

**CITY OF HARTSVILLE
HARTSVILLE, SOUTH CAROLINA**

**ANNUAL FINANCIAL REPORT
Fiscal Year Ended June 30, 2015**

CITY OF HARTSVILLE, SOUTH CAROLINA
ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2015

TABLE OF CONTENTS

| | <u>EXHIBIT</u> | <u>PAGE</u> |
|---|----------------|-------------|
| Independent Auditor's Report | | 1-3 |
| Management's Discussion and Analysis | | 4-11 |
| Basic Financial Statements: | | |
| Government-Wide Financial Statements: | | |
| Statement of Net Position | A | 12 |
| Statement of Activities | B | 13 |
| Fund Financial Statements: | | |
| Balance Sheet - Governmental Funds | C | 14 |
| Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position | D | 15 |
| Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds | E | 16 |
| Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities | F | 17 |
| Statement of Net Position - Proprietary Funds | G | 18 |
| Statement of Revenues, Expenses and Changes in Net Position - Proprietary Funds | H | 19 |
| Statement of Cash Flows - Proprietary Funds | I | 20-21 |
| Statement of Net Position – Fiduciary Fund | J | 22 |
| Notes to Financial Statements: | | 23-52 |

**CITY OF HARTSVILLE, SOUTH CAROLINA
ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2015**

**TABLE OF CONTENTS
(Continued)**

| | <u>PAGE</u> |
|---|-------------|
| Supplemental Information: | |
| <i>General Fund</i> | |
| Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual | 53-59 |
| Required Supplemental Information – Budgetary Comparison Schedule | 60 |
| Schedule of the City’s Proportional Share of the Net Pension Liability | 61 |
| Schedule of City Contributions | 62 |
| Required Supplemental Information – Other Post-Employment Benefit Plan – Defined Benefit Healthcare Plan – Schedules of Employer Contributions and Funding Progress | 63 |
| Notes to Required Supplemental Information | 64 |
| <i>Special Revenue Funds</i> | |
| <i>Hospitality Tax Fund</i> | |
| Balance Sheet | 65 |
| Schedule of Revenues, Expenditures, and Changes in Fund Balance | 66 |
| <i>Special Revenue Fund</i> | |
| Balance Sheet | 67 |
| Schedule of Revenues, Expenditures, and Changes in Fund Balance | 68 |
| Schedule of Fines and Assessments | 69 |
| <i>Infrastructure Park Fund</i> | |
| Balance Sheet | 70 |
| Schedule of Revenues, Expenditures, and Changes in Fund Balance | 71 |

**CITY OF HARTSVILLE, SOUTH CAROLINA
ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2015**

**TABLE OF CONTENTS
(Continued)**

| | |
|---|-------|
| <i>Cargill Development Fund</i> | |
| Balance Sheet | 72 |
| Schedule of Revenues, Expenditures, and Changes in Fund Balance | 73 |
| <i>Accommodations Tax Fund</i> | |
| Balance Sheet | 74 |
| Schedule of Revenues, Expenditures, and Changes in Fund Balance | 75 |
| <i>Debt Service Fund</i> | |
| Balance Sheet | 76 |
| Schedule of Revenues, Expenditures, and Changes in Fund Balance | 77 |
| <i>Enterprise Fund</i> | |
| Combining Schedule of Revenues, Expenses, and Changes in Net Position- Proprietary Funds – Budget to Actual | 78 |
| <i>Fiduciary Funds</i> | |
| Combining Schedule of Changes in Assets and Liabilities – All Agency Funds | 79 |
| Compliance Section: | |
| Schedule of Expenditures of Federal Awards | 80 |
| Notes to Schedule of Expenditures of Federal Awards | 81 |
| 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 <i>Government Auditing Standards</i> | 82-83 |
| Independent Auditor’s Report on Compliance for Each Major Program and on Internal Control over Compliance required by OMB Circular A-133 | 84-85 |
| Schedule of Findings and Questioned Costs | 86-87 |
| Summary Schedule of Prior Audit Findings | 88 |



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

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December 1, 2015

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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, 2015, 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, 2015, 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.

Change in Accounting Principle

As discussed in Note 1.U to the financial statements, in the year ended June 30, 2015, the city adopted the provisions of Governmental Accounting Standards Board Statement No. 68 “*Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*” and Governmental Accounting Standards Board Statement No. 71 “*Pension Transition for Contributions made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68.*” Our opinion is not modified with respect to these matters.

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 59, 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 60-62 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 schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The combining and individual fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated December 1, 2015, on our consideration of the City of Hartsville, South Carolina's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Hartsville, South Carolina's internal control over financial reporting and compliance.



Sheheen, Hancock and Godwin, LLP
Certified Public Accountants

**CITY OF HARTSVILLE, SOUTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2015**

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, 2015. 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 \$25,702,759 at the close of the 2015 fiscal year. Of this amount, \$8,534,168 may be used to meet City government's ongoing obligations to citizens and creditors.
- Revenues and other financing sources (uses) totaled \$12,023,952 and expenditures totaled \$13,533,798 for all governmental funds at the fund level. Included in that expenditure total is \$3,008,529 in capital outlay projects. Accordingly, expenditures exceeded revenues and other financing sources by \$1,509,846.
- As of the close of fiscal year 2015, the City of Hartsville's governmental funds reported combined ending fund balances of \$6,015,285. Approximately 31 percent of this amount, \$1,861,501 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 \$17,168,591, a decrease of approximately 4 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, 2015
(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.

**CITY OF HARTSVILLE, SOUTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2015
(Continued)**

Enterprise funds reflect activities that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes. Proprietary funds provide the same types of information as the government-wide financial statements, but in more detail. The basic proprietary fund financial statements can be found on pages 18-21 of this report. Supplementary proprietary fund information can be found on page 77.

Fiduciary Funds: The City acts as agent, or fiduciary, for other entities resources. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the City's fiduciary activities are reported in a separate statement of fiduciary net position. We exclude these activities from the City's government-wide financial statements because the City cannot use these assets to finance its operations. The fiduciary fund statement of net position can be found on page 22 of this report. Supplementary fiduciary fund information can be found on page 78.

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 23-51.

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 \$25,702,759, at the close of the most recent fiscal year. Net position is reported in three categories: net investment in capital assets of \$23,425,537, restricted net position of \$500,198, and unrestricted net position of \$1,777,024. The City's combined net position decreased by \$5,898,334 between fiscal years 2014 and 2015. (See Table A-1)

The largest portion of the City's net position (91 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, 2015
(Continued)**

Table A-1

| | <u>Governmental Activities</u> | | <u>Business-Type Activities</u> | | <u>Total</u> | |
|----------------------------------|--------------------------------|---------------------|---------------------------------|----------------------|----------------------|----------------------|
| | <u>2014</u> | <u>2015</u> | <u>2014</u> | <u>2015</u> | <u>2014</u> | <u>2015</u> |
| Assets | | | | | | |
| Current and Other Assets | \$ 8,238,819 | \$ 6,820,650 | \$ 6,339,008 | \$ 6,343,202 | \$ 14,577,827 | \$ 13,163,852 |
| Capital Assets | 16,337,353 | 17,974,110 | 17,141,931 | 17,159,717 | 33,479,284 | 35,133,827 |
| Total Assets | <u>24,576,172</u> | <u>24,794,760</u> | <u>23,480,939</u> | <u>23,502,919</u> | <u>48,057,111</u> | <u>48,297,679</u> |
| Deferred Outflows | | | | | | |
| Pension Cost | - | 660,988 | - | 112,973 | - | 773,961 |
| Liabilities | | | | | | |
| Current Liabilities | 713,039 | 2,115,662 | 65,659 | 50,472 | 778,698 | 2,166,134 |
| Non-Current Liabilities | <u>10,177,200</u> | <u>14,149,370</u> | <u>5,495,670</u> | <u>6,292,111</u> | <u>15,672,870</u> | <u>20,441,481</u> |
| Total Liabilities | <u>10,890,239</u> | <u>16,265,032</u> | <u>5,561,329</u> | <u>6,342,583</u> | <u>16,451,568</u> | <u>22,607,615</u> |
| Deferred Inflows | | | | | | |
| Revenue | <u>4,450</u> | <u>656,548</u> | <u>-</u> | <u>104,718</u> | <u>4,450</u> | <u>761,266</u> |
| Net Position | | | | | | |
| Net Investment in Capital Assets | 9,992,667 | 11,274,445 | 11,685,586 | 12,151,092 | 21,678,253 | 23,425,537 |
| Restricted For: | | | | | | |
| Economic Development | 801,072 | 689,982 | - | - | 801,072 | 689,982 |
| Culture and Recreation | 759,994 | 819,011 | - | - | 759,994 | 819,011 |
| Debt Service | - | 9,330 | 657,078 | 658,464 | 657,078 | 667,794 |
| Unrestricted | <u>2,127,750</u> | <u>(4,258,600)</u> | <u>5,576,946</u> | <u>4,359,035</u> | <u>7,704,696</u> | <u>100,435</u> |
| Total Net Position | <u>\$ 13,681,483</u> | <u>\$ 8,534,168</u> | <u>\$ 17,919,610</u> | <u>\$ 17,168,591</u> | <u>\$ 31,601,093</u> | <u>\$ 25,702,759</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 \$315,549, while total expenditures decreased by \$261,612.

Business-type activities:

The City's business-type activities are the water and sewer enterprise fund, a combined public utility consisting of water and sewer services, storm water fund, the newly established splash pad and concessions. The total of charges for services, interest revenue and transfers of \$4,126,770 exceeded the total expenses of \$3,583,769, yielding a positive change in net position of \$543,001 for fiscal year 2015. Since the water, sewer and storm water utilities are proprietary funds their capital expenses and principal payments are recorded on the balance sheet like non-governmental businesses. Therefore, the positive change in net position does not reflect payment of \$447,720 in principal payments, \$191,828 in capital expenses, and \$569,159 in construction in progress for ongoing projects for all four utilities.

**CITY OF HARTSVILLE, SOUTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2015
(Continued)**

Table A-2
City of Hartsville Changes in Net Position

| | <u>Governmental Activities</u> | | <u>Business-Type Activities</u> | | <u>Total</u> | |
|---|--------------------------------|---------------------|---------------------------------|----------------------|----------------------|----------------------|
| | <u>2014</u> | <u>2015</u> | <u>2014</u> | <u>2015</u> | <u>2014</u> | <u>2015</u> |
| Revenues | | | | | | |
| Program Revenues: | | | | | | |
| Fees, Fines and Charges for Services | \$ 4,402,848 | \$ 4,704,717 | \$ 4,213,437 | \$ 4,034,531 | \$ 8,616,285 | \$ 8,739,248 |
| Operating Grants | 56,038 | 47,559 | - | - | 56,038 | 47,559 |
| Capital Grants | 1,378,304 | 696,883 | - | 200,874 | 1,378,304 | 897,757 |
| General Revenues: | | | | | | |
| Property Taxes | 5,416,946 | 5,856,366 | - | - | 5,416,946 | 5,856,366 |
| Miscellaneous | 360,162 | 342,009 | 111,609 | 109,054 | 471,771 | 451,063 |
| Unrestricted Investment Earnings | 2,264 | 581 | 1,081 | 1,004 | 3,345 | 1,585 |
| Intergovernmental Revenues | 182,516 | 169,950 | - | - | 182,516 | 169,950 |
| Gain on Disposition of Capital Assets | (32,046) | 6,569 | - | - | (32,046) | 6,569 |
| Transfer - Utility Fund | (39,254) | 218,693 | 39,254 | (218,693) | - | - |
| Total Revenues | <u>11,727,778</u> | <u>12,043,327</u> | <u>4,365,381</u> | <u>4,126,770</u> | <u>16,093,159</u> | <u>16,170,097</u> |
| Expenses | | | | | | |
| General Government | 2,413,863 | 2,112,794 | - | - | 2,413,863 | 2,112,794 |
| Public Safety | 4,420,123 | 4,403,498 | - | - | 4,420,123 | 4,403,498 |
| Public Works | 2,042,387 | 2,121,009 | - | - | 2,042,387 | 2,121,009 |
| Economic Development | 87,701 | 330,972 | - | - | 87,701 | 330,972 |
| Culture and Recreation | 865,930 | 795,506 | - | - | 865,930 | 795,506 |
| Airport | 72,758 | 67,278 | - | - | 72,758 | 67,278 |
| Cemetery | 117,723 | 120,117 | - | - | 117,723 | 120,117 |
| Interest on Long-Term Debt | 308,485 | 68,743 | - | - | 308,485 | 68,743 |
| Capital Outlay | 188,366 | 235,807 | - | - | 188,366 | 235,807 |
| Enterprise Funds: | | | | | | |
| Water and Sewer | - | - | 3,089,292 | 3,247,551 | 3,089,292 | 3,247,551 |
| Other Proprietary Funds | - | - | 293,897 | 336,218 | 293,897 | 336,218 |
| Total Expenses | <u>10,517,336</u> | <u>10,255,724</u> | <u>3,383,189</u> | <u>3,583,769</u> | <u>13,900,525</u> | <u>13,839,493</u> |
| Change in Net Position | 1,210,442 | 1,787,603 | 982,192 | 543,001 | 2,192,634 | 2,330,604 |
| Net Position, Beginning of Year (Restated) | <u>12,471,041</u> | <u>6,746,565</u> | <u>16,937,418</u> | <u>16,625,590</u> | <u>29,408,459</u> | <u>23,372,155</u> |
| Net Position, End of Year | <u>\$ 13,681,483</u> | <u>\$ 8,534,168</u> | <u>\$ 17,919,610</u> | <u>\$ 17,168,591</u> | <u>\$ 31,601,093</u> | <u>\$ 25,702,759</u> |

**CITY OF HARTSVILLE, SOUTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2015
(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 \$6,015,285. In the general fund there was a committed balance of \$247,982, and assigned balance of \$408,778 and an unassigned fund balance of \$1,861,501. The remaining fund balance consisted of \$3,497,024 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 \$4,359,035 or 25% of total proprietary fund net position in the amount of \$17,168,591. The City's largest component of proprietary fund net position is net investment in capital assets, of \$12,151,092 or 71% of total net position. Other factors concerning the finances of this fund have been previously discussed with regard to City of Hartsville's business-type activities.

General Fund Budgetary Highlights

The City's budget is prepared according to South Carolina law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The general fund has a legally adopted budget. During the course of the fiscal year 2015 the city council amended the general fund budget to increase revenues by \$731,500 from accumulated surplus for the purchase of fire truck from funds received in fiscal year 2013-2014.

**CITY OF HARTSVILLE, SOUTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2015
(Continued)**

Capital Asset and Debt Administration

Capital Assets

At the end of 2015, the City had invested \$35,133,827 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>2014</u> | <u>2015</u> | <u>2014</u> | <u>2015</u> | <u>2014</u> | <u>2015</u> |
| Land | \$ 4,639,788 | \$ 4,715,438 | \$ 138,188 | \$ 138,188 | \$ 4,777,976 | \$ 4,853,626 |
| Construction in Progress | 1,068,165 | 2,417,013 | 1,864,493 | 2,433,652 | 2,932,658 | 4,850,665 |
| Buildings and Systems | 2,617,355 | 2,630,049 | 134,518 | 134,518 | 2,751,873 | 2,764,567 |
| Infrastructure | 19,992,052 | 20,645,427 | 25,210,449 | 25,265,680 | 45,202,501 | 45,911,107 |
| Machinery and Equipment | 9,529,076 | 10,367,239 | 2,181,857 | 2,304,335 | 11,710,933 | 12,671,574 |
| Splash Pad | - | - | 606,843 | 617,843 | 606,843 | 617,843 |
| Accumulated Depreciation | <u>(21,509,083)</u> | <u>(22,801,056)</u> | <u>(12,994,417)</u> | <u>(13,734,499)</u> | <u>(34,503,500)</u> | <u>(36,535,555)</u> |
| Total | <u>\$ 16,337,353</u> | <u>\$ 17,974,110</u> | <u>\$ 17,141,931</u> | <u>\$ 17,159,717</u> | <u>\$ 33,479,284</u> | <u>\$ 35,133,827</u> |

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

Government Activities

| | |
|------------------------------------|--------------|
| Machinery and Vehicles | \$ 852,838 |
| Oakdale Project | \$ 602,476 |
| Land Acquisition | \$ 75,650 |
| Cemetery House Remodel | \$ 6,950 |
| Airport Upgrades | \$ 115,250 |
| Lawton Park Playground Upgrades | \$ 80,488 |
| Multi County Business Park Project | \$ 1,261,637 |

Business-type Activities

| | |
|---------------------------------|------------|
| Machinery and Vehicles | \$ 136,597 |
| Hampton Inn Sewer Upgrades | \$ 29,681 |
| Blackcreek Pump Upgrades | \$ 25,550 |
| Blackcreek Lift Station Project | \$ 353,798 |
| Boutique Hotel Project | \$ 13,346 |
| Flexnet Rual Development | \$ 138,510 |
| Segars Mill Project | \$ 63,514 |
| Splash Pad Improvements | \$ 11,000 |

**CITY OF HARTSVILLE, SOUTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2015
(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 \$14,005,030 in outstanding notes, bonds, capital leases and compensated absences, compared to \$15,672,870 at June 30, 2014, and \$7,839,203 in net pension liability, compared to \$0 at June 30, 2014. The City's bonded debt represents bonds secured solely by specified revenue sources (i.e. revenue bonds and tax increment bonds).

South Carolina state statutes limit the amount of general obligation debt a governmental entity may issue without a referendum, to 8 percent of its total assessed valuation. For fiscal year 2015 the total debt limitation of assessed values for the City is \$ 2,098,907 with \$1,095,907 remaining.

Additional information on the City of Hartsville's long term debt as reported for fiscal year 2015 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, 2015, the unemployment rate for Darlington County was 7.5%. This compares unfavorably with the latest State's unemployment rate of 6.7% and the national rate of 5.5%. These indicators along with other concerns about our struggling economy were considered in preparing the City's budget for the 2015 fiscal year.

After careful evaluation by all departments the budget for fiscal year end 2015 was adopted with minimal increases due to some capital items that were necessary for operations. While the City continues to be relatively stable in this slow economy, we have taken a conservative approach to our budget projections for 2015 in hopes that the current recession we are experiencing will continue to subside.

In our business-type activities the budget for fiscal year 2015 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, 2015

| | Governmental Activities | Business-type Activities | Total | Component Unit |
|--|----------------------------|-----------------------------|----------------------|---------------------|
| Assets | | | | |
| Cash and Cash Equivalents | \$ 2,333,787 | \$ 4,947,247 | \$ 7,281,034 | \$ 80,418 |
| Restricted Cash | 3,727,654 | 658,464 | 4,386,118 | - |
| Investments | - | - | - | 1,378,273 |
| Receivables, Net | 683,005 | 669,230 | 1,352,235 | - |
| Inventories | - | 110,498 | 110,498 | - |
| Interfund Balances | 42,237 | (42,237) | - | - |
| Due From Other Governmental Units | 33,967 | - | 33,967 | - |
| Capital Assets: | | | - | |
| Land | 4,715,438 | 138,188 | 4,853,626 | - |
| Construction in Progress | 2,417,013 | 2,433,652 | 4,850,665 | - |
| Buildings and Systems | 2,630,049 | 134,518 | 2,764,567 | - |
| Machinery and Equipment | 10,367,239 | 2,304,335 | 12,671,574 | - |
| Infrastructure | 20,645,427 | 25,265,680 | 45,911,107 | - |
| Splash Pad | - | 617,843 | 617,843 | - |
| Less: Accumulated Depreciation | (22,801,056) | (13,734,499) | (36,535,555) | - |
| Total Capital Assets, Net of Depreciation | <u>17,974,110</u> | <u>17,159,717</u> | <u>35,133,827</u> | <u>-</u> |
| Deferred Outflows of Resources | | | | |
| Prepaid Pension Cost | <u>660,988</u> | <u>112,973</u> | <u>773,961</u> | <u>-</u> |
| Total Assets and Deferred Outflows of Resources | <u>25,455,748</u> | <u>23,615,892</u> | <u>49,071,640</u> | <u>1,458,691</u> |
| Liabilities | | | | |
| Accounts Payable and Accrued Liabilities | 657,121 | 35,024 | 692,145 | - |
| Accrued Interest Payable | 55,789 | 15,448 | 71,237 | - |
| Long-Term Liabilities: | | | | |
| Due Within One Year: | | | | |
| General Obligation Bonds | 466,159 | - | 466,159 | - |
| Revenue Bonds | 330,315 | 459,917 | 790,232 | - |
| Capital Leases | 329,630 | 65,594 | 395,224 | - |
| Compensated Absences | 276,648 | 41,391 | 318,039 | - |
| Due in More Than One Year: | | | | |
| General Obligation Bonds | 3,175,200 | | 3,175,200 | - |
| Revenue Bonds | 3,359,168 | 4,366,890 | 7,726,058 | - |
| Capital Leases | 1,017,894 | 116,224 | 1,134,118 | - |
| Net Pension Liability | <u>6,597,108</u> | <u>1,242,095</u> | <u>7,839,203</u> | <u>-</u> |
| Total Liabilities | <u>16,265,032</u> | <u>6,342,583</u> | <u>22,607,615</u> | <u>-</u> |
| Deferred Inflows | | | | |
| Unavailable Revenue - Grants | 4,220 | - | 4,220 | - |
| Unavailable Revenue - Pension | <u>652,328</u> | <u>104,718</u> | <u>757,046</u> | <u>-</u> |
| Total Deferred Inflows of Resources | <u>656,548</u> | <u>104,718</u> | <u>761,266</u> | <u>-</u> |
| Net Position | | | | |
| Net Investment in Capital Assets | 11,274,445 | 12,151,092 | 23,425,537 | - |
| Restricted for: | | | | |
| Economic Development | 689,982 | - | 689,982 | - |
| Culture and Recreation | 819,011 | - | 819,011 | - |
| Debt Service | 9,330 | 658,464 | 667,794 | - |
| Unrestricted | <u>(4,258,600)</u> | <u>4,359,035</u> | <u>100,435</u> | <u>1,458,691</u> |
| Total Net Position | <u>\$ 8,534,168</u> | <u>\$ 17,168,591</u> | <u>\$ 25,702,759</u> | <u>\$ 1,458,691</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, 2015

| Function/Programs | Program Revenues | | | | Net (Expense) Revenue and Changes in Net Position | | | Component Unit |
|---|----------------------|------------------------------------|----------------------------------|--------------------------------|---|--------------------------|----------------------|---------------------|
| | Expenses | Fees, Fines & Charges for Services | Operating Grants & Contributions | Capital Grants & Contributions | Governmental Activities | Business-type Activities | Total | |
| Government Activities | | | | | | | | |
| General Government Administration | \$ 2,112,794 | \$ 2,723,440 | \$ 41,039 | \$ - | \$ 651,685 | \$ - | \$ 651,685 | \$ - |
| Public Safety | 4,403,498 | 656,249 | 6,520 | - | (3,740,729) | - | (3,740,729) | - |
| Public Works | 2,121,009 | 1,164,988 | - | 522,719 | (433,302) | - | (433,302) | - |
| Economic Development | 330,972 | - | - | - | (330,972) | - | (330,972) | - |
| Culture and Recreation | 795,506 | 108,050 | - | 56,000 | (631,456) | - | (631,456) | - |
| Airport | 67,278 | - | - | 118,164 | 50,886 | - | 50,886 | - |
| Cemetery | 120,117 | 51,990 | - | - | (68,127) | - | (68,127) | - |
| Capital Outlay | 68,743 | - | - | - | (68,743) | - | (68,743) | - |
| Interest on Long-Term Debt | 235,807 | - | - | - | (235,807) | - | (235,807) | - |
| Total Governmental Activities | <u>10,255,724</u> | <u>4,704,717</u> | <u>47,559</u> | <u>696,883</u> | <u>(4,806,565)</u> | <u>-</u> | <u>(4,806,565)</u> | <u>-</u> |
| Business-Type Activities: | | | | | | | | |
| Water & Sewer | 3,247,551 | 3,755,419 | - | 200,874 | - | 708,742 | 708,742 | - |
| Other Proprietary Funds | 336,218 | 279,112 | - | - | - | (57,106) | (57,106) | - |
| Total Business-Type Activities | <u>3,583,769</u> | <u>4,034,531</u> | <u>-</u> | <u>200,874</u> | <u>-</u> | <u>651,636</u> | <u>651,636</u> | <u>-</u> |
| Total Primary Government | <u>\$ 13,839,493</u> | <u>\$ 8,739,248</u> | <u>\$ 47,559</u> | <u>\$ 897,757</u> | <u>(4,806,565)</u> | <u>651,636</u> | <u>(4,154,929)</u> | <u>-</u> |
| Component Unit | | | | | | | | |
| Hartsville Museum Foundation, Inc. | \$ 38,795 | \$ - | \$ - | \$ 5,230 | | | | (33,565) |
| General Revenues: | | | | | | | | |
| Taxes: | | | | | | | | |
| Property Taxes, Levied for General Purposes | | | | | 2,656,747 | - | 2,656,747 | - |
| Public Service Taxes | | | | | 1,674,816 | - | 1,674,816 | - |
| Sales and Use Tax | | | | | 1,035,734 | - | 1,035,734 | - |
| Payments in Lieu of Taxes | | | | | 489,069 | - | 489,069 | - |
| Unrestricted Investment Earnings | | | | | 581 | 1,004 | 1,585 | 27,930 |
| Unrealized Gain on Investments | | | | | - | - | - | 107,538 |
| Miscellaneous | | | | | 342,009 | 109,054 | 451,063 | - |
| Intergovernmental Revenues | | | | | 169,950 | - | 169,950 | - |
| Gain on Disposition of Assets | | | | | 6,569 | - | 6,569 | 121,022 |
| Transfers - Utility Fund | | | | | 218,693 | (218,693) | - | - |
| Total General Revenues and Transfers | | | | | <u>6,594,168</u> | <u>(108,635)</u> | <u>6,485,533</u> | <u>256,490</u> |
| Change in Net Position | | | | | 1,787,603 | 543,001 | 2,330,604 | 222,925 |
| Net Position, Beginning of Year (Restated) | | | | | 6,746,565 | 16,625,590 | 23,372,155 | 1,235,766 |
| Net Position, End of Year | | | | | <u>\$ 8,534,168</u> | <u>\$ 17,168,591</u> | <u>\$ 25,702,759</u> | <u>\$ 1,458,691</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, 2015

| | General Fund | Hospital Tax Fund | Infrastructure Fund | Other Governmental Funds | Total Governmental Funds |
|--|---------------------|----------------------|------------------------|--------------------------------|--------------------------------|
| Assets | | | | | |
| Cash and Cash Equivalents | \$ 2,333,787 | \$ - | \$ - | \$ - | \$ 2,333,787 |
| Receivables: | | | | | |
| Intergovernmental Receivable | 309,445 | - | - | - | 309,445 |
| Sanitation Receivable, Net | 184,423 | - | - | - | 184,423 |
| Property Tax Receivable, Net | 180,104 | - | - | - | 180,104 |
| Accounts Receivable, Net | 5,550 | - | - | 3,483 | 9,033 |
| Due from Other Funds | 160,096 | - | - | 4,242 | 164,338 |
| Due from Other Governments | 33,967 | - | - | - | 33,967 |
| Restricted Cash | - | 821,793 | 2,630,271 | 275,590 | 3,727,654 |
| Total Assets | <u>\$ 3,207,372</u> | <u>\$ 821,793</u> | <u>\$ 2,630,271</u> | <u>\$ 283,315</u> | <u>\$ 6,942,751</u> |
| Liabilities | | | | | |
| Accounts Payable and Accrued Expenses | \$ 434,587 | \$ - | \$ 222,534 | \$ - | \$ 657,121 |
| Compensated Absences | 32,701 | - | - | - | 32,701 |
| Due to Other Funds | 106,280 | 2,782 | - | 13,039 | 122,101 |
| Total Liabilities | <u>573,568</u> | <u>2,782</u> | <u>222,534</u> | <u>13,039</u> | <u>811,923</u> |
| Deferred Inflows | | | | | |
| Unavailable Revenue - Property Taxes | 111,323 | - | - | - | 111,323 |
| Unavailable Revenue - Grants and Contributions | 4,220 | - | - | - | 4,220 |
| Total Deferred Inflows | <u>115,543</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>115,543</u> |
| Fund Balances | | | | | |
| Restricted for: | | | | | |
| Economic Development | - | - | 2,407,737 | 260,946 | 2,668,683 |
| Culture and Recreation | - | 819,011 | - | - | 819,011 |
| Debt Service | - | - | - | 9,330 | 9,330 |
| Committed To: | | | | | |
| Cemetery Care | 247,982 | - | - | - | 247,982 |
| Assigned to: | | | | | |
| Donations and Sponsorships | 408,778 | - | - | - | 408,778 |
| Unassigned | 1,861,501 | - | - | - | 1,861,501 |
| Total Fund Balances | <u>2,518,261</u> | <u>819,011</u> | <u>2,407,737</u> | <u>270,276</u> | <u>6,015,285</u> |
| Total Liabilities, Deferred Inflows and Fund Balances | <u>\$ 3,207,372</u> | <u>\$ 821,793</u> | <u>\$ 2,630,271</u> | <u>\$ 283,315</u> | <u>\$ 6,942,751</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, 2015

| | |
|---|-------------------------|
| Total Fund Balances - Governmental Funds (Exhibit C) | \$ 6,015,285 |
| 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 | 111,323 |
| 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 \$40,775,166 and the accumulated depreciation is \$22,801,056 | |
| | 17,974,110 |
| 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. | |
| | (55,789) |
| 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 \$660,988 equals \$181,881 deferred outflows of resources pension expense (from pension schedule) plus \$479,107 deferred outflow of 2015 employer contributions related to pensions. | |
| | 660,988 |
| Deferred inflows of resources related to pensions (from pension schedule) | |
| | (652,328) |
| Long-term liabilities, including debt premiums and deferred refunding charges, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year-end consist of: | |
| General Obligation Bonds | (3,175,200) |
| General Obligation Bonds - Current | (466,159) |
| Revenue Bonds | (3,359,168) |
| Revenue Bonds - Current | (330,315) |
| Capital Leases | (1,017,894) |
| Capital Leases - Current | (329,630) |
| Net Pension Liability | (6,597,108) |
| Compensated Absences | (243,947) |
| | (243,947) |
| Total Net Position - Governmental Activities (Exhibit A) | \$ 8,534,168 |

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, 2015

| | General Fund | Hospitality Tax Fund | Infrastructure Fund | Other Governmental Funds | Total Governmental Funds |
|--|---------------------|-------------------------|------------------------|--------------------------------|--------------------------------|
| Revenues | | | | | |
| Taxes | | | | | |
| Property Taxes | \$ 2,490,316 | \$ - | \$ - | \$ 145,427 | \$ 2,635,743 |
| Other Taxes | 1,696,943 | 824,499 | 65,417 | 123,691 | 2,710,550 |
| Fee in Lieu | - | - | 489,069 | - | 489,069 |
| Franchise Fees | 921,227 | - | - | - | 921,227 |
| Licenses, Permits and Fees | 1,933,324 | - | - | - | 1,933,324 |
| Intergovernmental Revenue | 169,950 | - | - | - | 169,950 |
| Charges for Services | 1,164,988 | - | - | - | 1,164,988 |
| Fines and Forfeitures | 84,887 | - | - | - | 84,887 |
| Investment Earnings | 326 | - | 255 | - | 581 |
| Contributions and Donations | 41,039 | - | - | - | 41,039 |
| Rents | 93,406 | - | - | - | 93,406 |
| Fire Contract | 548,301 | - | - | - | 548,301 |
| Insurance Proceeds | 3,268 | - | - | - | 3,268 |
| Grants | - | - | - | 703,404 | 703,404 |
| Miscellaneous | 241,953 | - | 57,000 | - | 298,953 |
| Total Revenues | <u>9,389,928</u> | <u>824,499</u> | <u>611,741</u> | <u>972,522</u> | <u>11,798,690</u> |
| Expenditures | | | | | |
| Current | | | | | |
| General Government | 2,056,792 | - | - | - | 2,056,792 |
| Public Safety | 4,001,366 | - | - | - | 4,001,366 |
| Public Works | 1,854,454 | - | - | - | 1,854,454 |
| Economic Development | - | 107,483 | 73,969 | 107,981 | 289,433 |
| Culture and Recreation | 695,501 | - | - | - | 695,501 |
| Airport | 58,089 | - | - | - | 58,089 |
| Cemetery | 105,012 | - | - | - | 105,012 |
| Capital Outlay | 932,180 | - | 1,161,952 | 914,397 | 3,008,529 |
| Debt Service | | | | | |
| Principal | 442,201 | 343,096 | 325,517 | 112,000 | 1,222,814 |
| Interest | 46,156 | 70,064 | 101,491 | 24,097 | 241,808 |
| Total Expenditures | <u>10,191,751</u> | <u>520,643</u> | <u>1,662,929</u> | <u>1,158,475</u> | <u>13,533,798</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>(801,823)</u> | <u>303,856</u> | <u>(1,051,188)</u> | <u>(185,953)</u> | <u>(1,735,108)</u> |
| Other Financing Sources (Uses) | | | | | |
| Sale of Capital Assets | 6,569 | - | - | - | 6,569 |
| Transfers In | 546,889 | 60,050 | 63,960 | 332,463 | 1,003,362 |
| Transfers Out | (245,295) | (304,889) | (99,685) | (134,800) | (784,669) |
| Total Other Financing Sources (Uses) | <u>308,163</u> | <u>(244,839)</u> | <u>(35,725)</u> | <u>197,663</u> | <u>225,262</u> |
| Net Change in Fund Balances | (493,660) | 59,017 | (1,086,913) | 11,710 | (1,509,846) |
| Fund Balances, Beginning of Year (Restated) | <u>3,011,921</u> | <u>759,994</u> | <u>3,494,650</u> | <u>258,566</u> | <u>7,525,131</u> |
| Fund Balances, End 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> |

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

CITY OF HARTSVILLE, SOUTH CAROLINA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2015

| | | |
|--|-----------------|----------------------------|
| Total Net Change In Fund Balances - Governmental Funds (Exhibit E) | | \$ (1,509,846) |
| 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 \$2,938,931 exceeds depreciation expense of \$1,302,175 in the period. | 1,636,756 | |
| Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. | 780,613 | |
| Repayment of capital leases is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. | 444,188 | |
| 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. | 21,004 | |
| 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. | 849 | |
| 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. | 4,014 | |
| 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 | \$ 479,107 | |
| Cost of benefits earned net of employee contributions (pension expense from benefit schedule) | <u>(69,082)</u> | <u>410,025</u> |
| Change in Net Position of Governmental Activities (Exhibit B) | | <u>\$ 1,787,603</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, 2015

Assets

Current Assets:

| | |
|---------------------------|----------------|
| Cash and Cash Equivalents | \$ 4,947,247 |
| Investments | - |
| Accounts Receivable, Net | 669,230 |
| Inventory | <u>110,498</u> |

Total Current Assets 5,726,975

Non-Current Assets:

| | |
|--------------------------|-------------------|
| Restricted Cash | 658,464 |
| Land | 138,188 |
| Construction in Progress | 2,433,652 |
| Capital Assets, Net | <u>14,587,877</u> |

Total Non-Current Assets 17,818,181

Deferred Outflows of Resources

Prepaid Pension Cost 112,973

Total Assets and Deferred Outflows of Resources 23,658,129

Liabilities

Current Liabilities:

| | |
|--|---------------|
| Accounts Payable and Accrued Expenses | 35,024 |
| Accrued Interest Payable | 15,448 |
| Compensated Absences | 41,391 |
| Due to Other Funds | 42,237 |
| Current Portion of Revenue Bonds Payable | 459,917 |
| Current Portion of Capital Lease Payable | <u>65,594</u> |

Total Current Liabilities 659,611

Long-Term Liabilities:

| | |
|-----------------------|----------------|
| Net Pension Liability | 1,242,095 |
| Revenue Bonds Payable | 4,366,890 |
| Capital Lease Payable | <u>116,224</u> |

Total Liabilities 6,384,820

Deferred Inflows of Resources

Unavailable Revenue - Pension 104,718

Net Position

| | |
|----------------------------------|------------------|
| Net Investment in Capital Assets | 12,151,092 |
| Restricted for Debt Service | 658,464 |
| Unrestricted | <u>4,359,035</u> |

Total Net Position \$ 17,168,591

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, 2015

| | Water & Sewer | Other Proprietary Funds | Total Proprietary Funds |
|---|----------------------|----------------------------|-------------------------------|
| Operating Revenues | | | |
| Charges for Services | | | |
| Water Charges | \$ 1,805,268 | \$ - | \$ 1,805,268 |
| Sewer Charges | 1,756,167 | - | 1,756,167 |
| Penalties | 88,447 | - | 88,447 |
| Other Fees and Charges | 105,537 | 168,128 | 273,665 |
| Concession Fees | - | 110,984 | 110,984 |
| Miscellaneous | 1,600 | - | 1,600 |
| Tower Leases | 107,454 | - | 107,454 |
| Total Revenues | <u>3,864,473</u> | <u>279,112</u> | <u>4,143,585</u> |
| Operating Expenses | | | |
| Bad Debt Expense | 95,201 | 2,498 | 97,699 |
| Contract Services | 650,675 | 2,461 | 653,136 |
| Depreciation | 679,738 | 74,464 | 754,202 |
| Dues and Subscriptions | 2,214 | 599 | 2,813 |
| Employee Benefits | 20,388 | 2,092 | 22,480 |
| Equipment | 13,715 | 8,597 | 22,312 |
| Insurance | 196,472 | 9,462 | 205,934 |
| Legal and Professional | 132,907 | 15,855 | 148,762 |
| Miscellaneous | 5,128 | - | 5,128 |
| Office Supplies | 13,159 | 450 | 13,609 |
| Payroll Taxes | 53,248 | 5,337 | 58,585 |
| Postage | 21,107 | - | 21,107 |
| Repairs and Maintenance | 34,481 | 6,328 | 40,809 |
| Salaries | 716,517 | 133,305 | 849,822 |
| Supplies | 61,943 | 70,020 | 131,963 |
| System Repairs and Maintenance | 234,116 | 602 | 234,718 |
| Telephone | 8,087 | 1,192 | 9,279 |
| Training | 3,805 | 1,301 | 5,106 |
| Uniforms | 6,421 | 1,024 | 7,445 |
| Vehicle Expense | 73,519 | 631 | 74,150 |
| Water Testing Fees | 18,948 | - | 18,948 |
| Total Operating Expenses | <u>3,041,789</u> | <u>336,218</u> | <u>3,378,007</u> |
| Operating Income / (Loss) | <u>822,684</u> | <u>(57,106)</u> | <u>765,578</u> |
| Non-Operating Income (Expense) | | | |
| Investment Income | 1,004 | - | 1,004 |
| Interest Expense | (205,762) | - | (205,762) |
| Total Non-Operating Income (Expense) | <u>(204,758)</u> | <u>-</u> | <u>(204,758)</u> |
| Income Before Contributions and Transfers | <u>617,926</u> | <u>(57,106)</u> | <u>560,820</u> |
| Operating Transfers In | 1,307 | 108,000 | 109,307 |
| Operating Transfers Out | (328,000) | - | (328,000) |
| Total Transfers | <u>(326,693)</u> | <u>108,000</u> | <u>(218,693)</u> |
| Capital Contributions | <u>200,874</u> | <u>-</u> | <u>200,874</u> |
| Change in Net Position | 492,107 | 50,894 | 543,001 |
| Net Position, Beginning of Year (Restated) | <u>15,491,777</u> | <u>1,133,813</u> | <u>16,625,590</u> |
| Net Position, End of Year | <u>\$ 15,983,884</u> | <u>\$ 1,184,707</u> | <u>\$ 17,168,591</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, 2015

| | |
|---|---------------------|
| Cash Flows from Operating Activities | |
| Cash Received from Customers | \$ 4,176,874 |
| Cash Paid to Suppliers | (1,838,946) |
| Cash Paid To Employees | <u>(849,822)</u> |
| Net Cash Provided by Operating Activities | <u>1,488,106</u> |
| Cash Flows From Non-Capital Financing Activities | |
| Operating Transfers from Other Funds | (218,693) |
| (Decrease) in Due to Other Funds | <u>(141,816)</u> |
| Net Cash Used by Non-Capital Financing Activities | <u>(360,509)</u> |
| Cash Flows from Capital and Related Financing Activities | |
| Purchases of Capital Assets | (771,987) |
| Principal Paid on Capital Debt | (447,720) |
| Interest Paid on Capital Debt | <u>(205,763)</u> |
| Net Cash Used by Capital and Related Financing Activities | <u>(1,425,470)</u> |
| Cash Flows from Investing Activities | |
| Capital Contribution | 200,874 |
| Interest Income | <u>1,634</u> |
| Net Cash Provided by Investing Activities | <u>202,508</u> |
| Net Change in Cash and Cash Equivalents | (95,365) |
| Cash and Cash Equivalents, Beginning of Year | <u>5,701,076</u> |
| Cash and Cash Equivalents, End of Year | <u>\$ 5,605,711</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, 2015
(Continued)

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

| | |
|--|----------------------------|
| Operating Income | \$ 765,578 |
| Adjustments to Reconcile Operating Income to Net Cash Provided | |
| By Operating Activities: | |
| Depreciation | 754,202 |
| Decrease in Accounts Receivable, Net | 33,289 |
| Decrease in Inventory | 8,338 |
| (Increase) in Deferred Cost | (8,255) |
| (Decrease) in Net Pension Liability | (51,925) |
| (Decrease) in Accounts and other Payables | <u>(13,121)</u> |
| Net Cash Provided by Operating Activities | <u>\$ 1,488,106</u> |

RECONCILIATION OF TOTAL CASH AND CASH EQUIVALENTS

| | |
|--|----------------------------|
| Current Assets - Cash and Cash Equivalents | \$ 4,947,247 |
| Non-Current Assets - Restricted Cash | <u>658,464</u> |
| Total Cash and Cash Equivalents | <u>\$ 5,605,711</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, 2015

| | <u>Agency Funds</u> |
|--------------------------|--------------------------|
| Assets | |
| Cash | \$ 65,369 |
| Capital Assets, Net | <u>137,748</u> |
| Total Assets | <u>\$ 203,117</u> |
| Liabilities | |
| Due To Agency Recipient | <u>\$ 203,117</u> |
| Total Liabilities | <u><u>\$ 203,117</u></u> |

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

CITY OF HARTSVILLE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

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, 2015

(Continued)

B. Basis of Presentation

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

Government-Wide Financial Statements:

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

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

Fund Financial Statements:

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

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

The funds of the City are described below:

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

June 30, 2015

(Continued)

Governmental Funds

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

General Fund

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

Special Revenue Fund

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

Accommodations Tax Fund

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

Cargill Development Fund

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

Infrastructure Park Fund

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

Hospitality Tax Fund

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

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

June 30, 2015

(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, 2015

(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, 2015

(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, 2015

(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, 2015

(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, 2015

(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, 2015

(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, 2015

(Continued)

U. Recently Issued and Adopted Accounting Pronouncements

The City implemented GASB Statement No. 68 “*Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*” (“GASB 68”) and GASB Statement No. 71, “*Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*” (“GASB 71” and collectively “Statements”) in the year ended June 30, 2015. The primary objective of these Statements is to improve accounting and financial reporting by state and local governments for pensions. In addition, state and local governments who participate in a cost-sharing multiple employer plans are now required to recognize a liability for their proportionate share of the net pension liability of that plan. It is GASB’s intention that these Statements will provide citizens and other users of the financial statement with a clearer picture of the size and nature of the City’s financial obligations to current and former employee for past services rendered. In particular, these Statements require the District to recognize a net pension liability, deferred outflows of resources, and deferred inflows of resources for its participation in the South Carolina Retirement System and the South Carolina Police Officers Retirement System (“Plans”), cost-sharing multiple-employer defined benefit pension plans, on financial statements prepared on the economic resources measurement focus and accrual basis of accounting (i.e., the statement of net position) and present more extensive note disclosures.

The adoption of these Statements had no impact on the District’s governmental fund financial statements, which continue to report expenditures in the amount of the contractually required contributions, as required by the South Carolina Public Employee Benefit Authority (“PEBA”) who administers the Plans. However, the adoption has resulted in the restatement of the City’s net position as of July 1, 2014 for its government-wide financial statements to reflect the reporting of net pension liabilities and deferred outflows of resources for each of its qualified Plans in accordance with the provisions of these Statements. Net position of the City’s government-wide financial statements as of July 1, 2014 was decreased by approximately \$87,292,000, reflecting the cumulative change in accounting principle related to the adoption of these Statements.

V. Changes in Beginning Net Position/Fund Balance

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

| | |
|---|---------------------|
| Net Position, beginning of the year, as previously stated | \$ 13,681,483 |
| Increase resulting from recognition of items previously reported as fiduciary funds | 63,555 |
| Decrease resulting from recognition of net pension liability costs related to GASB Statement No. 68 | <u>(6,998,473)</u> |
| Net Position, end of the year, as restated | <u>\$ 6,746,565</u> |

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

June 30, 2015

(Continued)

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

| | |
|---|---------------------|
| Fund Balance, beginning of year, as previously stated | \$ 2,948,366 |
| Increase resulting from recognition of items previously reported as fiduciary funds | <u>63,555</u> |
| Fund Balance, end of year, as restated | <u>\$ 3,011,921</u> |

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

| | |
|---|----------------------|
| Net Position, beginning of the year, as previously stated | \$ 17,919,610 |
| Decrease resulting from recognition of net pension liability costs related to GASB Statement No. 68 | <u>(1,294,020)</u> |
| Net Position, end of the year, as restated | <u>\$ 16,625,590</u> |

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, 2015, \$3,190,233 of the City's bank balance of \$11,954,605, which has a carrying value of \$11,730,369, was exposed to custodial credit risk as follows:

| | |
|---|---------------------|
| Uninsured by FDIC, but collateral held by pledging bank in the City's name | \$ <u>3,190,233</u> |
|---|---------------------|

Note 3. Restricted Cash

Certain resources, which have been set aside for grant expenditures and bond reserves, are classified as restricted cash on the Special Revenue Fund and Proprietary Fund's balance sheet because their use is limited. The amount of restricted cash held by the Special Revenue Fund and Proprietary Fund amounted to \$3,727,654 and \$658,464, respectively, as of June 30, 2015.

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

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

June 30, 2015

(Continued)

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.

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:

| | <u>Governmental Funds</u> | <u>Enterprise Funds</u> | <u>Total</u> |
|-----------------------------------|-------------------------------|-----------------------------|---------------------|
| Receivables: | | | |
| Taxes | \$ 276,154 | \$ - | \$ 276,154 |
| Accounts | 9,033 | 1,022,431 | 1,031,464 |
| Intergovernmental | 309,445 | - | 309,445 |
| Sanitation | <u>273,475</u> | <u>-</u> | <u>273,475</u> |
| Gross Receivables | 868,107 | 1,022,431 | 1,890,538 |
| Less Allowance for Uncollectibles | <u>(185,102)</u> | <u>(353,201)</u> | <u>(538,303)</u> |
| Net Total Receivables | <u>\$ 683,005</u> | <u>\$ 669,230</u> | <u>\$ 1,352,235</u> |

Note 5. Inter-fund Receivables and Payables

Inter-fund balances at June 30, 2015, (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 | \$ 160,096 | \$ 106,280 |
| Special Revenue Funds | 4,242 | 15,821 |
| Proprietary Fund | <u>-</u> | <u>42,237</u> |
| Totals | <u>\$ 164,338</u> | <u>\$ 164,338</u> |

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

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

June 30, 2015

(Continued)

Note 6. Capital Assets

Capital asset activity for the year ended June 30, 2015, was as follows:

| | Beginning Balance | Increases | Decreases | Transfers | Ending Balance |
|--|----------------------|---------------------|-----------------|-------------|----------------------|
| Governmental Activities: | | | | | |
| Non-depreciable Assets: | | | | | |
| Land | \$ 4,639,788 | \$ 75,650 | \$ - | \$ - | \$ 4,715,438 |
| Construction in Progress | 1,068,165 | 1,987,900 | - | (639,052) | 2,417,013 |
| Depreciable Assets | | | | | |
| Building and Systems | 2,617,355 | 12,694 | - | - | 2,630,049 |
| Infrastructure | 19,992,052 | 15,594 | (1,271) | 639,052 | 20,645,427 |
| Machinery and Equipment | 9,529,076 | 847,094 | (8,931) | - | 10,367,239 |
| Totals | <u>37,846,436</u> | <u>2,938,932</u> | <u>(10,202)</u> | <u>-</u> | <u>40,775,166</u> |
| Less Accumulated Depreciation For: | | | | | |
| Building and Systems | 1,239,335 | 80,210 | - | - | 1,319,545 |
| Infrastructure | 12,483,278 | 724,647 | (1,271) | - | 13,206,654 |
| Machinery and Equipment | 7,786,470 | 497,318 | (8,931) | - | 8,274,857 |
| Total Accumulated Depreciation | <u>21,509,083</u> | <u>1,302,175</u> | <u>(10,202)</u> | <u>-</u> | <u>22,801,056</u> |
| Governmental Activities Capital Assets, Net | <u>\$ 16,337,353</u> | <u>\$ 1,636,757</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 17,974,110</u> |
| Business-Type Activities: | | | | | |
| Non-depreciable Assets: | | | | | |
| Land | \$ 138,188 | \$ - | \$ - | \$ - | \$ 138,188 |
| Construction in Progress | 1,864,493 | 569,159 | - | - | 2,433,652 |
| Depreciable Assets | | | | | |
| Building and Systems | 134,518 | - | - | - | 134,518 |
| Infrastructure | 25,210,449 | 55,231 | - | - | 25,265,680 |
| Machinery and Equipment | 2,181,857 | 136,597 | (14,119) | - | 2,304,335 |
| Splash Pad | 606,843.00 | 11,000 | - | - | 617,843 |
| Totals | <u>30,136,348</u> | <u>771,987</u> | <u>(14,119)</u> | <u>-</u> | <u>30,894,216</u> |
| Less Accumulated Depreciation For: | | | | | |
| Building and Systems | 107,966 | 2,537 | - | - | 110,503 |
| Infrastructure | 11,166,285 | 578,351 | - | - | 11,744,636 |
| Machinery and Equipment | 1,711,589 | 111,474 | (14,119) | - | 1,808,944 |
| Splash Pad | 8,577.00 | 61,839 | - | - | 70,416 |
| Total Accumulated Depreciation | <u>12,994,417</u> | <u>754,201</u> | <u>(14,119)</u> | <u>-</u> | <u>13,734,499</u> |
| Business-Type Activities Capital Assets, Net | <u>\$ 17,141,931</u> | <u>\$ 17,786</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 17,159,717</u> |

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

June 30, 2015

(Continued)

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

| | |
|---|-------------------------|
| Governmental Activities | |
| General Government | \$ 295,594 |
| Public Safety | 575,041 |
| Public Works | 266,555 |
| Culture and Recreation | 100,007 |
| Economic Development | 41,539 |
| Airport | 8,334 |
| Cemetery | <u>15,105</u> |
| Total Depreciation Expense- Governmental Activities | <u>\$ 1,302,175</u> |

Construction in progress and construction commitments – governmental activities and business-type activities consisted of the following at June 30, 2015:

| | Expenditures To Date | Total Contract | Contract Payments Remaining |
|---------------------------------|-------------------------|-------------------------|-----------------------------------|
| Governmental Activities: | | | |
| Creative PlayScape - Playground | \$ 80,488 | \$ 160,975 | \$ 80,487 |
| Airport Grant #14 | 980,998 | 980,998 | - |
| Multi-County BP Project | <u>1,355,528</u> | <u>2,091,665</u> | <u>736,137</u> |
| Total | <u>\$ 2,417,014</u> | <u>\$ 3,233,638</u> | <u>\$ 816,624</u> |
| Business-Type Activities: | | | |
| Flexnet Rural Development | \$ 1,518,148 | \$ 1,824,442 | \$ 306,294 |
| Segars Mills Pumpstation | 110,023 | 728,362 | 618,339 |
| Black Creek Force Main | 498,517 | 527,746 | 29,229 |
| Boutique Hotel | 13,345 | 13,345 | - |
| Storm Water | <u>293,619</u> | <u>293,619</u> | <u>-</u> |
| Total | <u>\$ 2,433,652</u> | <u>\$ 3,387,514</u> | <u>\$ 953,862</u> |

Note 7. Accounts Payable and Accrued Expenses

The significant components of accounts payable and accrued expenses for governmental activities at June 30, 2015, are as follows:

| | |
|--|-------------------|
| Accounts Payable | \$ 460,415 |
| Accrued Payroll, Withholdings, Fringe and Benefits | <u>196,705</u> |
| Total Accounts Payable and Accrued Expenses - Governmental Activities | <u>\$ 657,120</u> |

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

June 30, 2015

(Continued)

Note 8. Long-term Debt

Governmental Activities:

As of June 30, 2015, 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 |
|-------------------------|---------------------|-------------------|---------------------|
| 2016 | \$ 466,159 | \$ 83,666 | \$ 549,825 |
| 2017 | 476,911 | 72,930 | 549,841 |
| 2018 | 488,357 | 61,946 | 550,303 |
| 2019 | 500,002 | 50,698 | 550,700 |
| 2020 | 511,850 | 39,183 | 551,033 |
| 2021-2024 | 1,198,080 | 45,661 | 1,243,741 |
| | <u>\$ 3,641,359</u> | <u>\$ 354,084</u> | <u>\$ 3,995,443</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, 2015

(Continued)

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

| Year Ending June 30, | Principal | Interest | Total |
|-------------------------|---------------------|-------------------|---------------------|
| 2016 | \$ 330,315 | \$ 96,693 | \$ 427,008 |
| 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 |
| 2021-2025 | 1,968,807 | 267,098 | 2,235,905 |
| | <u>\$ 3,689,483</u> | <u>\$ 685,281</u> | <u>\$ 4,374,764</u> |

Capital Leases Payable

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

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%.

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

June 30, 2015

(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, 2015.

| Year Ending 30-Jun | Governmental Activities |
|---|----------------------------|
| 2016 | \$ 329,630 |
| 2017 | 250,709 |
| 2018 | 248,070 |
| 2019 | 235,211 |
| 2020 | 200,587 |
| 2021 | 200,586 |
| Total Minimum Lease Payments | 1,464,793 |
| Less: Amount Representing Interest | (117,269) |
| Present Value of Minimum Lease Payments | \$ 1,347,524 |

Business-type Activities:

Revenue Bonds

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

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

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

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

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

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

June 30, 2015

(Continued)

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

| Year Ending June 30, | Principal | Interest | Total |
|-------------------------|---------------------|---------------------|---------------------|
| 2016 | \$ 459,917 | \$ 191,108 | \$ 651,025 |
| 2017 | 298,923 | 175,501 | 474,424 |
| 2018 | 308,394 | 164,694 | 473,088 |
| 2019 | 274,929 | 607,174 | 882,103 |
| 2020 | 152,522 | 32,305 | 184,827 |
| 2021-2025 | 867,802 | 538,109 | 1,405,911 |
| 2026-2030 | 721,069 | 391,717 | 1,112,786 |
| 2031-2035 | 747,052 | 249,479 | 996,531 |
| 2036-2040 | 518,312 | 117,156 | 635,468 |
| 2041-2045 | 477,887 | 12,034 | 489,921 |
| | <u>\$ 4,826,807</u> | <u>\$ 2,479,277</u> | <u>\$ 7,306,084</u> |

Capital Leases Payable

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

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

The following is a schedule of the future minimum lease payments under capital lease, and the present value of the net minimum lease payments at June 30, 2015.

| Year Ending 30-Jun | Business-Type Activities |
|---|-----------------------------|
| 2016 | \$ 65,594 |
| 2017 | 63,880 |
| 2018 | <u>63,880</u> |
| Total Minimum Lease Payments | 193,354 |
| Less: Amount Representing Interest | <u>(11,536)</u> |
| Present Value of Minimum Lease Payments | <u>\$ 181,818</u> |

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

June 30, 2015

(Continued)

Note 9. Long Term Debt

The following is a summary of changes in long-term obligations of the City as of June 30, 2015:

| | <u>Balance</u> <u>June 30, 2014</u> | <u>Additions</u> | <u>Deductions</u> | <u>Balance</u> <u>June 30, 2015</u> | <u>Due Within</u> <u>One year</u> |
|----------------------------------|--|-------------------|-----------------------|--|--------------------------------------|
| <i>Governmental Activities:</i> | | | | | |
| G.O. Bonds | \$ 4,096,455 | \$ - | \$ (455,096) | \$ 3,641,359 | \$ 466,159 |
| Revenue Bond | 4,015,000 | - | (325,517) | 3,689,483 | 330,315 |
| Capital Lease | 1,791,712 | - | (444,188) | 1,347,524 | 329,630 |
| Compensated Absences | <u>274,033</u> | <u>276,648</u> | <u>(274,033)</u> | <u>276,648</u> | <u>-</u> |
| Totals | <u>\$ 10,177,200</u> | <u>\$ 276,648</u> | <u>\$ (1,498,834)</u> | <u>\$ 8,955,014</u> | <u>\$ 1,126,104</u> |
| <i>Business-Type Activities:</i> | | | | | |
| Revenue Bonds | \$ 5,213,327 | \$ - | \$ (386,520) | \$ 4,826,807 | \$ 459,917 |
| Capital Lease | 243,018 | - | (61,200) | 181,818 | 65,594 |
| Compensated Absences | <u>39,325</u> | <u>41,391</u> | <u>(39,325)</u> | <u>41,391</u> | <u>-</u> |
| Totals | <u>\$ 5,495,670</u> | <u>\$ 41,391</u> | <u>\$ (487,045)</u> | <u>\$ 5,050,016</u> | <u>\$ 525,511</u> |

Note 10. Debt Limitations

The amount of legal debt margin as of June 30, 2015, 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>(1,003,000)</u> |
| Legal Debt Margin | <u>\$ 1,095,907</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
NOTES TO FINANCIAL STATEMENTS**

June 30, 2015

(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, 2015

(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. The PEBA Board may increase the SCRS and PORS employer and employee contribution rates on the basis of the actuarial valuations, but any such increase may not result in a differential between the employee and 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 2014-2015 are as follows:

SCRS

| | |
|----------------------|---------------------------------|
| Employee Class Two | 8.00 % of earnable compensation |
| Employee Class Three | 8.00 % of earnable compensation |

PORS

| | |
|----------------------|---------------------------------|
| Employee Class One | \$21 per month |
| Employee Class Two | 8.41 % of earnable compensation |
| Employee Class Three | 8.41 % of earnable compensation |

Required employer contributions for fiscal year 2014-2015 are as follows:

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

June 30, 2015

(Continued)

SCRS

| | |
|-----------------------------------|----------------------------------|
| Employee Class Two | 10.75 % of earnable compensation |
| Employee Class Three | 10.75 % of earnable compensation |
| Employer Incidental Death Benefit | 0.15 % of earnable compensation |

PORS

| | |
|-----------------------------------|----------------------------------|
| Employee Class One | 7.80 % of earnable compensation |
| Employee Class Two | 13.01 % of earnable compensation |
| Employee Class Three | 13.01 % 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, 2015, the City reported a liability of \$4,777,286 for the SCRS and \$3,061,916 for the PORS for a total of \$7,839,202 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, 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, 2014, the City's proportion was 0.027748 percent for the SCRS and .15994 percent for the PORS.

For the year ended June 30, 2015, the City recognized pension expense of \$37,638. At June 30, 2015, 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 | \$ 217,078 | \$ - |
| Changes of assumptions | - | - |
| Net difference between projected and actual earnings on pension plan investments | - | 757,046 |
| Changes in proportion and differences between District contributions and proportionate share of contributions | - | - |
| Town contributions subsequent to measurement date | <u>556,883</u> | <u>-</u> |
| Total | <u>\$ 773,961</u> | <u>\$ 757,046</u> |

\$556,883 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.

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. Amounts determined during the valuation process are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. South Carolina state statute requires that an actuarial experience study be completed at least once in each five-year period. The last experience study was performed on data through June 30, 2010, and the next experience study is scheduled to be conducted after the June 30, 2015 annual valuation is complete.

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

June 30, 2015

(Continued)

The following table provides a summary of the actuarial assumptions and methods used in the July 1, 2013, 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 | levels off at 3.5% | levels off at 4.0% |
| Includes inflation at | 2.75% | 2.75% |
| Benefit adjustments | lesser of 1% or \$500 | lesser of 1% or \$500 |

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.

| 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 for actuarial purposes is based upon the 30 year capital market outlook at the end of the third quarter 2012. The actuarial long-term expected rates of return represent best estimates of arithmetic real rates of return for each major asset class and were developed in coordination with the investment consultant for the Retirement System Investment Commission (RSIC) using a building block approach, reflecting observable inflation and interest rate information available in the fixed income markets as well as Consensus Economic forecasts. The actuarial long-term assumptions for other asset classes are based on historical results, current market characteristics and professional judgment.

The RSIC has exclusive authority to invest and manage the retirement trust funds' assets. As co-fiduciary of the Systems, statutory provisions and governance policies allow the RSIC to operate in a manner consistent with a long-term investment time horizon. The expected real rates of investment return, along with the expected inflation rate, form the basis for the target asset allocation adopted annually by the RSIC. For actuarial purposes, the long-term expected rate of return is calculated by weighting the expected future real rates of return by the target allocation percentage and then adding

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

June 30, 2015

(Continued)

the actuarial expected inflation which is summarized in the table on the following page. For actuarial purposes, the 7.50 percent assumed annual investment rate of return 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.

| Asset Class | Target Asset Allocati | Expected Arithmetic Real Rate of Return | Long Term Expected Portfolio Real Rate |
|----------------------------------|--------------------------------------|--|---|
| Short Term | 5.0% | | |
| Cash | 2.0% | 0.3 | 0.01 |
| Short Duration | 3.0% | 0.6 | 0.02 |
| Domestic Fixed Income | 13.0% | | |
| Core Fixed Income | 7.0% | 1.1 | 0.08 |
| High Yield | 2.0% | 3.5 | 0.07 |
| Bank Loans | 4.0% | 2.8 | 0.11 |
| Global Fixed Income | 9.0% | | |
| Global Fixed Income | 3.0% | 0.8 | 0.02 |
| Emerging Markets Debt | 6.0% | 4.1 | 0.25 |
| Global Public Equity | 31.0% | 7.8 | 2.42 |
| Global Tactical Asset Allocation | 10.0% | 5.1 | 0.51 |
| Alternatives | 32.0% | | |
| Hedge Funds (Low Beta) | 8.0% | 4 | 0.32 |
| Private Debt | 7.0% | 10.2 | 0.71 |
| Private Equity | 9.0% | 10.2 | 0.92 |
| Real Estate (Broad Market) | 5.0% | 5.9 | 0.29 |
| Commodities | 3.0% | 5.1 | 0.15 |
| | | | |
| Total Expected Real Return | <u>100.0%</u> | | <u>5.88</u> |
| Inflation for Actuarial Purposes | | | <u>2.75</u> |
| Total Expected Nominal Return | | | <u>8.63</u> |

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 contributions from participating employers in SCRS and PORS will be made based on the actuarially determined rates based on provisions in the South Carolina State Code of Laws. 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. The following table presents the sensitivity of the net pension liability to changes in the discount rate.

| System | 1% Decrease (6.50%) | Discount Rate (7.50%) | 1% Increase (8.50%) |
|---------------|--------------------------------|----------------------------------|--------------------------------|
| SCRS | \$ 6,182,095 | \$ 4,777,286 | \$ 3,836,253 |
| PORS | \$ 3,962,303 | \$ 3,061,916 | \$ 2,458,778 |

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

June 30, 2015

(Continued)

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, 2015 in the amount of \$69,618.

Note 12. Post-Employment Health Care Benefits

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

SC ORBET contracts with an actuarial consultant to provide an actuarial valuation of the City's OPEB liability under GASB Statement 45. The most recent OPEB liability actuarial valuation was completed in July 2011 for the plan year that ended June 30, 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 2014 year and the annual required contribution:

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

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

June 30, 2015

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

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

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

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

Note 13. Commitments and Contingencies

The City receives state and federal grants for specific purposes that are subject to review and audit by state and federal agencies. Such audits could result in a request for reimbursement by the state and federal agencies for expenditures disallowed under the terms and conditions of the

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

June 30, 2015

(Continued)

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, 2015, open contracts and project budgets for construction totaled \$6,621,152, of which \$4,850,666 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 \$190,073 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 \$148,559 for workers' compensation coverage.

Note 15. Deferred Compensation Plans

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

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

Note 16. Intergovernmental Revenues

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

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

June 30, 2015

(Continued)

Note 17. Inter-fund Transfers

Transfers from (to) other funds for the year ended June 30, 2015, consist of the following:

| | | | |
|-----------------------------------|---------------------|------------------------------------|---------------------|
| <i>General Fund</i> | | <i>Infrastructure Fund</i> | |
| Transfer from Proprietary Fund | \$ 220,000 | Transfer from General Fund | \$ 11,210 |
| Transfer from Hospitality fund | 304,889 | Transfer to Special Revenue Fund | (99,685) |
| Transfer from Accommodations Fund | 22,000 | Transfer from Special Revenue Fund | <u>52,750</u> |
| Transfer to Special Revenue Fund | (234,085) | | |
| Transfer to Infrastructure Fund | <u>(11,210)</u> | Net Total Transfer To | <u>\$ (35,725)</u> |
| Net Total Transfer From | <u>\$ 301,594</u> | | |
| <i>Hospitality Fund</i> | | <i>Accommodations Fund</i> | |
| Transfer to General Fund | \$ (304,889) | Transfer to General Fund | \$ (22,000) |
| Transfer from Accommodation Fund | <u>60,050</u> | Transfer to Hospitality Fund | <u>(60,050)</u> |
| Net Total Transfer To | <u>\$ (244,839)</u> | Net Total Transfer To | <u>\$ (82,050)</u> |
| <i>Special Revenue Fund</i> | | <i>Proprietary Fund</i> | |
| Transfer from General Fund | \$ 234,085 | Transfer to StormWater | \$ (108,000) |
| Transfer from Infrastructure Fund | 99,685 | Transfer to General Fund | <u>(220,000)</u> |
| Transfer to Infrastructure Fund | <u>(52,750)</u> | Net Total Transfer To | <u>\$ (328,000)</u> |
| Net Total Transfer From | <u>\$ 281,020</u> | | |
| <i>StormWater Fund</i> | | | |
| Transfer from Proprietary Fund | <u>\$ 108,000</u> | | |
| Net Total Transfer From | <u>\$ 108,000</u> | | |

General Fund

Transfer from: Funds were transferred into the General Fund from the Hospitality and Accommodations funds and Proprietary Fund for revenues related to tourism-related expenditures and franchise fees.

Transfer to: Funds were transferred to the Special Revenue Fund and Infrastructure from the General Fund for expenditures related to capital grants and capital 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 from: Funds were transferred from the Infrastructure Fund and General Fund for expenditures related to capital grants.

Transfers to: Funds were transferred to the Infrastructure Fund from the Special Revenue Fund for expenditures related to capital projects.

StormWater Fund:

Transfer from: Funds were transferred from the General Fund and Special Revenue fund for Expenditures related to capital projects.

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

June 30, 2015

(Continued)

Infrastructure Fund

Transfer from: Funds were transferred from the General Fund and Special Revenue Fund for expenditures related to capital projects.

Transfer to: Funds were transferred from the Infrastructure Fund to the Special Revenue Fund for expenditures related to capital grants.

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 and StormWater operations.

Note 18. Operating Lease Commitments

The City has an operating lease on nine properties, of which three 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 four leases are for one year terms. Either party may terminate the

rental agreement at any time. Rent is payable on the first day of the month in the amount of \$6,100. Rental income amounted to \$66,750 for the fiscal ended June 30, 2015.

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, 2015, totaled \$107,454.

Note 19. Subsequent Events

The City of Hartsville has evaluated subsequent events through December 1, 2015, which is the date the financial statements were available to be issued.

SUPPLEMENTAL INFORMATION

GENERAL FUND

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

**CITY OF HARTSVILLE, SOUTH CAROLINA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL
For the Fiscal Year Ended June 30, 2015**

| | Budget | Actual | Variance Positive (Negative) |
|----------------------------------|------------------|------------------|------------------------------------|
| Revenues | | | |
| Taxes | | | |
| Property Taxes | \$ 2,416,000 | \$ 2,490,316 | \$ 74,316 |
| Vehicle Taxes | 238,000 | 327,485 | 89,485 |
| PILOT Taxes | 96,500 | 117,780 | 21,280 |
| Other Taxes | - | 63,883 | 63,883 |
| Accommodations Tax | 30,000 | 95,394 | 65,394 |
| Merchant Inventory Tax | 56,667 | 56,667 | - |
| Local Option Sales Tax | <u>1,050,000</u> | <u>1,035,734</u> | <u>(14,266)</u> |
| Total Taxes | <u>3,887,167</u> | <u>4,187,259</u> | <u>300,092</u> |
| Licenses, Fees and Permits | | | |
| Franchise Fees | 697,500 | 921,227 | 223,727 |
| Business License Fees | 1,458,000 | 1,575,358 | 117,358 |
| Telecommunications Fees | 50,000 | 39,863 | (10,137) |
| Permits | 155,700 | 186,992 | 31,292 |
| Fire | 25,000 | 23,061 | (1,939) |
| Recreation | <u>98,500</u> | <u>108,050</u> | <u>9,550</u> |
| Total Licenses, Fees and Permits | <u>2,484,700</u> | <u>2,854,551</u> | <u>369,851</u> |
| Intergovernmental Revenue | | | |
| Local Government Funds | <u>165,000</u> | <u>169,950</u> | <u>4,950</u> |
| Total Intergovernmental Revenue | <u>165,000</u> | <u>169,950</u> | <u>4,950</u> |
| Charges for Services | | | |
| Solid Waste | <u>1,180,300</u> | <u>1,164,988</u> | <u>(15,312)</u> |
| Total Charges for Services | <u>1,180,300</u> | <u>1,164,988</u> | <u>(15,312)</u> |
| Fines and Forfeitures | | | |
| Police | 82,000 | 78,540 | (3,460) |
| Victim's Rights | <u>8,000</u> | <u>6,347</u> | <u>(1,653)</u> |
| Total Fines and Forfeitures | <u>90,000</u> | <u>84,887</u> | <u>(5,113)</u> |
| Miscellaneous | | | |
| School Resource Officer | 148,580 | 104,748 | (43,832) |
| Fire Contracts | 475,000 | 548,301 | 73,301 |
| Cemetery | 50,000 | 51,990 | 1,990 |
| Rent Income | 66,100 | 93,406 | 27,306 |
| Contributions and Donations | - | 41,039 | 41,039 |
| Insurance Proceeds | - | 3,268 | 3,268 |
| Other | 55,200 | 85,215 | 30,015 |
| Budgeted Surplus | 731,500 | - | (731,500) |
| Interest Income | <u>1,500</u> | <u>326</u> | <u>(1,174)</u> |
| Total Miscellaneous | <u>1,527,880</u> | <u>928,293</u> | <u>(599,587)</u> |
| Total Revenues | <u>9,335,047</u> | <u>9,389,928</u> | <u>54,881</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, 2015
(Continued)**

Expenditures

| General Government | <u>Budget</u> | <u>Actual</u> | Variance Positive (Negative) |
|---------------------------------|------------------|------------------|------------------------------------|
| Advertisement | \$ 2,500 | \$ 1,384 | \$ 1,116 |
| Banking Fees | 10,000 | 25,135 | (15,135) |
| Computer Expenses | 60,000 | 152,284 | (92,284) |
| Contract Services | 243,018 | 299,100 | (56,082) |
| Contingency | 200,000 | - | 200,000 |
| Dues and Subscriptions | 7,710 | 7,695 | 15 |
| Employee Benefits | 62,554 | 61,390 | 1,164 |
| Insurance | 283,725 | 270,534 | 13,191 |
| Legal and Professional Fees | 40,000 | 48,392 | (8,392) |
| Miscellaneous | 58,750 | 159,341 | (100,591) |
| Office Supplies | 17,200 | 11,554 | 5,646 |
| Payroll Taxes | 42,575 | 42,877 | (302) |
| Postage | 5,800 | 6,057 | (257) |
| Repairs and Maintenance | 57,200 | 65,439 | (8,239) |
| Salaries | 560,513 | 593,296 | (32,783) |
| Telephone | 8,650 | 7,667 | 983 |
| Training | 24,150 | 20,618 | 3,532 |
| Utilities | 279,400 | 279,166 | 234 |
| Vehicle Expense | 4,850 | 4,307 | 543 |
| Travel | 1,000 | 556 | 444 |
| Total General Government | <u>1,969,595</u> | <u>2,056,792</u> | <u>(87,197)</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, 2015
(Continued)

Public Safety

| Police | <u>Budget</u> | <u>Actual</u> | Variance Positive (Negative) |
|----------------------------|------------------|------------------|------------------------------------|
| Boarding Prisoners | \$ 7,000 | \$ 9,950 | \$ (2,950) |
| Contracted Services | 24,757 | 22,903 | 1,854 |
| Demolition | 65,000 | 48,316 | 16,684 |
| Dues and Subscriptions | 4,545 | 2,800 | 1,745 |
| Employee Benefits | 206,711 | 204,622 | 2,089 |
| Insurance | 326,182 | 315,891 | 10,291 |
| Legal and Professional | 11,285 | 12,372 | (1,087) |
| Miscellaneous | 9,500 | 13,870 | (4,370) |
| Office Supplies | 1,300 | 8,328 | (7,028) |
| Payroll Taxes | 122,427 | 123,797 | (1,370) |
| Postage | 1,245 | 803 | 442 |
| Repairs and Maintenance | 43,000 | 31,377 | 11,623 |
| Salaries | 1,612,133 | 1,651,450 | (39,317) |
| Supplies | 2,600 | 4,094 | (1,494) |
| Telephone | 10,192 | 7,025 | 3,167 |
| Training | 29,100 | 24,772 | 4,328 |
| Uniforms | 15,000 | 13,518 | 1,482 |
| Utilities | 16,000 | 16,177 | (177) |
| Vehicle Expense | 138,950 | 113,650 | 25,300 |
| Narcotics Hold | - | 12,516 | (12,516) |
| 911 E Contract | 70,000 | 73,230 | (3,230) |
| Police Total | <u>2,716,927</u> | <u>2,711,461</u> | <u>5,466</u> |
| Fire | | | |
| Contract Services | 45,602 | 76,712 | (31,110) |
| Dues and Subscriptions | 1,200 | 4,537 | (3,337) |
| Employee Benefits | 75,942 | 134,005 | (58,063) |
| Insurance | 136,538 | 126,257 | 10,281 |
| Legal and Professional | 8,100 | 8,149 | (49) |
| Office Supplies | 2,500 | 2,518 | (18) |
| Payroll Taxes | 43,759 | 50,041 | (6,282) |
| Postage | 700 | 833 | (133) |
| Miscellaneous | 2,500 | 39,783 | (37,283) |
| Repairs and Maintenance | 33,066 | 45,065 | (11,999) |
| Salaries | 611,402 | 673,276 | (61,874) |
| Supplies | 5,800 | 6,635 | (835) |
| Telephone | 13,200 | 11,935 | 1,265 |
| Training | 21,300 | 19,603 | 1,697 |
| Uniforms | 13,400 | 13,200 | 200 |
| Utilities | 11,500 | 12,563 | (1,063) |
| Vehicle Expense | 53,050 | 53,426 | (376) |
| 911 E Contract | 10,900 | 11,367 | (467) |
| Fire Total | <u>1,090,459</u> | <u>1,289,905</u> | <u>(199,446)</u> |
| Total Public Safety | <u>3,807,386</u> | <u>4,001,366</u> | <u>(193,980)</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, 2015
(Continued)**

| Culture and Recreation | <u>Budget</u> | <u>Actual</u> | <u>Variance Positive (Negative)</u> |
|-------------------------------------|----------------|----------------|---|
| Advertisement | \$ 1,000 | \$ 221 | \$ 779 |
| Contract Services | 50,000 | 46,661 | 3,339 |
| Dues and Subscriptions | 350 | - | 350 |
| Employee Benefits | 26,328 | 25,990 | 338 |
| Insurance | 56,091 | 51,755 | 4,336 |
| Legal and Professional | 1,650 | 1,369 | 281 |
| Miscellaneous | 3,000 | 3,214 | (214) |
| Office Supplies | 2,000 | 1,895 | 105 |
| Payroll Taxes | 18,482 | 17,632 | 850 |
| Postage | 200 | 162 | 38 |
| Repairs and Maintenance | 39,000 | 59,646 | (20,646) |
| Salaries | 241,636 | 241,560 | 76 |
| Telephone | 7,000 | 6,310 | 690 |
| Training | 1,750 | 125 | 1,625 |
| Utilities | 125,000 | 120,821 | 4,179 |
| Vehicle Expense | 18,000 | 14,987 | 3,013 |
| Supplies | 11,200 | 12,656 | (1,456) |
| Uniforms | 2,875 | 2,697 | 178 |
| Small Tools and Equipment | 8,500 | 9,764 | (1,264) |
| Program Expenses | <u>70,000</u> | <u>78,036</u> | <u>(8,036)</u> |
| Total Culture and Recreation | <u>684,062</u> | <u>695,501</u> | <u>(11,439)</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, 2015
(Continued)**

| Cemetary | <u>Budget</u> | <u>Actual</u> | Variance Positive (Negative) |
|-------------------------|----------------|----------------|------------------------------------|
| Building Maintenance | \$ 3,500 | \$ 2,964 | \$ 536 |
| Contract Services | 86,400 | 86,400 | - |
| Miscellaneous | 15,000 | 15,415 | (415) |
| Telephone | <u>250</u> | <u>233</u> | <u>17</u> |
| Total Cemetary | <u>105,150</u> | <u>105,012</u> | <u>138</u> |
| | | | |
| Airport | | | |
| Contract Services | 28,200 | 33,688 | (5,488) |
| Insurance | 2,250 | 2,228 | 22 |
| Repairs and Maintenance | 26,000 | 17,736 | 8,264 |
| Telephone | 600 | 576 | 24 |
| Utilities | <u>4,200</u> | <u>3,861</u> | <u>339</u> |
| Total Airport | <u>61,250</u> | <u>58,089</u> | <u>3,161</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, 2015
(Continued)

| Public Works | <u>Budget</u> | <u>Actual</u> | Variance Positive (Negative) |
|---------------------------|------------------|------------------|------------------------------------|
| Contract Services | \$ 52,697 | \$ 48,980 | \$ 3,717 |
| County Tipping Fee | 162,000 | 173,885 | (11,885) |
| Dues and Subscriptions | 3,000 | 442 | 2,558 |
| Employee Benefits | 81,806 | 82,687 | (881) |
| Insurance | 242,393 | 211,868 | 30,525 |
| Legal and Professional | 2,150 | 2,537 | (387) |
| Miscellaneous | 500 | - | 500 |
| Office Supplies | 1,200 | 1,272 | (72) |
| Payroll Taxes | 57,512 | 57,005 | 507 |
| Postage | 125 | 254 | (129) |
| Repairs and Maintenance | 103,700 | 99,945 | 3,755 |
| Salaries | 772,331 | 824,550 | (52,219) |
| Small Equipment and Tools | 16,000 | 14,265 | 1,735 |
| Supplies | 32,000 | 33,806 | (1,806) |
| Telephone | 5,300 | 3,989 | 1,311 |
| Training | 3,272 | 1,555 | 1,717 |
| Vehicle Expense | 186,000 | 255,101 | (69,101) |
| Uniforms | 14,000 | 22,908 | (8,908) |
| Utilities | <u>15,800</u> | <u>19,405</u> | <u>(3,605)</u> |
| Total Public Works | <u>1,751,786</u> | <u>1,854,454</u> | <u>(102,668)</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, 2015
(Continued)**

| | <u>Budget</u> | <u>Actual</u> | Variance Positive (Negative) |
|--|------------------|---------------------|------------------------------------|
| Capital Outlay | | | |
| General Government | \$ - | \$ 5,744 | \$ (5,744) |
| Public Safety | 792,600 | 878,916 | (86,316) |
| Culture and Recreation | - | 18,597 | (18,597) |
| Cemetery | 3,500 | 6,950 | (3,450) |
| Public Works | <u>17,430</u> | <u>21,973</u> | <u>(4,543)</u> |
| Total Capital Outlay | <u>813,530</u> | <u>932,180</u> | <u>(118,650)</u> |
| Debt Service | | | |
| Principal | 459,335 | 442,201 | 17,134 |
| Interest | <u>88,653</u> | <u>46,156</u> | <u>42,497</u> |
| Total Debt Service | <u>547,988</u> | <u>488,357</u> | <u>59,631</u> |
| Total Expenditures | <u>9,740,747</u> | <u>10,191,751</u> | <u>(451,004)</u> |
| Excess (Deficiency) of Revenues Over Expenditures | <u>(405,700)</u> | <u>(801,823)</u> | <u>505,885</u> |
| Other Financing Sources (Uses) | | | |
| Sale of Capital Assets | 55,000 | 6,569 | (48,431) |
| Operating Transfers In | 530,700 | 546,889 | 16,189 |
| Operating Transfers Out | <u>(180,000)</u> | <u>(245,295)</u> | <u>(65,295)</u> |
| Total Other Financing Sources (Uses) | <u>405,700</u> | <u>308,163</u> | <u>(97,537)</u> |
| Net Change in Fund Balance | <u>\$ -</u> | <u>(493,660)</u> | <u>\$ -</u> |
| Fund Balance, Beginning of Year (Restated) | | <u>3,011,921</u> | |
| Fund Balance, End of Year | | <u>\$ 2,518,261</u> | |

**CITY OF HARTSVILLE, SOUTH CAROLINA
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
For the Fiscal Year Ended June 30, 2015**

| | Budgeted Amounts | | | Variance |
|--|----------------------|----------------------|-------------------------|------------------------|
| | <u>Original</u> | <u>Final</u> | <u>Actual</u> | Positive (Negative) |
| Revenues | | | | |
| Taxes | \$ 3,887,167 | \$ 3,887,167 | \$ 4,187,259 | \$ 300,092 |
| Licenses, Fees and Permits | 2,484,700 | 2,484,700 | 2,854,551 | 369,851 |
| Intergovernmental | 165,000 | 165,000 | 169,950 | 4,950 |
| Charges for Services | 1,180,300 | 1,180,300 | 1,164,988 | (15,312) |
| Fines and Forfeitures | 90,000 | 90,000 | 84,887 | (5,113) |
| Miscellaneous | <u>796,380</u> | <u>1,527,880</u> | <u>928,293</u> | <u>(599,587)</u> |
| Total Revenues | <u>8,603,547</u> | <u>9,335,047</u> | <u>9,389,928</u> | <u>54,881</u> |
| Expenditures | | | | |
| Current: | | | | |
| General Government | 1,969,595 | 1,969,595 | 2,056,792 | (87,197) |
| Public Safety | 3,807,386 | 3,807,386 | 4,001,366 | (193,980) |
| Culture and Recreation | 684,062 | 684,062 | 695,501 | (11,439) |
| Cemetery | 105,150 | 105,150 | 105,012 | 138 |
| Airport | 61,250 | 61,250 | 58,089 | 3,161 |
| Public Works | 1,751,786 | 1,751,786 | 1,854,454 | (102,668) |
| Capital Outlay | 82,030 | 813,530 | 932,180 | (118,650) |
| Debt Service | | | | |
| Principal | 459,335 | 459,335 | 442,201 | 17,134 |
| Interest | <u>88,653</u> | <u>88,653</u> | <u>46,156</u> | <u>42,497</u> |
| Total Expenditures | <u>9,009,247</u> | <u>9,740,747</u> | <u>10,191,751</u> | <u>(451,004)</u> |
| Excess (Deficiency) of Revenues Over Expenditures | <u>(405,700)</u> | <u>(405,700)</u> | <u>(801,823)</u> | <u>(396,123)</u> |
| Other Financing Sources (Uses) | | | | |
| Sale of Capital Assets | 55,000 | 55,000 | 6,569 | (48,431) |
| Operating Transfers In | 530,700 | 530,700 | 546,889 | 16,189 |
| Operating Transfers Out | <u>(180,000)</u> | <u>(180,000)</u> | <u>(245,295)</u> | <u>(65,295)</u> |
| Total Other Financing Sources (Uses) | <u>405,700</u> | <u>405,700</u> | <u>308,163</u> | <u>(97,537)</u> |
| Net Change in Fund Balance | <u>\$ -</u> | <u>\$ -</u> | <u>(493,660)</u> | <u>\$ -</u> |
| Fund Balance, Beginning of Year (Restated) | | | <u>3,011,921</u> | |
| Fund Balance, End of Year | | | <u>\$ 2,518,261</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, 2015**

| | <u>2015</u> |
|--|--------------------|
| SCRS | |
| City's proportion of the net pension liability (asset) | 0.027748% |
| City's proportionate share of the net pension liability (asset) | \$ 4,777,286 |
| City's covered employee payroll | \$ 2,744,291 |
| City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll | 57.44% |
| Plan fiduciary net position as a percentage of total pension liability | 18.59% |
| | <u>2015</u> |
| PORS | |
| City's proportion of the net pension liability (asset) | 0.159940% |
| City's proportionate share of the net pension liability (asset) | \$ 3,061,916 |
| City's covered employee payroll | \$ 1,951,125 |
| City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll | 63.72% |
| Plan fiduciary net position as a percentage of total pension liability | 11.91% |

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.

**CITY OF HARTSVILLE, SOUTH CAROLINA
 REQUIRED SUPPLEMENTAL INFORMATION
 SCHEDULE OF CITY CONTRIBUTIONS
 For the Fiscal Year Ended June 30, 2015**

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

| |
|---|
| <p style="text-align: center;">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, 2015**

SCHEDULE OF EMPLOYER CONTRIBUTIONS

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

*TBD - To be determined

SCHEDULE OF FUNDING PROGRESS

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

CITY OF HARTSVILLE, SOUTH CAROLINA
NOTES TO REQUIRED SUPPLEMENTAL INFORMATION
June 30, 2015

Note 1. Budgets and Budgetary Accounting

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

Note 2. Legal Compliance – Budgets

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

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

The general government, public safety, culture and recreation, public works, and capital outlay has excess expenditures over appropriations in the amount of \$87,197, \$193,980, \$11,439, \$102,668, and \$118,650 respectively.

SPECIAL REVENUE FUNDS

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

Hospitality Tax Fund

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

Special Revenue Fund

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

Infrastructure Park Fund

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

Cargill Development Fund

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

Accommodations Tax Fund

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

**CITY OF HARTSVILLE, SOUTH CAROLINA
HOSPITALITY TAX FUND
BALANCE SHEET
June 30, 2015**

Assets

Restricted Cash \$ 821,793

Total Assets \$ 821,793

Liabilities and Fund Balance

Due to General Fund \$ 2,782

Total Liabilities 2,782

Fund Balance

Restricted for Culture and Recreation 819,011

Total Liabilities and Fund Balance \$ 821,793

**CITY OF HARTSVILLE, SOUTH CAROLINA
HOSPITALITY TAX FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
For the Fiscal Year Ended June 30, 2015**

Revenues

| | |
|----------------|----------------|
| Other Taxes | \$ 824,499 |
| | |
| Total Revenues | <u>824,499</u> |

Expenditures

| | |
|----------------------|----------------|
| Economic Development | 107,483 |
| Debt Services | |
| Principal | 343,096 |
| Interest | <u>70,064</u> |
| | |
| Total Expenditures | <u>520,643</u> |

| | |
|--------------------------------------|----------------|
| Excess of Revenues Over Expenditures | <u>303,856</u> |
|--------------------------------------|----------------|

Other Financing Sources (Uses)

| | |
|--------------------------------------|------------------|
| Transfer from Accommodations Fund | 60,050 |
| Transfer to General Fund | <u>(304,889)</u> |
| | |
| Total Other Financing Sources (Uses) | <u>(244,839)</u> |

| | |
|-----------------------------------|--------|
| Net Change in Fund Balance | 59,017 |
|-----------------------------------|--------|

| | |
|--|----------------|
| Restricted Fund Balance, Beginning of Year | <u>759,994</u> |
|--|----------------|

| | |
|--------------------------------------|-------------------|
| Restricted Fund Balance, End of Year | <u>\$ 819,011</u> |
|--------------------------------------|-------------------|

**CITY OF HARTSVILLE, SOUTH CAROLINA
SPECIAL REVENUE FUND
BALANCE SHEET
June 30, 2015**

Assets

| | |
|----------------------|-------------------------|
| Cash | \$ 91,879 |
| Accounts Receivable | 3,483 |
| Due from Other Funds | <u>4,242</u> |
| Total Assets | <u>\$ 99,604</u> |

Liabilities and Fund Balance

| | |
|---|-------------------------|
| Due to Other Funds | <u>\$ 12,834</u> |
| Total Liabilities | <u>12,834</u> |
| Fund Balance | |
| Restricted for Economic Development | <u>86,770</u> |
| Total Liabilities and Fund Balance | <u>\$ 99,604</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, 2015**

Revenues

| | |
|----------------|-------------------|
| Grant Proceeds | \$ <u>703,404</u> |
| Total Revenues | <u>703,404</u> |

Expenditures

| | |
|----------------------|----------------|
| Capital Outlay | |
| General Government | 841,541 |
| Public Safety | 6,556 |
| Economic Development | 56,747 |
| Airport | <u>9,553</u> |
| Total Expenditures | <u>914,397</u> |

| | |
|---|------------------|
| Excess (Deficiency) of Revenues Over Expenditures | <u>(210,993)</u> |
|---|------------------|

Other Financing Sources (Uses)

| | |
|-----------------------------------|-----------------|
| Transfer from General Fund | 232,778 |
| Transfer from Infrastructure Fund | 99,685 |
| Transfer to Infrastructure Fund | <u>(52,750)</u> |
| Total Other Financing Sources | <u>279,713</u> |

| | |
|-----------------------------------|--------|
| Net Change in Fund Balance | 68,720 |
|-----------------------------------|--------|

| | |
|--|---------------|
| Restricted Fund Balance, Beginning of Year | <u>18,050</u> |
|--|---------------|

| | |
|--------------------------------------|-------------------------|
| Restricted Fund Balance, End of Year | <u><u>\$ 86,770</u></u> |
|--------------------------------------|-------------------------|

**CITY OF HARTSVILLE, SOUTH CAROLINA
VICTIM'S ASSISTANCE
SCHEDULE OF FINES, ASSESSMENTS AND SURCHARGES
For the Fiscal Year Ended June 30, 2015**

Court Fines

| | |
|------------------------------|-----------------|
| Court Fines Collected | \$ 51,537 |
| Court Fines Retained by Town | <u>(47,643)</u> |

| | |
|---|-----------------|
| Court Fines Remitted to the State Treasurer | \$ <u>3,894</u> |
|---|-----------------|

Court Assessments

| | |
|------------------------------------|----------------|
| Court Assessments Collected | 55,145 |
| Court Assessments Retained by Town | <u>(6,174)</u> |

| | |
|---|---------------|
| Court Assessments Remitted to the State Treasurer | <u>48,971</u> |
|---|---------------|

Court Surcharges

| | |
|-----------------------------------|----------------|
| Court Surcharges Collected | 39,465 |
| Court Surcharges Retained by Town | <u>(5,324)</u> |

| | |
|--|---------------|
| Court Surcharges Remitted to the State Treasurer | <u>34,141</u> |
|--|---------------|

Victim's Services

| | |
|---|-----------------|
| Funds Available for Carryforward, Beginning of Year | 48,872 |
| Court Assessments Allocated to Victim Services | 11,498 |
| Victim Assistance Fund Expenditures | <u>(27,760)</u> |

| | |
|--|------------------|
| Fund Available for Carryforward, End of Year | \$ <u>32,610</u> |
|--|------------------|

**CITY OF HARTSVILLE, SOUTH CAROLINA
INFRASTRUCTURE PARK FUND
BALANCE SHEET
June 30, 2015**

Assets

| | |
|---------------------|-----------------------------------|
| Cash | \$ <u>2,630,271</u> |
| Total Assets | \$ <u><u>2,630,271</u></u> |

Liabilities and Fund Balance

| | |
|---|-----------------------------------|
| Accounts Payable | \$ <u>222,534</u> |
| Total Liabilities | <u>222,534</u> |
| Fund Balance | |
| Restricted for Economic Development | <u>2,407,737</u> |
| Total Liabilities and Fund Balance | \$ <u><u>2,630,271</u></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, 2015**

Revenues

| | |
|----------------------|--------------------|
| Fee in Lieu | \$ 489,069 |
| Other Taxes | 65,417 |
| Miscellaneous Income | 57,000 |
| Investment Earnings | <u>255</u> |
| Total Revenues | <u>611,741</u> |

Expenditures

| | |
|------------------------|----------------------|
| Economic Development | 73,969 |
| Capital Outlay | 1,161,952 |
| Debt Service | |
| Principal | 325,517 |
| Interest | <u>101,491</u> |
| Total Expenditures | <u>1,662,929</u> |

| | |
|---|--------------------|
| Excess (Deficiency) of Revenues Over Expenditures | <u>(1,051,188)</u> |
|---|--------------------|

Other Financing Sources (Uses)

| | |
|--|---------------------|
| Transfer to Special Revenue Fund | (99,685) |
| Transfer from General Fund | 11,210 |
| Transfer from Special Revenue Fund | <u>52,750</u> |
| Total Other Financing Sources (Uses) | <u>(35,725)</u> |

| | |
|-----------------------------------|--------------------|
| Net Change in Fund Balance | (1,086,913) |
|-----------------------------------|--------------------|

| | |
|--|------------------|
| Restricted Fund Balance, Beginning of Year | <u>3,494,650</u> |
|--|------------------|

| | |
|--------------------------------------|----------------------------|
| Restricted Fund Balance, End of Year | <u><u>\$ 2,407,737</u></u> |
|--------------------------------------|----------------------------|

**CITY OF HARTSVILLE, SOUTH CAROLINA
CARGILL DEVELOPMENT FUND
BALANCE SHEET
June 30, 2015**

Assets

Cash \$ 49,546

Total Assets **\$ 49,546**

Liabilities and Fund Balance

Due to General Fund \$ 205

Fund Balance
Restricted for Economic Development 49,341

Total Liabilities and Fund Balance **\$ 49,341**

**CITY OF HARTSVILLE, SOUTH CAROLINA
 CARGILL DEVELOPMENT FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 For the Fiscal Year Ended June 30, 2015**

Revenues

Miscellaneous \$ -

Expenditures

Cargil Development 75,855

Net Change in Fund Balance (75,855)

Restricted Fund Balance, Beginning of Year 125,196

Restricted Fund Balance, End of Year \$ 49,341

**CITY OF HARTSVILLE, SOUTH CAROLINA
ACCOMMODATIONS TAX FUND
BALANCE SHEET
June 30, 2015**

Assets

Cash \$ 124,835

Total Assets **\$ 124,835**

Liabilities and Fund Balance

Fund Balance
Restricted for Economic Development \$ 124,835

Total Liabilities and Fund Balance **\$ 124,835**

**CITY OF HARTSVILLE, SOUTH CAROLINA
 ACCOMMODATIONS TAX FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 For the Fiscal Year Ended June 30, 2015**

Revenues

| | |
|----------------|-------------------|
| Other Taxes | \$ <u>123,691</u> |
| | |
| Total Revenues | <u>123,691</u> |

Expenditures

| | |
|----------------------|---------------|
| Economic Development | <u>32,126</u> |
| | |
| Total Expenditures | <u>32,126</u> |

| | |
|--------------------------------------|---------------|
| Excess of Revenues Over Expenditures | <u>91,565</u> |
|--------------------------------------|---------------|

Other Financing Sources (Uses)

| | |
|--------------------------------------|-----------------|
| Transfer To Hospitality Fund | (60,050) |
| Transfer To General Fund | <u>(22,000)</u> |
| | |
| Total Other Financing Sources (Uses) | <u>(82,050)</u> |

| | |
|-----------------------------------|-------|
| Net Change in Fund Balance | 9,515 |
|-----------------------------------|-------|

| | |
|--|----------------|
| Restricted Fund Balance, Beginning of Year | <u>115,320</u> |
|--|----------------|

| | |
|--------------------------------------|--------------------------|
| Restricted Fund Balance, End of Year | <u><u>\$ 124,835</u></u> |
|--------------------------------------|--------------------------|

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, 2015**

Assets

| | |
|---------------------|------------------------|
| Cash | <u>\$ 9,330</u> |
| Total Assets | <u>\$ 9,330</u> |

Liabilities and Fund Balance

| | |
|---|------------------------|
| Fund Balance | |
| Restricted for Debt Service | <u>\$ 9,330</u> |
| Total Liabilities and Fund Balance | <u>\$ 9,330</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, 2015

Revenues

| | |
|-------------|----------------|
| Other Taxes | \$ 145,427 |
| | <u>145,427</u> |

Expenditures

| | |
|--------------|----------------|
| Debt Service | |
| Principal | 112,000 |
| Interest | <u>24,097</u> |
| | <u>136,097</u> |

| | |
|--|-----------------|
| Net Change in Fund Balance | 9,330 |
| Restricted Fund Balance, Beginning of Year | <u>-</u> |
| Restricted Fund Balance, End of Year | <u>\$ 9,330</u> |

SEWER SYSTEM ENTERPIRSE FUND

The enterprise fund is used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the government's council is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or where the government's council has decided that periodic determination of net income is appropriate for accountability purposes. The City has 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, 2015**

| | Budget | Actual | Variance Positive (Negative) |
|---|----------------------|----------------------|------------------------------------|
| Operating Revenues | | | |
| Charges for Services | | | |
| Service Charges | \$ 3,827,000 | \$ 3,672,419 | \$ (154,581) |
| Taps | 7,000 | - | (7,000) |
| Penalties | 83,000 | 88,447 | 5,447 |
| Other Fees and Charges | 188,927 | 273,665 | 84,738 |
| Miscellaneous | 2,500 | 1,600 | (900) |
| Tower Leases | <u>95,000</u> | <u>107,454</u> | <u>12,454</u> |
| Total Revenues | <u>4,203,427</u> | <u>4,143,585</u> | <u>(59,842)</u> |
| Operating Expenses | | | |
| Bad Debt Expense | - | 97,699 | (97,699) |
| Contract Services | 636,300 | 653,136 | (16,836) |
| Depreciation | 642,585 | 754,202 | (111,617) |
| Dues and Subscriptions | 1,700 | 2,813 | (1,113) |
| Employee Benefits | 83,465 | 22,480 | 60,985 |
| Equipment | 22,312 | 22,312 | - |
| Insurance | 236,691 | 205,934 | 30,757 |
| Legal and Professional | 166,250 | 148,762 | 17,488 |
| Miscellaneous | - | 5,128 | (5,128) |
| Office Supplies | 10,000 | 13,609 | (3,609) |
| Payroll Taxes | 58,593 | 58,585 | 8 |
| Postage | 15,500 | 21,107 | (5,607) |
| Repairs and Maintenance | 13,000 | 40,809 | (27,809) |
| Salaries | 835,730 | 849,822 | (14,092) |
| Supplies | 110,600 | 131,963 | (21,363) |
| System Repairs and Maintenance | 351,180 | 234,718 | 116,462 |
| Telephone | 8,900 | 9,279 | (379) |
| Training | 4,500 | 5,106 | (606) |
| Uniforms | 6,350 | 7,445 | (1,095) |
| Utilities | 4,800 | - | 4,800 |
| Vehicle Expense | 70,050 | 74,150 | (4,100) |
| Water Testing Fees | <u>30,000</u> | <u>18,948</u> | <u>11,052</u> |
| Total Operating Expenses | <u>3,308,506</u> | <u>3,378,007</u> | <u>(69,501)</u> |
| Operating Income | <u>894,921</u> | <u>765,578</u> | <u>(129,343)</u> |
| Non-Operating Income (Expense) | | | |
| Investment Income | 750 | 1,004 | 254 |
| Interest Expense | <u>(341,858)</u> | <u>(205,762)</u> | <u>136,096</u> |
| Total Non-Operating Income (Expense) | <u>(341,108)</u> | <u>(204,758)</u> | <u>136,350</u> |
| Income Before Contributions and Transfers | <u>553,813</u> | <u>560,820</u> | <u>7,007</u> |
| Operating Transfers In | - | 109,307 | 109,307 |
| Operating Transfers (Out) | <u>(220,000)</u> | <u>(328,000)</u> | <u>(108,000)</u> |
| Capital Contributions | <u>-</u> | <u>200,874</u> | <u>200,874</u> |
| Change in Net Position | 333,813 | 543,001 | 209,188 |
| Net Position, Beginning of Year (Restated) | <u>16,625,590</u> | <u>16,625,590</u> | <u>-</u> |
| Net Position, End of Year | <u>\$ 16,959,403</u> | <u>\$ 17,168,591</u> | <u>\$ 209,188</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
FUDUCIARY FUNDS
COMBINING SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES –
ALL AGENCY FUNDS
For the Fiscal Year Ended June 30, 2015**

| | <u>Balance</u> <u>July 1, 2014</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance</u> <u>June 30, 2015</u> |
|---|---------------------------------------|------------------|--------------------|--|
| Police Evidence Fund | | | | |
| Cash | \$ 8,104 | \$ - | \$ (8,104) | \$ - |
| Total Assets | <u>\$ 8,104</u> | <u>\$ -</u> | <u>\$ (8,104)</u> | <u>\$ -</u> |
| Due to Agency Recipient | \$ 8,104 | \$ - | \$ (8,104) | \$ - |
| Total Liabilities | <u>\$ 8,104</u> | <u>\$ -</u> | <u>\$ (8,104)</u> | <u>\$ -</u> |
| Parking and Beautification Commission | | | | |
| Cash | \$ 105,954 | \$ 30,985 | \$ (71,570) | \$ 65,369 |
| Capital Assets, Net of Accumulated Depreciation | <u>151,880</u> | <u>-</u> | <u>(14,132)</u> | <u>137,748</u> |
| Total Assets | <u>\$ 257,834</u> | <u>\$ 30,985</u> | <u>\$ (85,702)</u> | <u>\$ 203,117</u> |
| Due to Agency Recipient | \$ 257,834 | \$ - | \$ (54,717) | \$ 203,117 |
| Total Liabilities | <u>\$ 257,834</u> | <u>\$ -</u> | <u>\$ (54,717)</u> | <u>\$ 203,117</u> |
| Narcotics Fund | | | | |
| Cash | \$ 50,332 | \$ - | \$ (50,332) | \$ - |
| Due from Other Governments | <u>5,119</u> | <u>-</u> | <u>(5,119)</u> | <u>-</u> |
| Total Assets | <u>\$ 50,332</u> | <u>\$ -</u> | <u>\$ (55,451)</u> | <u>\$ -</u> |
| Due to Agency recipient | \$ 55,451 | \$ - | \$ (55,451) | \$ - |
| Total Liabilities | <u>\$ 55,451</u> | <u>\$ -</u> | <u>\$ (55,451)</u> | <u>\$ -</u> |

COMPLIANCE SECTION

CITY OF HARTSVILLE, SOUTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2015

| <u>Federal Grantor/Pass-through Grantor/Program or Cluster Title</u> | <u>Federal CFDA Number</u> | <u>Pass-through Entity Identifying Number</u> | <u>Federal Expenditures</u> |
|--|------------------------------------|---|---------------------------------|
| Direct Programs: | | | |
| U.S. Department of Justice Community Facility Grant | 16.607 | | \$ 1,520 |
| U.S. Department of Transportation: Airport Improvement Program | 20.106 | | <u>77,955</u> |
| Total Direct Programs | | | <u>79,475</u> |
| Pass-through Programs from: | | | |
| South Carolina Department of Parks and Recreation: Outdoor Recreation Acquisition, Development and Planning | 15.916 | N/A | 40,244 |
| South Carolina Department of Commerce: Community Development Block Grant Program | 14.228 | 4-CL-10-013 | * <u>469,969</u> |
| Total Pass-Through Programs | | | <u>510,213</u> |
| Total Expenditures of Federal Awards | | | <u>\$ 589,688</u> |

* Tested as Major Program

CITY OF HARTSVILLE, SOUTH CAROLINA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2015

- Note 1.** The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal award programs of City of Hartsville, South Carolina for the year ended June 30, 2015. All federal awards received directly from federal agencies as well as those passed through other government agencies are included on the Schedule.
- Note 2.** The accompanying Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting, which is described in the notes to the City's basic financial statements.
- Note 3.** Federal awards expenditures are reported in the City's basic financial statements as expenditures in the General Fund and Special Revenue Fund.
- Note 4.** Difference between the amount of revenue received from federal wards and the related expenditures are recognized as either deferred revenue or receivables in the basic financial statements. The amounts recorded on the Schedule of Expenditures of Federal Awards agree with the amounts recorded in the basic financial statements.

SHEHEEN, HANCOCK & GODWIN, LLP

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December 1, 2015

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Hartsville, South Carolina, as of and for the year ended June 30, 2015, 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 December 1, 2015.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

Sheheen, Hancock & Godwin, LLP

Sheheen, Hancock & Godwin, LLP
Certified Public Accountants

SHEHEEN, HANCOCK & GODWIN, LLP

CERTIFIED PUBLIC ACCOUNTANTS

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FOUNDED 1959

December 1, 2015

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

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

Report on Compliance for Each Major Federal Program

We have audited the City of Hartsville, South Carolina's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City of Hartsville, South Carolina's major federal programs for the year ended June 30, 2015. The City of Hartsville, South Carolina's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the City of Hartsville, South Carolina, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

Management of the City of Hartsville, South Carolina, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Hartsville, South Carolina's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Hartsville, South Carolina's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Sheheen, Hancock & Godwin, LLP

Sheheen, Hancock & Godwin, LLP
Certified Public Accountants

CITY OF HARTSVILLE, SOUTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2015

A. SUMMARY OF RESULTS

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

Housing of Urban Development:
Community Development Block Grant – CFDA 14.228
8. Type A programs are those exceeding \$300,000. Type B programs are those exceeding \$100,000.
9. City of Hartsville did qualify as a low-risk auditee.

CITY OF HARTSVILLE, SOUTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2015
(Continued)

B. FINDINGS RELATED TO FINANCIAL STATEMENTS

There were no current year findings

**CITY OF HARTSVILLE, SOUTH CAROLINA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Fiscal Year Ended June 30, 2015**

There were no prior year findings