,072	557,999
	<u>9,484,877</u>	<u>871,621</u>	<u>538,640</u>	<u>519,523</u>	<u>11,414,661</u>
Total Revenues					
Expenditures					
Current					
General Government	2,596,949	-	-	-	2,596,949
Public Safety	4,152,831	-	-	-	4,152,831
Public Works	1,752,240	-	-	-	1,752,240
Economic Development	-	188,385	303,695	72,741	564,821
Culture and Recreation	775,129	-	-	-	775,129
Airport	68,662	-	-	-	68,662
Cemetery	103,350	-	-	-	103,350
Capital Outlay	1,328,680	95,697	1,388,575	241,138	3,054,090
Debt Service					
Principal	294,032	351,159	330,315	115,000	1,090,506
Interest	34,046	62,001	96,693	21,618	214,358
	<u>11,105,919</u>	<u>697,242</u>	<u>2,119,278</u>	<u>450,497</u>	<u>14,372,936</u>
Total Expenditures					
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,621,042)</u>	<u>174,379</u>	<u>(1,580,638)</u>	<u>69,026</u>	<u>(2,958,275)</u>
Other Financing Sources (Uses)					
Capital Lease Proceeds	829,815	-	-	-	829,815
Sale of Capital Assets	99,529	-	-	-	99,529
Transfers In	1,256,396	77,500	-	-	1,333,896
Transfers Out	-	(354,750)	(50,000)	(154,641)	(559,391)
	<u>2,185,740</u>	<u>(277,250)</u>	<u>(50,000)</u>	<u>(154,641)</u>	<u>1,703,849</u>
Total Other Financing Sources (Uses)					
Net Change in Fund Balances	564,698	(102,871)	(1,630,638)	(85,615)	(1,254,426)
Fund Balances, Beginning of Year	<u>2,518,261</u>	<u>819,011</u>	<u>2,407,737</u>	<u>270,276</u>	<u>6,015,285</u>
Fund Balances, End of Year	<u>\$ 3,082,959</u>	<u>\$ 716,140</u>	<u>\$ 777,099</u>	<u>\$ 184,661</u>	<u>\$ 4,760,859</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 GOVERNMENT FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2016

Total Net Change In Fund Balances - Governmental Funds (Exhibit E) \$ (1,254,426)

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 \$2,804,905 exceeds depreciation expense of \$1,215,818 in the period.	1,589,087
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.	796,474
Repayment of capital leases is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.	295,070
Because some revenues will not be collected for several months after the City'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.	62,897
Capital Lease proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position.	(829,815)
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.	(6,163)
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.	4,573
Governmental funds report city pension contributions as expenditures. However, in the statement of activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.	
City pension contributions	\$ 482,806
Cost of benefits earned net of employee contributions (pension expense from benefit schedule)	(681,248)
	<u>(198,442)</u>
Change in Net Position of Governmental Activities (Exhibit B)	<u>\$ 459,255</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, 2016

Assets

Current Assets:

Cash and Cash Equivalents	\$ 7,395,610
Accounts Receivable, Net	645,872
Inventory	<u>137,875</u>

Total Current Assets 8,179,357

Non-Current Assets:

Restricted Cash	117,163
Land	138,188
Construction in Progress	2,439,517
Capital Assets, Net	<u>15,436,831</u>

Total Non-Current Assets 18,131,699

Deferred Outflows of Resources

Prepaid Pension Cost 158,868

Total Assets and Deferred Outflows of Resources 26,469,924

Liabilities

Current Liabilities:

Accounts Payable and Accrued Expenses	33,321
Accrued Interest Payable	21,767
Due to Other Funds	66,648
Current Portion of Compensated Absences	5,134
Current Portion of Revenue Bonds Payable	585,000
Current Portion of Capital Lease Payable	<u>90,097</u>

Total Current Liabilities 801,967

Long-Term Liabilities:

Compensated Absences	38,156
Net Pension Liability	1,393,723
Revenue Bonds Payable	6,695,000
Capital Lease Payable	<u>157,022</u>

Total Liabilities 9,085,868

Deferred Inflows of Resources

Unavailable Revenue - Pension 2,492

Net Position

Net Investment in Capital Assets	10,487,417
Restricted for Debt Service	117,163
Unrestricted	<u>6,776,984</u>

Total Net Position \$ 17,381,564

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, 2016

	Water & Sewer	Other Proprietary Funds	Total Proprietary Funds
Operating Revenues			
Charges for Services			
Water Charges	\$ 1,742,100	\$ -	\$ 1,742,100
Sewer Charges	1,712,059	-	1,712,059
Taps	11,370	-	11,370
Penalties	86,102	-	86,102
Other Fees and Charges	45,129	143,316	188,445
Concession Fees	-	80,851	80,851
Miscellaneous	590,817	-	590,817
Tower Leases	111,523	-	111,523
	<u>4,299,100</u>	<u>224,167</u>	<u>4,523,267</u>
Total Revenues			
Operating Expenses			
Bad Debt Recovery	(7,265)	-	(7,265)
Contract Services	638,497	2,828	641,325
Depreciation	692,479.53	76,779	769,259
Dues and Subscriptions	3,303	-	3,303
Employee Benefits	50,536	12,395	62,931
Insurance	184,879	11,720	196,599
Legal and Professional	101,750	5,411	107,161
Miscellaneous	5,521	-	5,521
Office Supplies	11,730	370	12,100
Payroll Taxes	32,908	8,370	41,278
Postage	19,720	-	19,720
Repairs and Maintenance	16,726	7,145	23,871
Salaries	442,505	186,422	628,927
Supplies	152,835	83,410	236,245
System Repairs and Maintenance	290,581	22,401	312,982
Telephone	8,690	2,185	10,875
Training	7,694	-	7,694
Uniforms	5,130	379	5,509
Utilities	-	58	58
Vehicle Expense	47,396	589	47,985
Water Testing Fees	18,052	-	18,052
	<u>2,723,668</u>	<u>420,462</u>	<u>3,144,130</u>
Total Operating Expenses			
Operating Income / (Loss)	<u>1,575,432</u>	<u>(196,295)</u>	<u>1,379,137</u>
Non-Operating Income (Expense)			
Investment Income	4,408	-	4,408
Bond Issuance Costs	(212,911)	-	(212,911)
Interest Expense	(260,608)	-	(260,608)
	<u>(469,111)</u>	<u>-</u>	<u>(469,111)</u>
Total Non-Operating Income (Expense)			
Income Before Contributions and Transfers	<u>1,106,321</u>	<u>(196,295)</u>	<u>910,026</u>
Operating Transfers In	5,495	185,000	190,495
Operating Transfers Out	(965,000)	-	(965,000)
	<u>(959,505)</u>	<u>185,000</u>	<u>(774,505)</u>
Total Transfers			
Captial Contributions	<u>77,452</u>	<u>-</u>	<u>77,452</u>
Change in Net Position	224,268	(11,295)	212,973
Net Position, Beginning of Year	<u>15,983,884</u>	<u>1,184,707</u>	<u>17,168,591</u>
Net Position, End of Year	<u>\$ 16,208,152</u>	<u>\$ 1,173,412</u>	<u>\$ 17,381,564</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, 2016

Cash Flows from Operating Activities	
Cash Received from Customers	\$ 4,546,625
Cash Paid to Suppliers	(1,769,618)
Cash Paid To Employees	<u>(628,927)</u>
Net Cash Provided by Operating Activities	<u>2,148,080</u>
Cash Flows From Non-Capital Financing Activities	
Operating Transfers from Other Funds	(774,505)
(Decrease) in Due to Other Funds	<u>24,411</u>
Net Cash (Used) by Non-Capital Financing Activities	<u>(750,094)</u>
Cash Flows from Capital and Related Financing Activities	
Proceeds from Revenue Bond	7,780,000
Proceeds from Capital Leases	125,185
Bond Issuance Costs	(212,911)
Purchases of Capital Assets	(1,624,078)
Principal Paid on Capital Debt	(5,386,692)
Interest Paid on Capital Debt	<u>(254,289)</u>
Net Cash Provided by Capital and Related Financing Activities	<u>427,215</u>
Cash Flows from Investing Activities	
Capital Contribution	77,452
Interest Income	<u>4,409</u>
Net Cash Provided by Investing Activities	<u>81,861</u>
Net Increase in Cash and Cash Equivalents	1,907,062
Cash and Cash Equivalents, Beginning of Year	<u>5,605,711</u>
Cash and Cash Equivalents, End of Year	<u>\$ 7,512,773</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, 2016
(Continued)

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

Operating Income	\$ 1,379,137
Adjustments to Reconcile Operating Income to Net Cash Provided	
By Operating Activities:	
Depreciation	769,259
Decrease in Accounts Receivable, Net	23,358
(Increase) in Inventory	(27,377)
(Increase) in Deferred Cost	(148,121)
(Decrease) in Net Pension Liability	151,628
(Decrease) in Accounts and other Payables	196
Net Cash Provided by Operating Activities	<u>\$ 2,148,080</u>

RECONCILIATION OF TOTAL CASH AND CASH EQUIVALENTS

Current Assets - Cash and Cash Equivalents	\$ 7,395,610
Non-Current Assets - Restricted Cash	<u>117,163</u>
Total Cash and Cash Equivalents	<u>\$ 7,512,773</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, 2016

	Agency Funds
Assets	
Cash	\$ 72,964
Due from Other Governments	4,017
Capital Assets, Net	132,375
Total Assets	\$ 209,356
Liabilities	
Due To Agency Recipient	\$ 209,356
Total Liabilities	\$ 209,356

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

CITY OF HARTSVILLE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

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, 2016
(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.

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

June 30, 2016

(Continued)

The funds of the City are described below:

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, 2016

(Continued)

Debt Service Fund

The *Debt Service Fund*, a non-major fund, is used to account for the accumulation of resources for and the payment of general long term debt principal, interest and related cost of the City other than debt service payments made by enterprise funds.

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 one fiduciary fund which is an 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.

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

**June 30, 2016
(Continued)**

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.

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.

Like the government-wide financial statements, the Proprietary Fund, is accounted for using a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of this fund are included on the statement of net position. The statement of revenues, expenses and changes in net position presents increases and decreases in total net position. The statement of cash flows reflects how the city's finances and meets the cash flow of its proprietary fund.

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.

CITY OF HARTSVILLE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS

June 30, 2016

(Continued)

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.

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.

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

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

June 30, 2016

(Continued)

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.

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.

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

June 30, 2016

(Continued)

K. Deferred Outflows of Resources

In addition to assets, the City reports deferred outflows of resources in a separate section of its government wide and proprietary fund statements. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period. The City only has one deferred outflow arising from prepaid cost related to the GASB 68 pension liability.

L. Deferred Inflows of Resources

In addition to liabilities, the City reports deferred inflows of resources in a separate section of its government-wide, governmental fund and proprietary fund statements. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period. The City has two types of items which occur because governmental fund revenues are not recognized until available (collected no 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 the category. Accordingly, deferred property taxes are reported in the governmental funds balance sheet.

M. 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.

N. 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, 2016

(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.

O. 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.

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

June 30, 2016

(Continued)

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.

P. 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.

Q. 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.

R. 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.

S. 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.

T. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the South Carolina Retirement System (SCRS) and additions to/deductions from SCRS's fiduciary net position have been determined on the same basis as they are reported by SCRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

June 30, 2016

(Continued)

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, 2016, \$2,104,988 of the City's bank balance of \$12,593,701, which has a carrying value of \$12,143,962, was exposed to custodial credit risk as follows:

Uninsured by FDIC, but collateral held by pledging bank in the City's name	\$ <u>2,104,988</u>
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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 \$1,975,925 and \$117,163, respectively, as of June 30, 2016.

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, 2016

(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:

	Governmental Funds	Enterprise Funds	Total
Receivables:			
Taxes	\$ 480,951	\$ -	\$ 480,951
Accounts	5,550	991,808	997,358
Intergovernmental	620,924	-	620,924
Sanitation	309,464	-	309,464
Gross Receivables	1,416,889	991,808	2,408,697
Less Allowance for Uncollectibles	(286,107)	(345,936)	(632,043)
Net Total Receivables	\$ 1,130,782	\$ 645,872	\$ 1,776,654

Note 5. Inter-fund Receivables and Payables

Inter-fund balances at June 30, 2016, (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	\$ 370,746	\$ 50,185
Special Revenue Funds	816	254,729
Proprietary Fund	-	66,648
Agency Fund	4,017	4,017
Totals	\$ 375,579	\$ 375,579

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, 2016
(Continued)

Note 6. Capital Assets

Capital asset activity for the year ended June 30, 2016, was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental Activities:					
Non-depreciable Assets:					
Land	\$ 4,715,438	\$ -	\$ -	\$ -	\$ 4,715,438
Construction in Progress	2,417,013	1,676,312	-	(1,223,318)	2,870,007
Depreciable Assets					
Building and Systems	2,630,049	69,752	-	-	2,699,801
Infrastructure	20,645,427	86,799	-	1,223,318	21,955,544
Machinery and Equipment	10,367,239	972,042	(76,880)	-	11,262,401
Totals	<u>40,775,166</u>	<u>2,804,905</u>	<u>(76,880)</u>	<u>-</u>	<u>43,503,191</u>
Less Accumulated Depreciation For:					
Building and Systems	1,319,545	77,019	-	-	1,396,564
Infrastructure	13,206,654	718,391	-	-	13,925,045
Machinery and Equipment	8,274,857	420,408	(76,880)	-	8,618,385
Total Accumulated Depreciation	<u>22,801,056</u>	<u>1,215,818</u>	<u>(76,880)</u>	<u>-</u>	<u>23,939,994</u>
Governmental Activities Capital Assets, Net	<u>\$ 17,974,110</u>	<u>\$ 1,589,087</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,563,197</u>
Business-Type Activities:					
Non-depreciable Assets:					
Land	\$ 138,188	\$ -	\$ -	\$ -	\$ 138,188
Construction in Progress	2,433,652	1,415,233	-	(1,409,368)	2,439,517
Depreciable Assets					
Building and Systems	134,518	-	-	-	134,518
Infrastructure	25,265,680	-	-	1,409,368	26,675,048
Machinery and Equipment	2,304,335	195,130	-	-	2,499,465
Splash Pad	617,843	13,715	-	-	631,558
Totals	<u>30,894,216</u>	<u>1,624,078</u>	<u>-</u>	<u>-</u>	<u>32,518,294</u>
Less Accumulated Depreciation For:					
Building and Systems	110,503	2,545	-	-	113,048
Infrastructure	11,744,636	576,055	-	-	12,320,691
Machinery and Equipment	1,808,944	126,532	-	-	1,935,476
Splash Pad	70,416.00	64,127	-	-	134,543
Total Accumulated Depreciation	<u>13,734,499</u>	<u>769,259</u>	<u>-</u>	<u>-</u>	<u>14,503,758</u>
Business-Type Activities Capital Assets, Net	<u>\$ 17,159,717</u>	<u>\$ 854,819</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,014,536</u>

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

June 30, 2016

(Continued)

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

Governmental Activities	
General Government	\$ 314,654
Public Safety	504,564
Public Works	212,890
Culture and Recreation	94,226
Economic Development	68,572
Airport	8,389
Cemetery	<u>12,523</u>
 Total Depreciation Expense- Governmental Activities	 <u>\$ 1,215,818</u>

Construction in progress and construction commitments – governmental activities and business-type activities consisted of the following at June 30, 2016:

	Expenditures To Date	Total Contract	Contract Payments Remaining
Governmental Activities:			
Pride Park	\$ 26,104	\$ 32,000	\$ 5,896
Burry Park	45,253	69,300	24,047
Security Cameras	27,247	38,925	11,678
Lawton Park - Playground	20,300	77,081	56,781
Wayfinding Signage	7,000	13,200	6,200
Multi-County BP Project	<u>2,744,103</u>	<u>3,288,862</u>	<u>544,759</u>
 Total	 <u>\$ 2,870,007</u>	 <u>\$ 3,379,143</u>	 <u>\$ 607,740</u>
Business-Type Activities:			
Flexnet Rural Development	\$ 1,831,907	\$ 1,831,907	\$ -
Public Service Complex	207,353	3,000,000	2,792,647
Traffic Circle Project	13,208	318,208	305,000
Prestwood Sewer Rehab	21,962	349,957	327,995
Black Creek Grinders	6,470	863,470	857,000
Industrial Park	40,445	40,445	-
Splash Pad Addition	24,553	24,553	-
Storm Water	<u>293,619</u>	<u>293,619</u>	<u>-</u>
 Total	 <u>\$ 2,439,517</u>	 <u>\$ 6,722,159</u>	 <u>\$ 4,282,642</u>

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

**June 30, 2016
(Continued)**

Note 7. Accounts Payable and Accrued Expenses

The significant components of accounts payable and accrued expenses for governmental activities at June 30, 2016, are as follows:

Accounts Payable	\$ 470,285
Accrued Payroll, Withholdings, Fringe and Benefits	<u>348,253</u>
Total Accounts Payable and Accrued Expenses - Governmental Activities	<u>\$ 818,538</u>

Note 8. Long-term Debt

Governmental Activities:

As of June 30, 2016, 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
2017	\$ 476,911	\$ 72,930	\$ 549,841
2018	488,357	61,946	550,303
2019	500,002	50,698	550,700
2020	511,850	39,183	551,033
2021	524,406	27,395	551,801
2022-2024	<u>673,674</u>	<u>18,266</u>	<u>691,940</u>
	<u>\$ 3,175,200</u>	<u>\$ 270,418</u>	<u>\$ 3,445,618</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, 2016

(Continued)

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

Year Ending June 30,	Principal	Interest	Total
2017	\$ 336,339	\$ 90,669	\$ 427,008
2018	342,481	84,528	427,009
2019	350,651	78,266	428,917
2020	360,890	68,027	428,917
2021	371,428	57,489	428,917
2022-2025	1,597,379	118,287	1,715,666
	<u>\$ 3,359,168</u>	<u>\$ 497,266</u>	<u>\$ 3,856,434</u>

Capital Leases Payable

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%. The lease was paid off during the current year.

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%.

On January 26, 2016, the City entered into a capital lease/purchase agreement with Carter Bank and Trust to purchase a garbage truck in the amount of \$256,000. The lease is payable in annual installments beginning August 8, 2016, including interest at a rate of 1.65%.

On September 23, 2015, the City entered into a capital lease/purchase agreement with First Citizens Bank and Trust Company to purchase a various vehicles in the amount of \$573,815. The lease is payable in annual installments beginning August 1, 2016, including interest at a rate of 1.57%.

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

June 30, 2016

(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, 2016.

Year Ending 30-Jun	Governmental Activities
2017	\$ 424,028
2018	421,159
2019	408,352
2020	374,558
2021	370,013
Total Minimum Lease Payments	1,998,110
Less: Amount Representing Interest	(115,840)
Present Value of Minimum Lease Payments	\$ 1,882,270

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%. The bond was refunded by the Series 2015 Revenue Bond on August 13, 2015.

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%. The bond was refunded by the Series 2015 Revenue Bond on August 13, 2015.

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%. The bond was refunded by the Series 2015 Revenue Bond on August 13, 2015.

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%. The bond was refunded by the Series 2015 Revenue Bond on August 13, 2015.

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%. The bond was refunded by the Series 2015 Revenue Bond on August 13, 2015.

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

June 30, 2016

(Continued)

On August 13, 2015 the City issued Series 2015 Waterworks and Sewer System Improvement Refunding Revenue Bonds totaling \$7,780,000 with principal and interest payments due semiannually on June and December 1st. The bonds range in maturity dates from 2015 to 2029. The interest rate ranges from 3.00% to 4.00%.

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

Year Ending June 30,	Principal	Interest	Total
2017	\$ 585,000	\$ 261,200	\$ 846,200
2018	605,000	243,650	848,650
2019	625,000	225,500	850,500
2020	650,000	200,500	850,500
2021	675,000	174,500	849,500
2022-2026	2,550,000	593,050	3,143,050
2027-2029	1,590,000	128,800	1,718,800
	<u>\$ 7,280,000</u>	<u>\$ 1,827,200</u>	<u>\$ 9,107,200</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%.

On September 23, 2015, the City entered into a capital lease/purchase agreement with First Citizens Bank and Trust Company to purchase a various vehicles in the amount of \$125,185. The lease is payable in annual installments beginning August 1, 2016, including interest at a rate of 1.57%.

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, 2016.

Year Ending 30-Jun	Business-Type Activities
2017	\$ 90,097
2018	89,996
2019	26,089
2020	26,235
2021	26,194
Total Minimum Lease Payments	258,611
Less: Amount Representing Interest	(11,493)
Present Value of Minimum Lease Payments	<u>\$ 247,118</u>

CITY OF HARTSVILLE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2016
(Continued)

Note 9. Long Term Debt

The following is a summary of changes in long-term obligations of the City as of June 30, 2016:

	<u>Balance</u> <u>June 30, 2015</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2016</u>	<u>Due Within</u> <u>One year</u>
<i>Governmental Activities:</i>					
G.O. Bonds	\$ 3,641,359	\$ -	\$ (466,159)	\$ 3,175,200	\$ 466,159
Revenue Bond	3,689,483	-	(330,315)	3,359,168	330,315
Capital Lease	1,347,524	829,815	(295,070)	1,882,269	329,630
Compensated Absences	<u>276,648</u>	<u>283,395</u>	<u>(276,648)</u>	<u>283,395</u>	<u>-</u>
Totals	<u>\$ 8,955,014</u>	<u>\$ 1,113,210</u>	<u>\$ (1,368,192)</u>	<u>\$ 8,700,032</u>	<u>\$ 1,126,104</u>
<i>Business-Type Activities:</i>					
Revenue Bonds	\$ 4,826,807	\$ 7,780,000	\$ (5,326,807)	\$ 7,280,000	\$ 459,917
Capital Lease	181,818	125,185	(59,885)	247,118	65,594
Compensated Absences	<u>41,391</u>	<u>43,290</u>	<u>(41,391)</u>	<u>43,290</u>	<u>-</u>
Totals	<u>\$ 5,050,016</u>	<u>\$ 7,948,475</u>	<u>\$ (5,428,083)</u>	<u>\$ 7,570,408</u>	<u>\$ 525,511</u>

Note 10. Debt Limitations

The amount of legal debt margin as of June 30, 2016, is computed as follows:

Total Assessed Value	<u>\$ 26,236,335</u>
Debit Limit (8% of Assessed Value)	\$ 2,098,907
Amount of Debt Applicable to Debt Limit	<u>(888,000)</u>
Legal Debt Margin	<u>\$ 1,210,907</u>

Note 11. Employee Retirement Systems

Plan Description- The South Carolina Retirement System (SCRS), a cost-sharing multiple-employer defined benefit pension plan, was established effective July 1, 1945, pursuant to the provisions of Section 9-1-20 of the South Carolina Code of Laws for the purpose of providing retirement allowances and other benefits for employees of the state, its public school districts, and political subdivisions.

The State Optional Retirement Program (ORP) is a defined contribution plan that is offered as an alternative to certain newly hired state, public school, and higher education employees. State ORP participants direct the investment of their funds into a plan administered by one of four investment providers.

The South Carolina Police Officers Retirement System (PORS), a cost-sharing multiple-employer defined benefit pension plan, was established effective July 1, 1962, pursuant to the provisions of Section 9-11-20 of the South Carolina Code of Laws for the purpose of providing retirement

**CITY OF HARTSVILLE, SOUTH CAROLINA
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June 30, 2016

(Continued)

allowances and other benefits for police officers and firemen of the state and its political subdivisions.

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

SCRS - Generally, all employees of covered employers are required to participate in and contribute to the system as a condition of employment. This plan covers general employees and teachers and individuals newly elected to the South Carolina General Assembly beginning with the November 2012 general election. An employee member of the system with an effective date of membership prior to July 1, 2012, is a Class Two member. An employee member of the system with an effective date of membership on or after July 1, 2012, is a Class Three member.

PORS - To be eligible for PORS membership, an employee must be required by the terms of his employment, by election or appointment, to preserve public order, protect life and property, and detect crimes in the state; to prevent and control property destruction by fire; or to serve as a peace officer employed by the Department of Corrections, the Department of Juvenile Justice, or the Department of Mental Health. Probate judges and coroners may elect membership in PORS. Magistrates are required to participate in PORS for service as a magistrate. PORS members, other than magistrates and probate judges, must also earn at least \$2,000 per year and devote at least 1,600 hours per year to this work, unless exempted by statute. An employee member of the system with an effective date of membership prior to July 1, 2012, is a Class Two member. An employee member of the system with an effective date of membership on or after July 1, 2012, is a Class Three member.

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

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

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

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

June 30, 2016

(Continued)

PORS - A Class Two member who has separated from service with at least five or more years of earned service is eligible for a monthly pension at age 55 or with 25 years of service regardless of age. A Class Three member who has separated from service with at least eight or more years of earned service is eligible for a monthly pension at age 55 or with 27 years of service regardless of age. Both Class Two and Class Three members are eligible to receive a deferred annuity at age 55 with five or eight years of earned service, respectively. An incidental death benefit is also available to beneficiaries of active and retired members of employers who participate in the death benefit program.

Accidental death benefits are also provided upon the death of an active member working for a covered employer whose death was a natural and proximate result of an injury incurred while in the performance of duty.

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

Contributions- Contributions are prescribed in Title 9 of the South Carolina Code of Laws. Upon recommendation by the actuary in the annual actuarial valuation, The PEBA Board may adopt and present to the Budget and Control Board for approval and increase the SCRS and PORS employer and employee contribution rates, but any such increase may not result in a differential between the employee and employer contribution rate that exceeds 2.9 percent of earnable compensation for SCRS and 5 percent for PORS. An increase in the contribution rates adopted by the board may not provide for an increase of more than one-half of one percent in any one year. If the scheduled employee and employer contributions provided in statute or the rates last adopted by the board are insufficient to maintain a thirty year amortization schedule of the unfunded liabilities of the plans, the board shall increase the contribution rates in equal percentage amounts for the employer and employee as necessary to maintain the thirty-year amortization period; and, this increase is not limited to one-half of one percent per year.

Required employee contribution rates for fiscal year 2015-2016 are as follows:

SCRS

Employee Class Two	8.16 % of earnable compensation
Employee Class Three	8.16 % of earnable compensation

PORS

Employee Class One	\$21 per month
Employee Class Two	8.74 % of earnable compensation
Employee Class Three	8.74 % of earnable compensation

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

June 30, 2016

(Continued)

Required employer contributions for fiscal year 2015-2016 are as follows:

SCRS

Employee Class Two	10.91 % of earnable compensation
Employee Class Three	10.91 % of earnable compensation
Employer Incidental Death Benefit	0.15 % of earnable compensation

PORS

Employee Class Two	13.34 % of earnable compensation
Employee Class Three	13.34 % of earnable compensation
Employer Incidental Death Benefit	0.20 % of earnable compensation
Employer Accidental Death Program	0.20 % of earnable compensation

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions- At June 30, 2016, the City reported a liability of \$5,534,317 for the SCRS and \$3,448,007 for the PORS for a total of \$8,982,324 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating state entities, actuarially determined. At June 30, 2016, the City's proportion was 0.027748 and .029181 percent for the SCRS and .15994 and .15820 percent for the PORS.

For the year ended June 30, 2016, the City recognized pension expense of \$201,949. Plus employer's amortization of change in proportionate share and difference between employer contributions and proportionate share or contributions and deferred outflows and inflows of resources, \$400,329. At June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 166,666	\$ 9,897
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	74,771	-
Changes in proportion and differences between District contributions and proportionate share of contributions	197,852	29,063
Town contributions subsequent to measurement date	<u>557,758</u>	<u>-</u>
Total	<u>\$ 997,047</u>	<u>\$ 38,960</u>

\$557,758 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016.

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**June 30, 2016
(Continued)**

Other amounts reported as deferred outflows of resources and deferred inflows related to pensions will be recognized in the pension expense as follows:

Year Ended June 30:	<u>SCRS</u>	<u>PORS</u>	<u>Combined</u>
2016	\$ 86,226	\$ 3,067	\$ 89,293
2017	86,226	3,067	89,293
2018	52,452	49	52,501
2019	<u>98,420</u>	<u>70,822</u>	<u>169,242</u>
Total	<u>\$ 323,324</u>	<u>\$ 77,005</u>	<u>\$ 400,329</u>

Actuarial Assumptions and Methods- Actuarial valuations involve estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and future salary increases. Actuarial assumptions and methods used during the annual evaluation process are subject to periodic revision, typically with an experienced study, as actual results over an extended period of time are compared with past expectations and new estimates are made about the future. South Carolina state statute requires that an actuarial experience study be completed at least once in each five-year period. The last experience study was performed on data through June 30, 2010, and the next experience study, performed on data through June 30, 2015, is currently underway.

The following table provides a summary of the actuarial assumptions and methods used in the July 1, 2015, valuations for SCRS and PORS.

	SCRS	PORS
Actuarial cost method	Entry age	Entry age
Actuarial assumptions:		
Investment rate of return	7.5%	7.5%
Projected salary increases	3.5% to 12.5% (varies by service)	3.5% to 12.5% (varies by service)
Includes inflation at	2.75%	2.75%
Benefit adjustments	lesser of 1% or \$500	lesser of 1% or \$500

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The post-retiree mortality assumption is dependent upon the member's job category and gender. This assumption includes base rates which are automatically adjusted for future improvement in mortality using published Scale AA projected from the year 2000. Assumptions are used in July 1, 2014 valuations for SCRS and PORS are as follows:

Former Job Class	Males	Females
Educators and Judges	RP-2000 Males (with White Collar adjustment) multiplied by 110%	RP-2000 Females (with White Collar adjustment) multiplied by 95%
General Employees and Members of the General Assembly	RP-2000 Males multiplied by 100%	RP-2000 Females multiplied by 90%
Public Safety, Firefighters and members of the South Carolina National Guard	RP-2000 Males (with Blue Collar adjustment) multiplied by 115%	RP-2000 Females (with Blue Collar adjustment) multiplied by 115%

The long-term expected rate of return on pension plan investments, as used in the July 1, 2014, actuarial valuations, was based upon the 30 year capital market outlook at the end of the fourth quarter 2013, as developed by the Retirement Systems Investment Commission (RSIC) in collaboration with its investment consultant, Aon Hewitt. The long-term expected rates of return represent assumptions developed using an arithmetic building block approach, reflecting observable inflation and interest rate information available in the fixed income markets as well as Consensus Economic forecasts. Long-term assumptions for other asset classes are based on historical results, current market characteristics and professional judgment.

The expected returns, along with the expected inflation rate, form the basis for the target asset allocation as adopted by the RSIC for the fiscal year 2015. The long-term expected rate of return is produced by weighting the expected future real rates of return by the target allocation percentage and by adding the expected inflation and is summarized in the table below. For actuarial purposes, the 7.50 percent assumed annual investment rate of return used set in statute and used in the calculation of the total pension liability includes a 4.75 percent real rate of return and a 2.75 percent inflation component.

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(Continued)

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Expected Arithmetic Real Rate of Return</u>	<u>Long Term Expected Portfolio Real Rate of Return</u>
Short Term	5.0%		
Cash	2.0%	1.90%	0.04%
Short Duration	3.0%	2.00%	0.06%
Domestic Fixed Income	13.0%		
Core Fixed Income	7.0%	2.70%	0.19%
Mixed Credit	6.0%	3.80%	0.23%
Global Fixed Income	9.0%		
Global Fixed Income	3.0%	2.80%	0.08%
Emerging Markets Debt	6.0%	5.10%	0.31%
Global Public Equity	31.0%	7.10%	2.20%
Global Tactical Asset Allocation	10.0%	4.90%	0.49%
Alternatives	32.0%		
Hedge Funds (Low Beta)	8.0%	4.30%	0.34%
Private Debt	7.0%	9.90%	0.69%
Private Equity	9.0%	9.90%	0.89%
Real Estate (Broad Market)	5.0%	6.00%	0.30%
Commodities	3.0%	5.90%	0.18%
Total Expected Real Return	100.0%		6.00%
Inflation for Actuarial Purposes			2.75%
Total Expected Nominal Return			8.75%

Discount rate- The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that the funding policy specified in the South Carolina State Code of Laws will remain unchanged in future years. Based on those assumptions, each System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity Analysis- The following table presents the collective net pension liability of the participating employers calculated using the discount rate of 7.5 percent, as well as what the employers' net pension liability would be if it were calculated using a discount rate that is 1.00 percent lower (6.5 percent) or 1.00 percent higher (8.5 percent) than the current rate.

System	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
SCRS	\$ 6,977,193	\$ 5,534,317	\$ 4,325,004
PORS	\$ 4,696,990	\$ 3,448,007	\$ 2,331,483

Pension Plan Fiduciary Net Position- Detailed information regarding the fiduciary net position of the plans administered by PEBA is available in the separately issued CAFR containing financial statements and required supplementary information for SCRS and PORS. The CAFR of the Pension Trust Funds is publicly available on PEBA's Retirement Benefits' website at www.retirement.sc.gov, or a copy may be obtained by submitting a request to PEBA, PO Box 11960, Columbia, SC 29211-1960.

Payables to the Pension Plan- The City reported a payable to the SCRS as of June 30, 2016 in the amount of \$145,760.

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

June 30, 2016

(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 2015 for the plan year that ended June 30, 2015. 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 2016 year and the annual required contribution:

Normal Cost	\$ 40,511
Amortization of Unfunded	21,480
Expenses	<u>4,224</u>
Annual Required Contribution	<u>\$ 66,215</u>

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

June 30, 2016

(Continued)

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, 2015, was as follows:

Annual Required Contribution	\$	91,083
Actual Contribution		172,398
Percent Contributed		189%
Net OPEB Obligation		(81,315)
Actuarial Accrued Liability		973,672
Plan Assets		494,627
Unfunded Actuarial Accrued Liability	\$	<u>479,045</u>
Covered Payroll	\$	4,083,818
Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll		11.73%

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, 2015
Actuarial cost method:	Projected Unit Credit
Amortization method:	Level Percent of Payroll
Remaining amortization period:	30 years
Actuarial assumptions:	
Investment rate of return	5.00%
Projected salary increases	2.75% per year
Healthcare inflation rate	7.5% to 5.0% in .50% annual steps

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

June 30, 2016

(Continued)

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.

In the normal course of business, the City enters into agreements with contractors for construction projects. As of June 30, 2016, open contracts and project budgets for construction totaled \$7,289,397, of which \$5,309,524 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 \$227,769 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 \$187,422 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.

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

June 30, 2016

(Continued)

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.

Note 17. Inter-fund Transfers

Transfers from (to) other funds for the year ended June 30, 2016, consist of the following:

<i>General Fund</i>		<i>Infrastructure Fund</i>	
Transfer from Proprietary Fund	\$ 780,000	Transfer to General Fund	\$ (50,000)
Transfer from Hospitality fund	354,750		
Transfer from Infrastructure fund	50,000	Net Total Transfer To	<u>\$ (50,000)</u>
Transfer from Accommodations Fund	<u>71,646</u>		
Net Total Transfer From	<u>\$ 1,256,396</u>	<i>Accommodations Fund</i>	
		Transfer to General Fund	\$ (71,646)
		Transfer to Hospitality Fund	<u>(77,500)</u>
		Net Total Transfer To	<u>\$ (149,146)</u>
<i>Hospitality Fund</i>		<i>Proprietary Fund</i>	
Transfer to General Fund	\$ (354,750)	Transfer from Special Revenue Fund	\$ 5,495
Transfer from Accommodation Fund	<u>77,500</u>	Transfer to StormWater Fund	(185,000)
Net Total Transfer To	<u>\$ (277,250)</u>	Transfer to General Fund	<u>(780,000)</u>
		Net Total Transfer To	<u>\$ (959,505)</u>
<i>Special Revenue Fund</i>			
Transfer to Proprietary Fund	\$ (5,495)		
Net Total Transfer To	<u>\$ (5,495)</u>		
<i>StormWater Fund</i>			
Transfer from Proprietary Fund	<u>\$ 185,000</u>		
Net Total Transfer From	<u>\$ 185,000</u>		

General Fund

Transfer from: Funds were transferred into the General Fund from the Hospitality, Infrastructure, Accommodations and Proprietary Funds for revenues related to tourism-related expenditures, franchise fees, overhead allocations and capital outlay projects.

Hospitality Fund

Transfer from: Funds were transferred into the Hospitality Fund from the Accommodations Fund for expenditures related to debt service.

Transfer to: Funds were transferred to the General Fund from the Hospitality fund for tourism-related expenditures.

Special Revenue Fund

Transfer to: Funds were transferred to the Proprietary Fund for expenditures related to capital grants.

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

June 30, 2016

(Continued)

StormWater Fund:

Transfer from: Funds were transferred from the Proprietary fund for Expenditures related to stormwater operations.

Infrastructure Fund

Transfer to: Funds were transferred from the Infrastructure Fund to the General Fund for expenditures related to Park Maintenance.

Accommodations Fund

Transfer to: Funds were transferred to the General Fund and Hospitality Fund for tourism-related expenditures and debt service.

Proprietary Fund

Transfers to: Funds were transferred to the General Fund and StormWater Fund from the Proprietary Fund for revenues related to franchise fees, overhead allocations and StormWater operations.

Transfers from: Funds were transferred from Proprietary Fund to the Special Revenue Fund for capital projects.

Note 18. Operating Lease Commitments

The City has an operating lease on nine properties, of which four are leased to Nonprofit organizations for a \$1. One of the remaining leases is for five years starting July 1, 2013, One of the remaining leases is for five years starting July 1, 2013, another lease is for five years starting July 1, 2014, and the remaining three 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 \$5,400. Rental income amounted to \$72,916 for the fiscal ended June 30, 2016.

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, 2016, totaled \$115,523.

Note 19. Subsequent Events

The City of Hartsville has evaluated subsequent events through October 31, 2016, 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, 2016**

	Budget	Adjusted Budget	Actual	Variance Positive (Negative)
Revenues				
Taxes				
Property Taxes	2,280,000	2,280,000	2,461,884	181,884
Vehicle Taxes	287,500	287,500	358,889	71,389
PILOT Taxes	105,000	105,000	90,133	(14,867)
Other Taxes	-	-	67,547	67,547
Accommodations Tax	90,000	90,000	123,080	33,080
Merchant Inventory Tax	56,667	56,667	56,667	-
Local Option Sales Tax	1,050,000	1,050,000	1,062,142	12,142
Total Taxes	<u>3,869,167</u>	<u>3,869,167</u>	<u>4,220,342</u>	<u>351,175</u>
Licenses, Fees and Permits				
Franchise Fees	707,500	707,500	657,721	(49,779)
Business License Fees	1,460,000	1,460,000	1,624,666	164,666
Telecommunications Fees	50,000	50,000	40,118	(9,882)
Permits	175,700	175,700	132,751	(42,949)
Fire	20,000	20,000	30,885	10,885
Recreation	18,400	18,400	23,177	4,777
Total Licenses, Fees and Permits	<u>2,431,600</u>	<u>2,431,600</u>	<u>2,509,318</u>	<u>77,718</u>
Intergovernmental Revenue				
Local Government Funds	165,000	165,000	169,950	4,950
Total Intergovernmental Revenue	<u>165,000</u>	<u>165,000</u>	<u>169,950</u>	<u>4,950</u>
Charges for Services				
Solid Waste	1,165,000	1,165,000	1,181,122	16,122
Total Charges for Services	<u>1,165,000</u>	<u>1,165,000</u>	<u>1,181,122</u>	<u>16,122</u>
Fines and Forfeitures				
Police	61,000	61,000	134,810	73,810
Victim's Rights	7,000	7,000	10,658	3,658
Total Fines and Forfeitures	<u>68,000</u>	<u>68,000</u>	<u>145,468</u>	<u>77,468</u>
Miscellaneous				
School Resource Officer	185,725	185,725	227,266	41,541
Fire Contracts	500,000	500,000	499,390	(610)
Recreation Program Income	79,500	79,500	49,410	(30,090)
Cemetery	50,000	50,000	64,535	14,535
Rent Income	73,200	73,200	102,256	29,056
Contributions and Donations	-	-	71,559	71,559
Insurance Proceeds	-	-	39,508	39,508
Other	99,200	124,200	204,216	80,016
Budgeted Surplus	(41,045)	(41,045)	-	41,045
Interest Income	8,000	8,000	537	(7,463)
Total Miscellaneous	<u>954,580</u>	<u>979,580</u>	<u>1,258,677</u>	<u>279,097</u>
Total Revenues	<u>8,653,347</u>	<u>8,678,347</u>	<u>9,484,877</u>	<u>806,530</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, 2016
(Continued)**

Expenditures

General Government	<u>Budget</u>	<u>Adjusted Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Advertisement	2,500	2,500	1,968	532
Banking Fees	20,000	20,000	31,974	(11,974)
Computer Expenses	115,000	115,000	87,512	27,488
Contract Services	340,400	340,400	397,773	(57,373)
Contingency	223,643	200,001	-	200,001
Dues and Subscriptions	8,910	8,910	6,390	2,520
Employee Benefits	98,312	95,039	91,810	3,229
Grant Expenditures	260,000	260,000	86,128	173,872
Insurance	328,045	322,549	320,955	1,594
Legal and Professional Fees	40,000	40,000	73,354	(33,354)
Miscellaneous	144,150	144,150	182,251	(38,101)
Office Supplies	17,000	17,000	14,145	2,855
Payroll Taxes	65,549	63,236	60,021	3,215
Postage	6,000	6,000	4,647	1,353
Repairs and Maintenance	68,000	68,000	67,104	896
Salaries	863,470	833,239	823,250	9,989
Telephone	9,750	9,750	6,666	3,084
Training	35,340	35,340	30,643	4,697
Utilities	285,017	285,017	303,202	(18,185)
Vehicle Expense	4,600	4,600	6,098	(1,498)
Travel	1,000	1,000	1,058	(58)
Total General Government	<u>2,936,686</u>	<u>2,871,731</u>	<u>2,596,949</u>	<u>274,782</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, 2016
(Continued)**

Public Safety

Police	<u>Budget</u>	<u>Adjusted Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Boarding Prisoners	7,000	7,000	15,925	(8,925)
Contracted Services	24,757	30,558	39,334	(8,776)
Demolition	65,000	65,000	66,930	(1,930)
Dues and Subscriptions	5,145	5,145	2,643	2,502
Employee Benefits	220,278	223,689	228,939	(5,250)
Insurance	367,962	375,633	354,849	20,784
Legal and Professional	11,320	22,715	28,696	(5,981)
Miscellaneous	11,000	11,000	13,793	(2,793)
Office Supplies	8,300	12,154	12,301	(147)
Payroll Taxes	128,664	128,664	123,837	4,827
Postage	1,245	1,245	822	423
Repairs and Maintenance	34,785	34,785	36,632	(1,847)
Salaries	1,681,882	1,712,113	1,692,051	20,062
Supplies	2,600	2,600	2,835	(235)
Telephone	10,192	12,784	11,229	1,555
Training	29,100	23,100	15,853	7,247
Uniforms	15,000	12,000	11,525	475
Utilities	16,000	16,000	14,683	1,317
Vehicle Expense	113,600	113,600	131,025	(17,425)
Narcotics Hold	-	-	12,775	(12,775)
911 E Contract	70,000	70,000	76,072	(6,072)
Police Total	<u>2,823,830</u>	<u>2,879,785</u>	<u>2,892,749</u>	<u>(12,964)</u>
Fire				
Contract Services	54,627	54,627	55,944	(1,317)
Dues and Subscriptions	1,300	1,300	5,065	(3,765)
Employee Benefits	75,965	75,965	94,000	(18,035)
Insurance	126,497	126,497	124,905	1,592
Legal and Professional	8,100	8,100	18,547	(10,447)
Office Supplies	3,000	3,000	2,920	80
Payroll Taxes	44,609	44,609	52,179	(7,570)
Postage	400	400	151	249
Miscellaneous	4,500	4,500	44,001	(39,501)
Repairs and Maintenance	36,345	36,345	39,138	(2,793)
Salaries	583,124	583,124	697,577	(114,453)
Supplies	6,000	6,000	8,093	(2,093)
Telephone	14,300	14,300	13,124	1,176
Training	25,000	25,000	19,424	5,576
Uniforms	14,400	14,400	14,229	171
Utilities	14,000	14,000	12,835	1,165
Vehicle Expense	62,000	62,000	49,425	12,575
911 E Contract	10,900	10,900	8,525	2,375
Fire Total	<u>1,085,067</u>	<u>1,085,067</u>	<u>1,260,082</u>	<u>(175,015)</u>
Total Public Safety	<u>3,908,897</u>	<u>3,964,852</u>	<u>4,152,831</u>	<u>(187,979)</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, 2016
(Continued)

Culture and Recreation	<u>Budget</u>	<u>Adjusted Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Advertisement	1,000	1,303	1,303	-
Contract Services	50,000	50,000	66,412	(16,412)
Dues and Subscriptions	350	350	275	75
Employee Benefits	27,095	27,095	28,415	(1,320)
Insurance	53,784	53,784	48,533	5,251
Legal and Professional	1,650	1,267	736	531
Miscellaneous	3,000	3,000	20,166	(17,166)
Office Supplies	2,500	2,500	3,392	(892)
Payroll Taxes	18,884	18,884	19,401	(517)
Postage	200	200	-	200
Repairs and Maintenance	46,000	45,500	83,138	(37,638)
Salaries	246,851	246,931	259,582	(12,651)
Telephone	7,000	5,000	5,575	(575)
Training	1,500	1,500	470	1,030
Utilities	125,000	120,450	118,463	1,987
Vehicle Expense	18,000	15,000	11,753	3,247
Supplies	9,400	9,400	12,802	(3,402)
Uniforms	2,500	2,500	2,633	(133)
Small Tools and Equipment	8,500	18,550	12,336	6,214
Program Expenses	70,000	70,000	79,744	(9,744)
Total Culture and Recreation	<u>693,214</u>	<u>693,214</u>	<u>775,129</u>	<u>(81,915)</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, 2016
(Continued)**

Cemetery	<u>Budget</u>	<u>Adjusted Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Building Maintenance	3,500	3,500	1,589	1,911
Contract Services	86,400	86,400	79,424	6,976
Miscellaneous	15,000	15,000	21,994	(6,994)
Telephone	250	250	343	(93)
Total Cemetery	<u>105,150</u>	<u>105,150</u>	<u>103,350</u>	<u>1,800</u>
 Airport				
Contract Services	28,200	28,200	35,335	(7,135)
Insurance	2,250	2,250	2,228	22
Repairs and Maintenance	26,000	26,000	25,176	824
Telephone	600	600	600	-
Utilities	4,200	4,200	5,323	(1,123)
Total Airport	<u>61,250</u>	<u>61,250</u>	<u>68,662</u>	<u>(7,412)</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, 2016
(Continued)**

Public Works	<u>Budget</u>	<u>Adjusted Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Contract Services	56,197	56,197	65,938	(9,741)
County Tipping Fee	162,000	162,000	183,498	(21,498)
Dues and Subscriptions	1,500	1,500	94	1,406
Employee Benefits	81,072	81,072	76,334	4,738
Insurance	224,170	224,170	207,687	16,483
Legal and Professional	2,150	2,150	11,017	(8,867)
Miscellaneous	500	500	483	17
Office Supplies	1,200	1,200	1,181	19
Payroll Taxes	56,490	56,490	52,447	4,043
Postage	125	125	-	125
Repairs and Maintenance	104,700	94,429	84,791	9,638
Salaries	753,428	753,428	757,122	(3,694)
Small Equipment and Tools	14,000	24,271	26,631	(2,360)
Supplies	30,500	30,500	38,948	(8,448)
Telephone	3,800	3,800	3,592	208
Training	1,900	1,900	3,791	(1,891)
Vehicle Expense	182,000	182,000	187,619	(5,619)
Uniforms	19,300	19,300	20,996	(1,696)
Utilities	13,300	13,300	14,022	(722)
Total Public Works	<u>1,708,332</u>	<u>1,708,332</u>	<u>1,752,240</u>	<u>(43,908)</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, 2016
(Continued)**

	Budget	Adjusted Budget	Actual	Variance Positive (Negative)
Capital Outlay				
General Government	105,000	375,000	243,785	131,215
Public Safety	395,000	404,000	414,847	(10,847)
Culture and Recreation	37,500	122,500	140,788	(18,288)
Airport	-	-	33,231	(33,231)
Public Works	44,000	294,000	496,029	(202,029)
Total Capital Outlay	<u>581,500</u>	<u>1,195,500</u>	<u>1,328,680</u>	<u>(133,180)</u>
Debt Service				
Principal	292,331	292,331	294,032	(1,701)
Interest	39,883	39,883	34,046	5,837
Total Debt Service	<u>332,214</u>	<u>332,214</u>	<u>328,078</u>	<u>4,136</u>
Total Expenditures	<u>10,327,243</u>	<u>10,932,243</u>	<u>11,105,919</u>	<u>(173,676)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(1,673,896)</u>	<u>(2,253,896)</u>	<u>(1,621,042)</u>	<u>980,206</u>
Other Financing Sources (Uses)				
Lease Proceeds	392,500	642,500	829,815	187,315
Sale of Capital Assets	25,000	25,000	99,529	74,529
Operating Transfers In	1,299,396	1,629,396	1,256,396	(373,000)
Operating Transfers Out	(43,000)	(43,000)	-	43,000
Total Other Financing Sources (Uses)	<u>1,673,896</u>	<u>2,253,896</u>	<u>2,185,740</u>	<u>(68,156)</u>
Net Change in Fund Balance	<u>-</u>	<u>-</u>	<u>564,698</u>	<u>564,698</u>
Fund Balance, Beginning of Year			<u>2,518,261</u>	
Fund Balance, End of Year			<u><u>3,082,959</u></u>	

**CITY OF HARTSVILLE, SOUTH CAROLINA
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
For the Fiscal Year Ended June 30, 2016**

	Budgeted Amounts		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Positive (Negative)
Revenues				
Taxes	\$ 3,869,167	\$ 3,869,167	\$ 4,220,342	\$ 351,175
Licenses, Fees and Permits	2,431,600	2,431,600	2,509,318	77,718
Intergovernmental	165,000	165,000	169,950	4,950
Charges for Services	1,165,000	1,165,000	1,181,122	16,122
Fines and Forfeitures	68,000	68,000	145,468	77,468
Miscellaneous	<u>954,580</u>	<u>979,580</u>	<u>1,258,677</u>	<u>279,097</u>
 Total Revenues	 <u>8,653,347</u>	 <u>8,678,347</u>	 <u>9,484,877</u>	 <u>806,530</u>
Expenditures				
Current:				
General Government	2,936,686	2,871,731	2,596,949	274,782
Public Safety	3,908,897	3,964,852	4,152,831	(187,979)
Culture and Recreation	693,214	693,214	775,129	(81,915)
Cemetery	105,150	105,150	103,350	1,800
Airport	61,250	61,250	68,662	(7,412)
Public Works	1,708,332	1,708,332	1,752,240	(43,908)
Capital Outlay	581,500	1,195,500	1,328,680	(133,180)
Debt Service				
Principal	292,331	292,331	294,032	(1,701)
Interest	<u>39,883</u>	<u>39,883</u>	<u>34,046</u>	<u>5,837</u>
 Total Expenditures	 <u>10,327,243</u>	 <u>10,932,243</u>	 <u>11,105,919</u>	 <u>(173,676)</u>
 Excess (Deficiency) of Revenues Over Expenditures	 <u>(1,673,896)</u>	 <u>(2,253,896)</u>	 <u>(1,621,042)</u>	 <u>632,854</u>
Other Financing Sources (Uses)				
Capital Lease Proceeds	392,500	642,500	829,815	187,315
Sale of Capital Assets	25,000	25,000	99,529	74,529
Operating Transfers In	1,299,396	1,629,396	1,256,396	(373,000)
Operating Transfers Out	<u>(43,000)</u>	<u>(43,000)</u>	<u>-</u>	<u>43,000</u>
 Total Other Financing Sources (Uses)	 <u>1,673,896</u>	 <u>2,253,896</u>	 <u>2,185,740</u>	 <u>(68,156)</u>
 Net Change in Fund Balance	 <u>\$ -</u>	 <u>\$ -</u>	 564,698	 <u>\$ -</u>
 Fund Balance, Beginning of Year			 <u>2,518,261</u>	
 Fund Balance, End of Year			 <u>\$ 3,082,959</u>	

**CITY OF HARTSVILLE, SOUTH CAROLINA
REQUIRED SUPPLEMENTAL INFORMATION
SCHEDULE OF CITY'S PROPORTIONATE SHARE OF THE NET PENSION
LIABILITY
For the Fiscal Year Ended June 30, 2016**

	<u>2016</u>		<u>2015</u>
SCRS			
City's proportion of the net pension liability (asset)	0.029181%		0.027748%
City's proportionate share of the net pension liability (asset)	\$ 5,534,317	\$	4,777,286
City's covered employee payroll	\$ 2,664,376	\$	2,744,291
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	48.14%		57.44%
Plan fiduciary net position as a percentage of total pension liability	20.98%		18.59%
	<u>2016</u>		<u>2015</u>
PORS			
City's proportion of the net pension liability (asset)	0.158200%		0.159940%
City's proportionate share of the net pension liability (asset)	\$ 3,448,007	\$	3,061,916
City's covered employee payroll	\$ 1,949,412	\$	1,951,125
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	56.54%		63.72%
Plan fiduciary net position as a percentage of total pension liability	13.07%		11.91%

<p>This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, governments should present information for those years for which information is available.</p>

**CITY OF HARTSVILLE, SOUTH CAROLINA
REQUIRED SUPPLEMENTAL INFORMATION
SCHEDULE OF CITY CONTRIBUTIONS
For the Fiscal Year Ended June 30, 2016**

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 557,759	\$ 548,864	\$ 500,153
Contributions in relation to contractually required contribution	<u>557,759</u>	<u>548,864</u>	<u>500,153</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's covered-employee payroll	\$ 4,695,416	\$ 4,695,416	\$ 4,420,271
Contributions as a percentage of covered-employee payroll	11.88%	11.69%	11.31%

<p>This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, governments should present information for those years for which information is available.</p>

**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, 2016**

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Applicable to Fiscal Year Ending	Annual OPEB Cost	Contribution for Fiscal Year	Annual Percentage Contributed	Net OPEB Obligation
June 30, 2015	\$ 91,083	\$ 172,398	189.28%	\$ (81,315)
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%	\$ -

*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, 2015	\$ 494,657	\$ 973,672	\$ 479,015	50.80%	\$ 4,083,818	11.73%
July 1, 2013	\$ 371,091	\$ 1,190,321	\$ 819,230	31.18%	\$ 3,963,233	20.67%
July 1, 2011	\$ 100,056	\$ 1,452,286	\$ 1,352,230	6.89%	\$ 3,554,727	38.04%

CITY OF HARTSVILLE, SOUTH CAROLINA
NOTES TO REQUIRED SUPPLEMENTAL INFORMATION
June 30, 2016

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 public safety, culture and recreation, public works, airport and capital outlay has excess expenditures over appropriations in the amount of \$187,979, \$81,915, \$43,908, \$7,412, \$133,180.

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, 2016**

Assets

Restricted Cash \$ 717,321

Total Assets \$ 717,321

Liabilities and Fund Balance

Due to General Fund \$ 1,181

Total Liabilities 1,181

Fund Balance

Restricted for Culture and Recreation 716,140

Total Liabilities and Fund Balance \$ 717,321

**CITY OF HARTSVILLE, SOUTH CAROLINA
HOSPITALITY TAX FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
For the Fiscal Year Ended June 30, 2016**

Revenues

Other Taxes	\$ 871,621
Total Revenues	<u>871,621</u>

Expenditures

Economic Development	188,385
Capital Outlay	95,697
Debt Services	
Principal	351,159
Interest	<u>62,001</u>
Total Expenditures	<u>697,242</u>

Excess of Revenues Over Expenditures	<u>174,379</u>
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Other Financing Sources (Uses)

Transfer from Accomodations Fund	77,500
Transfer to General Fund	<u>(354,750)</u>
Total Other Financing Sources (Uses)	<u>(277,250)</u>

Net Change in Fund Balance	(102,871)
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Restricted Fund Balance, Beginning of Year	<u>819,011</u>
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Restricted Fund Balance, End of Year	<u>\$ 716,140</u>
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**CITY OF HARTSVILLE, SOUTH CAROLINA
SPECIAL REVENUE FUND
BALANCE SHEET
June 30, 2016**

Assets

Cash	143,743
Accounts Receivable	-
Due from Other Funds	<u>816</u>
Total Assets	\$ <u>144,559</u>

Liabilities and Fund Balance

Due to Other Funds	<u>\$ 131,306</u>
Total Liabilities	<u>131,306</u>
Fund Balance	
Restricted for Economic Development	<u>13,253</u>
Total Liabilities and Fund Balance	\$ <u><u>144,559</u></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, 2016**

Revenues

Grant Proceeds	\$ <u>173,116</u>
Total Revenues	<u>173,116</u>

Expenditures

Capital Outlay	
General Government	175,748
Public Safety	5,783
Economic Development	<u>59,607</u>
Total Expenditures	<u>241,138</u>

Excess (Deficiency) of Revenues Over Expenditures	<u>(68,022)</u>
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Other Financing Sources (Uses)

Transfer from General Fund	<u>(5,495)</u>
Total Other Financing Sources	<u>(5,495)</u>

Net Change in Fund Balance	(73,517)
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Restricted Fund Balance, Beginning of Year	<u>86,770</u>
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Restricted Fund Balance, End of Year	<u>\$ 13,253</u>
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**CITY OF HARTSVILLE, SOUTH CAROLINA
VICTIM'S ASSISTANCE
SCHEDULE OF FINES, ASSESSMENTS AND SURCHARGES
For the Fiscal Year Ended June 30, 2016**

Court Fines

Court Fines Collected	\$ 94,383
Court Fines Retained by Town	<u>(88,313)</u>

Court Fines Remitted to the State Treasurer	\$ <u>6,070</u>
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Court Assessments

Court Assessments Collected	101,396
Court Assessments Retained by Town	<u>(11,321)</u>

Court Assessments Remitted to the State Treasurer	<u>90,075</u>
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Court Surcharges

Court Surcharges Collected	62,779
Court Surcharges Retained by Town	<u>(7,569)</u>

Court Surcharges Remitted to the State Treasurer	<u>55,210</u>
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Victim's Services

Funds Available for Carryforward, Beginning of Year	32,610
Court Assessments Allocated to Victim Services	18,890
Victim Assistance Fund Expenditures	<u>(25,962)</u>

Fund Available for Carryforward, End of Year	\$ <u>25,538</u>
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**CITY OF HARTSVILLE, SOUTH CAROLINA
INFRASTRUCTURE PARK FUND
BALANCE SHEET
June 30, 2016**

Assets

Cash	\$ 922,899
Total Assets	<u>\$ 922,899</u>

Liabilities and Fund Balance

Accounts Payable	\$ 47,844
Due to Other Funds	<u>97,956</u>
Total Liabilities	<u>145,800</u>
 Fund Balance	
Restricted for Economic Development	<u>777,099</u>
Total Liabilities and Fund Balance	<u>\$ 922,899</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, 2016**

Revenues

Fee in Lieu	\$ 454,363
Other Taxes	78,626
Miscellaneous Income	5,500
Investment Earnings	<u>151</u>
 Total Revenues	 <u>538,640</u>

Expenditures

Economic Development	303,695
Capital Outlay	1,388,575
Debt Service	
Principal	330,315
Interest	<u>96,693</u>
 Total Expenditures	 <u>2,119,278</u>

Excess (Deficiency) of Revenues Over Expenditures	<u>(1,580,638)</u>
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Other Financing Sources (Uses)

Transfer to General Fund	<u>(50,000)</u>
 Total Other Financing Sources (Uses)	 <u>(50,000)</u>

Net Change in Fund Balance	(1,630,638)
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Restricted Fund Balance, Beginning of Year	<u>2,407,737</u>
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Restricted Fund Balance, End of Year	<u><u>\$ 777,099</u></u>
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**CITY OF HARTSVILLE, SOUTH CAROLINA
CARGILL DEVELOPMENT FUND
BALANCE SHEET
June 30, 2016**

Assets

Cash	\$ 24,286
	<u>24,286</u>
Total Assets	\$ 24,286

Liabilities and Fund Balance

Due to General Fund	\$ 24,286
Fund Balance	
Restricted for Economic Development	<u>-</u>
Total Liabilities and Fund Balance	\$ 24,286

**CITY OF HARTSVILLE, SOUTH CAROLINA
CARGILL DEVELOPMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
For the Fiscal Year Ended June 30, 2016**

Revenues

Miscellaneous	\$ <u>7,072</u>
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Expenditures

Cargil Development	<u>56,413</u>
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Net Change in Fund Balance	(49,341)
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Restricted Fund Balance, Beginning of Year	<u>49,341</u>
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Restricted Fund Balance, End of Year	<u><u>\$ -</u></u>
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**CITY OF HARTSVILLE, SOUTH CAROLINA
ACCOMMODATIONS TAX FUND
BALANCE SHEET
June 30, 2016**

Assets

Cash \$ 129,018

Total Assets **\$ 129,018**

Liabilities and Fund Balance

Fund Balance
Restricted for Economic Development \$ 129,018

Total Liabilities and Fund Balance **\$ 129,018**

**CITY OF HARTSVILLE, SOUTH CAROLINA
 ACCOMMODATIONS TAX FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 For the Fiscal Year Ended June 30, 2016**

Revenues

Other Taxes	\$ <u>169,657</u>
Total Revenues	<u>169,657</u>

Expenditures

Economic Development	<u>16,328</u>
Total Expenditures	<u>16,328</u>

Excess of Revenues Over Expenditures	<u>153,329</u>
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Other Financing Sources (Uses)

Transfer To Hospitality Fund	(77,500)
Transfer To General Fund	<u>(71,646)</u>
Total Other Financing Sources (Uses)	<u>(149,146)</u>

Net Change in Fund Balance	4,183
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Restricted Fund Balance, Beginning of Year	<u>124,835</u>
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Restricted Fund Balance, End of Year	<u><u>\$ 129,018</u></u>
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DEBT SERVICE FUND

The debt service fund is used to account for the accumulation of resources for and the payment of general long term debt principal, interest and related cost of the City other than debt service payments made by enterprise funds.

**CITY OF HARTSVILLE, SOUTH CAROLINA
DEBT SERVICE FUND
BALANCE SHEET
For the Fiscal Year Ended June 30, 2016**

Assets

Cash	\$ 38,658
Property Tax Receivable, Net	<u>10,094</u>
Total Assets	<u>\$ 48,752</u>

Liabilities, Deferred Inflows and Fund Balance

Deferred Inflows

Unavailable Revenue - Property Taxes	\$ <u>6,362</u>
Fund Balance	
Restricted for Debt Service	<u>42,390</u>
Total Liabilities, Deferred Inflows and Fund Balance	<u>\$ 48,752</u>

CITY OF HARTSVILLE, SOUTH CAROLINA
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
For the Fiscal Year Ended June 30, 2016

Revenues

Other Taxes	\$ <u>169,678</u>
Total Revenues	<u>169,678</u>

Expenditures

Debt Service	
Principal	115,000
Interest	<u>21,618</u>
Total Expenditures	<u>136,618</u>

Net Change in Fund Balance	33,060
Restricted Fund Balance, Beginning of Year	<u>9,330</u>
Restricted Fund Balance, End of Year	<u>\$ 42,390</u>

SEWER SYSTEM ENTERPRISE 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 four funds that consist of Water and Sewer, Storm Water, Splash Pad and Recreation Concessions Fund.

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, 2016**

	Adjusted Budget	Actual	Variance Positive (Negative)
Operating Revenues			
Charges for Services			
Service Charges	3,810,000	3,535,010	(274,990)
Taps	7,000	11,370	4,370
Penalties	90,000	86,102	(3,898)
Other Fees and Charges	182,600	188,445	5,845
Miscellaneous	2,500	590,817	588,317
Tower Leases	109,000	111,523	2,523
	<u>4,201,100</u>	<u>4,523,267</u>	<u>322,167</u>
Operating Expenses			
Bad Debt Recovery	-	(7,265)	7,265
Contract Services	643,900	641,325	2,575
Contingency	(505,428)	-	(505,428)
Depreciation	645,932	769,259	(123,327)
Dues and Subscriptions	1,500	3,303	(1,803)
Employee Benefits	58,879	62,931	(4,052)
Insurance	206,386	196,599	9,787
Legal and Professional	126,250	107,161	19,089
Miscellaneous	-	5,521	(5,521)
Office Supplies	9,500	12,100	(2,600)
Payroll Taxes	49,876	41,278	8,598
Postage	15,000	19,720	(4,720)
Repairs and Maintenance	14,500	23,871	(9,371)
Salaries	612,934	628,927	(15,993)
Supplies	126,600	236,245	(109,645)
System Repairs and Maintenance	1,292,846	312,982	979,864
Telephone	6,100	10,875	(4,775)
Training	3,500	7,694	(4,194)
Uniforms	7,350	5,509	1,841
Utilities	4,800	58	4,742
Vehicle Expense	58,000	47,985	10,015
Water Testing Fees	30,000	18,052	11,948
	<u>3,408,425</u>	<u>3,144,130</u>	<u>264,295</u>
Operating Income	<u>792,675</u>	<u>1,379,137</u>	<u>586,462</u>
Non-Operating Income (Expense)			
Investment Income	40,500	4,408	(36,092)
Bond Issuance Costs	-	(212,911)	(212,911)
Interest Expense	(2,369)	(260,608)	(258,239)
	<u>38,131</u>	<u>(469,111)</u>	<u>(507,242)</u>
Income Before Contributions and Transfers	<u>830,806</u>	<u>910,026</u>	<u>79,220</u>
Operating Transfers In	185,000	190,495	5,495
Operating Transfers (Out)	(965,000)	(965,000)	-
Capital Contributions	<u>-</u>	<u>77,452</u>	<u>77,452</u>
Change in Net Position	50,806	212,973	162,167
Net Position, Beginning of Year	<u>17,168,591</u>	<u>17,168,591</u>	<u>-</u>
Net Position, End of Year	<u>17,219,397</u>	<u>17,381,564</u>	<u>162,167</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.

**CITY OF HARTSVILLE, SOUTH CAROLINA
 FIDUCIARY FUNDS
 COMBINING SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES –
 ALL AGENCY FUNDS
 For the Fiscal Year Ended June 30, 2016**

	<u>Balance</u> <u>July 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2016</u>
Parking and Beautification Commission				
Cash	\$ 65,368	\$ 30,167	(22,571)	\$ 72,964
Due from Other Governments	-	4,017	-	4,017
Capital Assets, Net of Accumulated Depreciation	<u>137,749</u>	<u>-</u>	<u>(5,374)</u>	<u>132,375</u>
 Total Assets	 <u>\$ 203,117</u>	 <u>\$ 34,184</u>	 <u>\$ (27,945)</u>	 <u>\$ 209,356</u>
 Due to Agency Recipient	 <u>203,117</u>	 <u>34,184</u>	 <u>(27,945)</u>	 <u>209,356</u>
 Total Liabilities	 <u>\$ 203,117</u>	 <u>\$ 34,184</u>	 <u>\$ (27,945)</u>	 <u>\$ 209,356</u>

COMPLIANCE SECTION

SHEHEEN, HANCOCK & GODWIN, LLP

CERTIFIED PUBLIC ACCOUNTANTS

1011 FAIR STREET

P.O. DRAWER 428

CAMDEN, SOUTH CAROLINA 29201

FOUNDED 1959

AUSTIN M. SHEHEEN, JR., CPA

TERRY M. HANCOCK, CPA

LARRY F. GODWIN, CPA

THOMAS B. MYERS, CPA

DARYL W. TAYLOR, CPA

ANTHONY E. BOYKIN, CPA

JANE M. PEACOCK, CPA

MATTHEW C. IRICK, CPA

J. RICHARD PARKER, CPA

R. MARC WOOD

MEMBERS OF
AMERICAN INSTITUTE OF CPA'S

SOUTH CAROLINA ASSOCIATION OF CPA'S

TELEPHONE

(803) 432-1424

FAX

(803) 432-1831

WEBSITE: WWW.SHGCPA.COM

MARC A. QUIGLEY, CPA

REBECCA M. LEE, CPA

TRACY L. FAILE, CPA

SHANE E. KIRKLEY, CPA

B. KEACH JORDAN, CPA

ADRIENNE BERG LUCAS

CHRISTOPHER H. HARRELL

JOHN F. MARTIN

October 31, 2016

**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, 2016, 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 October 31, 2016.

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
Camden, South Carolina

**CITY OF HARTSVILLE, SOUTH CAROLINA
SCHEDULE OF FINDINGS AND RESPONSES
For the Fiscal Year Ended June 30, 2016**

A. FINDINGS RELATED TO FINANCIAL STATEMENTS

There were no current year findings