

**CITY OF HARTSVILLE
HARTSVILLE, SOUTH CAROLINA**

**ANNUAL FINANCIAL REPORT
Fiscal Year Ended June 30, 2017**

**CITY OF HARTSVILLE, SOUTH CAROLINA
ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2017**

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MAYOR PRO-TEM

Johnny L. Andrews - District 4

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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----- Karen Caulder
Director of Administrative Services / City Clerk ----- Sherron L. Skipper
Public Service Director ----- Russell Slatton
Parks & Leisure Services Director-----Russell Slatton
Police Chief----- Jerry Thompson
Fire Chief-----Jeff Burr

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February 2, 2018

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, 2017, 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, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information for the General Fund on pages 4-11 and 60, and the schedules of funding progress and employer contributions, schedule of City's proportionate share of net pension liabilities and Schedule of City's Contributions on pages 61-63 to be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Hartsville, South Carolina's basic financial statements. The combining and individual fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated February 2, 2018, 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
Camden, South Carolina

**CITY OF HARTSVILLE, SOUTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2017**

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, 2017. 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 and deferred outflows exceeded liabilities and deferred inflows by \$24,635,726 at the close of the 2017 fiscal year. Of this amount, \$7,685,270 may be used to meet City government's ongoing obligations to citizens and creditors.
- Revenues and other financing sources (uses) totaled \$15,847,100 and expenditures totaled \$17,920,582 for all governmental funds at the fund level. Included in that expenditure total is \$4,834,093 in capital outlay projects. Accordingly, expenditures exceeded revenues and other financing sources by \$2,073,482.
- As of the close of fiscal year 2017, the City of Hartsville's governmental funds reported combined ending fund balances of \$2,687,377. Approximately 64 percent of this amount, \$1,718,268 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 \$16,950,456, a decrease of approximately 2 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, 2017
(Continued)**

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

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

Fund Financial Statements:

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

Governmental Funds:

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

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

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

Enterprise funds reflect activities that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes. Proprietary funds provide the same types of information as the government-wide financial statements, but in more detail. The basic proprietary fund financial statements can be found on pages 18-21 of this report. Supplementary proprietary fund information can be found on page 82.

Fiduciary Funds: The City acts as agent, or fiduciary, for other entities resources. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the City's

**CITY OF HARTSVILLE, SOUTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2017
(Continued)**

fiduciary activities are reported in a separate statement of fiduciary net position. We exclude these activities from the City's government-wide financial statements because the City cannot use these assets to finance its operations. The fiduciary fund statement of net position can be found on page 22 of this report. Supplementary fiduciary fund information can be found on page 83.

Notes to the Financial Statements:

The notes provide additional narrative and tabular information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. Notes are presented after the government-wide and fund financial statements on pages 23-52.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Position:

As noted previously, net position serves over time as a useful indicator of a government's financial position. For the City of Hartsville, assets exceeded liabilities by \$24,635,726, at the close of the most recent fiscal year. Net position is reported in three categories: net investment in capital assets of \$20,650,164, restricted net position of \$631,117, and unrestricted net position of \$3,354,445. The City's combined net position decreased by \$1,739,261 between fiscal years 2016 and 2017. (See Table A-1)

The largest portion of the City's net position (84 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, 2017
(Continued)
Table A-1**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>
Assets						
Current and Other Assets	\$ 5,796,139	\$ 3,676,866	\$ 8,229,872	\$ 7,604,017	\$ 14,026,011	\$ 11,280,883
Capital Assets	19,563,197	21,445,354	18,014,536	17,650,461	37,577,733	39,095,815
Total Assets	<u>25,359,336</u>	<u>25,122,220</u>	<u>26,244,408</u>	<u>25,254,478</u>	<u>51,603,744</u>	<u>50,376,698</u>
Deferred Outflows						
Pension Cost	<u>838,179</u>	<u>1,095,126</u>	<u>158,868</u>	<u>178,993</u>	<u>997,047</u>	<u>1,274,119</u>
Liabilities						
Current Liabilities	2,149,554	2,179,529	735,319	788,375	2,884,873	2,967,904
Non-Current Liabilities	<u>15,018,070</u>	<u>16,124,496</u>	<u>8,283,901</u>	<u>7,664,934</u>	<u>23,301,971</u>	<u>23,789,430</u>
Total Liabilities	<u>17,167,624</u>	<u>18,304,025</u>	<u>9,019,220</u>	<u>8,453,309</u>	<u>26,186,844</u>	<u>26,757,334</u>
Deferred Inflows						
Revenue	<u>36,468</u>	<u>228,051</u>	<u>2,492</u>	<u>29,706</u>	<u>38,960</u>	<u>257,757</u>
Net Position						
Net Investment in Capital Assets	11,146,560	12,732,839	10,487,417	7,917,325	21,633,977	20,650,164
Restricted For:						
Economic Development	919,370	23,696	-	-	919,370	23,696
Culture and Recreation	716,140	408,346	-	-	716,140	408,346
Public Safety	-	63,145	-	-	-	63,145
Debt Service	42,390	65,209	117,163	70,721	159,553	135,930
Unrestricted	<u>(3,831,037)</u>	<u>(5,607,965)</u>	<u>6,776,984</u>	<u>8,962,410</u>	<u>2,945,947</u>	<u>3,354,445</u>
Total Net Position	<u>\$ 8,993,423</u>	<u>\$ 7,685,270</u>	<u>\$ 17,381,564</u>	<u>\$ 16,950,456</u>	<u>\$ 26,374,987</u>	<u>\$ 24,635,726</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 \$717,535, while total expenditures increased by \$2,484,943.

Business-type activities:

The City's business-type activities are the water and sewer enterprise fund, a combined public utility consisting of water and sewer services, storm water fund, the newly established splash pad and concessions. The total of charges for services, interest revenue and transfers of \$3,153,405 were less than the total expenses of \$3,584,513, yielding a negative change in net position of \$431,108 for fiscal year 2017. Since the water and sewer, storm water, splash pad and concessions are proprietary funds their capital expenses and principal payments are recorded on the balance sheet like non-governmental businesses. Therefore, the negative change in net position does not reflect payment of \$669,550 in principal payments, \$104,766 in capital expenses and \$380,953 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, 2017
(Continued)**

Table A-2
City of Hartsville Changes in Net Position

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>
Revenues						
Program Revenues:						
Fees, Fines and Charges for Services	\$ 4,399,833	\$ 4,099,432	\$ 3,820,927	\$ 3,986,905	\$ 8,220,760	\$ 8,086,337
Operating Grants	51,152	909,452	-	-	51,152	909,452
Capital Grants	193,523	277,916	77,452	-	270,975	277,916
General Revenues:						
Property Taxes	6,027,184	6,996,280	-	-	6,027,184	6,996,280
Miscellaneous	628,156	281,094	702,340	127,353	1,330,496	408,447
Unrestricted Investment Earnings	688	59	4,408	16,539	5,096	16,598
Intergovernmental Revenues	169,950	215,157	-	-	169,950	215,157
Gain on Disposition of Capital Assets	99,529	(694,727)	-	-	99,529	(694,727)
Transfer - Utility Fund	774,505	977,392	(774,505)	(977,392)	-	-
Total Revenues	<u>12,344,520</u>	<u>13,062,055</u>	<u>3,830,622</u>	<u>3,153,405</u>	<u>16,175,142</u>	<u>16,215,460</u>
Expenses						
General Government	2,944,813	4,130,661	-	-	2,944,813	4,130,661
Public Safety	4,821,718	5,213,984	-	-	4,821,718	5,213,984
Public Works	1,965,129	2,166,079	-	-	1,965,129	2,166,079
Economic Development	633,393	581,062	-	-	633,393	581,062
Culture and Recreation	869,355	898,756	-	-	869,355	898,756
Airport	77,051	92,474	-	-	77,051	92,474
Cemetery	115,874	131,178	-	-	115,874	131,178
Interest on Long-Term Debt	208,747	194,112	-	-	208,747	194,112
Capital Outlay	249,185	961,902	-	-	249,185	961,902
Enterprise Funds:						
Water and Sewer	-	-	3,197,187	3,165,219	3,197,187	3,165,219
Other Proprietary Funds	-	-	420,462	419,294	420,462	419,294
Total Expenses	<u>11,885,265</u>	<u>14,370,208</u>	<u>3,617,649</u>	<u>3,584,513</u>	<u>15,502,914</u>	<u>17,954,721</u>
Change in Net Position	459,255	(1,308,153)	212,973	(431,108)	672,228	(1,739,261)
Net Position, Beginning of Year	<u>8,534,168</u>	<u>8,993,423</u>	<u>17,168,591</u>	<u>17,381,564</u>	<u>25,702,759</u>	<u>26,374,987</u>
Net Position, End of Year	<u>\$ 8,993,423</u>	<u>\$ 7,685,270</u>	<u>\$ 17,381,564</u>	<u>\$ 16,950,456</u>	<u>\$ 26,374,987</u>	<u>\$ 24,635,726</u>

**CITY OF HARTSVILLE, SOUTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2017
(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 \$2,687,377. In the general fund there was a committed balance of \$49,480, and an unassigned fund balance of \$1,718,268. The remaining fund balance consisted of \$560,396 in restricted and \$359,233 in assigned 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 \$8,962,410 or 53% of total proprietary fund net position in the amount of \$16,950,456. The City's largest component of proprietary fund net position is net investment in capital assets, of \$7,917,325 or 47% of total net position. Other factors concerning the finances of this fund have been previously discussed with regard to City of Hartsville's business-type activities.

General Fund Budgetary Highlights

The City's budget is prepared according to South Carolina law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The general fund has a legally adopted budget. There were several budget amendments during fiscal year 2017 listed below:

Budget Amendments

Revenue:	
Accumulated Surplus	\$1,667,500
Expenditures:	
Accommodations Tax Expense	\$ 48,500
Capital	\$1,538,000
Special Projects and Services	\$ 81,000

**CITY OF HARTSVILLE, SOUTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2017
(Continued)**

Capital Asset and Debt Administration

Capital Assets

At the end of 2017, the City had invested \$39,095,815 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>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>
Land	\$ 4,715,438	\$ 5,458,891	\$ 138,188	\$ 145,904	\$ 4,853,626	\$ 5,604,795
Construction in Progress	2,870,007	4,648,905	2,439,517	604,878	5,309,524	5,253,783
Buildings and Systems	2,699,801	2,713,028	134,518	134,518	2,834,319	2,847,546
Infrastructure	21,955,544	20,972,127	26,675,048	28,866,088	48,630,592	49,838,215
Machinery and Equipment	11,262,401	12,109,231	2,499,465	2,569,345	13,761,866	14,678,576
Splash Pad	-	-	631,558	683,281	631,558	683,281
Accumulated Depreciation	<u>(23,939,994)</u>	<u>(24,456,828)</u>	<u>(14,503,758)</u>	<u>(15,353,553)</u>	<u>(38,443,752)</u>	<u>(39,810,381)</u>
Total	<u>\$ 19,563,197</u>	<u>\$ 21,445,354</u>	<u>\$ 18,014,536</u>	<u>\$ 17,650,461</u>	<u>\$ 37,577,733</u>	<u>\$ 39,095,815</u>

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

Government Activities

Machinery and Vehicles	\$ 1,033,995
Multi-County BP Project	\$ 898,442
Land	\$ 1,932,761
5th Street Intersection	\$ 51,583

Business-type Activities

Machinery and Vehicles	\$ 69,880
Traffic Circle Project	\$ 8,696
Prestwood Sewer Rehab	\$ 337,170
Black Creek Grinders	\$ 35,087

**CITY OF HARTSVILLE, SOUTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2017
(Continued)**

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

Long-Term Debt

At year end the City had \$15,878,670 in outstanding notes, bonds, capital leases and compensated absences, compared to \$16,270,440 at June 30, 2016, and \$9,896,067 in net pension liability, compared to \$8,982,324 at June 30, 2016. 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 2017 the total debt limitation of assessed values for the City is \$2,152,794 with \$782,294 remaining.

Additional information on the City of Hartsville's long term debt as reported for fiscal year 2017 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, 2017, the unemployment rate for Darlington County was 4.8%. This compares unfavorably with the latest State's unemployment rate of 3.9% and the national rate of 4.1%. These indicators along with other concerns about our struggling economy were considered in preparing the City's budget for the 2017 fiscal year.

The City has been very fortunate and due to sound fiscal decisions, did not increase millage for fiscal year 2017. While the City continues to be relatively stable in this slow economy, we have taken a conservative approach to our budget projections for 2018 in hopes that the current recession we are experiencing will continue to subside.

In our business-type activities the budget for fiscal year 2017 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 Karen Caulder, 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, 2017

	Governmental Activities	Business-type Activities	Total	Component Unit
Assets				
Cash and Cash Equivalents	\$ 702,894	\$ 6,817,710	\$ 7,520,604	\$ 42,654
Restricted Cash	1,931,705	-	1,931,705	-
Investments	-	-	-	1,356,912
Receivables, Net	1,038,707	638,686	1,677,393	-
Inventories	-	151,181	151,181	-
Interfund Balances	3,560	(3,560)	-	-
Capital Assets:				
Land	5,458,891	145,904	5,604,795	-
Construction in Progress	4,648,905	604,878	5,253,783	-
Buildings and Systems	2,713,028	134,518	2,847,546	-
Machinery and Equipment	12,109,231	2,569,345	14,678,576	-
Infrastructure	20,972,127	28,866,088	49,838,215	-
Splash Pad	-	683,281	683,281	-
Less: Accumulated Depreciation	(24,456,828)	(15,353,553)	(39,810,381)	-
Total Capital Assets, Net of Depreciation	<u>21,445,354</u>	<u>17,650,461</u>	<u>39,095,815</u>	<u>-</u>
Deferred Outflows of Resources				
Prepaid Pension Cost	<u>1,095,126</u>	<u>178,993</u>	<u>1,274,119</u>	<u>-</u>
Total Assets and Deferred Outflows of Resources	<u>26,217,346</u>	<u>25,433,471</u>	<u>51,650,817</u>	<u>1,399,566</u>
Liabilities				
Accounts Payable and Accrued Liabilities	815,819	70,329	886,148	-
Accrued Interest Payable	55,509	21,994	77,503	-
Renters Deposits	3,945	-	3,945	-
Due to Other Governmental Units	15,000	-	15,000	-
Long-Term Liabilities:				
Due Within One Year:				
General Obligation Bonds	132,800	-	132,800	-
Revenue Bonds	710,338	605,000	1,315,338	-
Capital Leases	409,443	89,996	499,439	-
Compensated Absences	36,675	1,056	37,731	-
Due in More Than One Year:				
Compensated Absences	250,799	20,058	270,857	-
General Obligation Bonds	2,797,632	-	2,797,632	-
Revenue Bonds	2,680,348	6,090,000	8,770,348	-
Capital Leases	1,981,954	72,572	2,054,526	-
Net Pension Liability	<u>8,413,763</u>	<u>1,482,304</u>	<u>9,896,067</u>	<u>-</u>
Total Liabilities	<u>18,304,025</u>	<u>8,453,309</u>	<u>26,757,334</u>	<u>-</u>
Deferred Inflows				
Unavailable Revenue - Pension	<u>228,051</u>	<u>29,706</u>	<u>257,757</u>	<u>-</u>
Total Deferred Inflows of Resources	<u>228,051</u>	<u>29,706</u>	<u>257,757</u>	<u>-</u>
Net Position				
Net Investment in Capital Assets	12,732,839	7,917,325	20,650,164	-
Restricted for:				
Economic Development	23,696	-	23,696	-
Culture and Recreation	408,346	-	408,346	-
Public Safety	63,145	-	63,145	-
Debt Service	65,209	70,721	135,930	-
Unrestricted	<u>(5,607,965)</u>	<u>8,962,410</u>	<u>3,354,445</u>	<u>1,399,566</u>
Total Net Position	<u>\$ 7,685,270</u>	<u>\$ 16,950,456</u>	<u>\$ 24,635,726</u>	<u>\$ 1,399,566</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, 2017

Function/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Unit
		Fees, Fines & Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business-type Activities	Total	
Government Activities								
General Government Administration	\$ 4,130,661	\$ 1,956,354	\$ 168,643	\$ 114,600	\$ (1,891,064)	\$ -	\$ (1,891,064)	\$ -
Public Safety	5,213,984	803,736	66,634	-	(4,343,614)	-	(4,343,614)	-
Public Works	2,166,079	1,256,457	-	-	(909,622)	-	(909,622)	-
Economic Development	581,062	-	659,175	-	78,113	-	78,113	-
Culture and Recreation	898,756	28,915	15,000	163,316	(691,525)	-	(691,525)	-
Airport	92,474	-	-	-	(92,474)	-	(92,474)	-
Cemetery	131,178	53,970	-	-	(77,208)	-	(77,208)	-
Capital Outlay	961,902	-	-	-	(961,902)	-	(961,902)	-
Interest on Long-Term Debt	194,112	-	-	-	(194,112)	-	(194,112)	-
Total Governmental Activities	<u>14,370,208</u>	<u>4,099,432</u>	<u>909,452</u>	<u>277,916</u>	<u>(9,083,408)</u>	<u>-</u>	<u>(9,083,408)</u>	<u>-</u>
Business-Type Activities:								
Water & Sewer	3,165,219	3,742,853	-	-	-	577,634	577,634	-
Other Proprietary Funds	419,294	244,052	-	-	-	(175,242)	(175,242)	-
Total Business-Type Activities	<u>3,584,513</u>	<u>3,986,905</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>402,392</u>	<u>402,392</u>	<u>-</u>
Total Primary Government	<u>\$ 17,954,721</u>	<u>\$ 8,086,337</u>	<u>\$ 909,452</u>	<u>\$ 277,916</u>	<u>(9,083,408)</u>	<u>402,392</u>	<u>(8,681,016)</u>	<u>-</u>
Component Unit								
Hartsville Museum Foundation, Inc.	<u>\$ 65,127</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,320</u>				<u>(61,807)</u>
General Revenues:								
Taxes:								
Property Taxes, Levied for General Purposes					2,869,870	-	2,869,870	-
Other Taxes					2,964,729	-	2,964,729	-
Franchise Fees					643,540	-	643,540	-
Payments in Lieu of Taxes					518,141	-	518,141	-
Unrestricted Investment Earnings					59	16,539	16,598	38,458
Unrealized Loss on Investments					-	-	-	(30,031)
Miscellaneous					281,094	127,353	408,447	-
Intergovernmental Revenues					215,157	-	215,157	-
Gain/(Loss) on Disposition of Assets					(694,727)	-	(694,727)	41,484
Transfers - Utility Fund					977,392	(977,392)	-	-
Total General Revenues and Transfers					<u>7,775,255</u>	<u>(833,500)</u>	<u>6,941,755</u>	<u>49,911</u>
Change in Net Position					(1,308,153)	(431,108)	(1,739,261)	(11,896)
Net Position, Beginning of Year					8,993,423	17,381,564	26,374,987	1,411,462
Net Position, End of Year					<u>\$ 7,685,270</u>	<u>\$ 16,950,456</u>	<u>\$ 24,635,726</u>	<u>\$ 1,399,566</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, 2017

	General Fund	Hospital Tax Fund	Infrastructure Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and Cash Equivalents	\$ 702,894	\$ -	\$ -	\$ -	\$ 702,894
Receivables:					
Intergovernmental Receivable	629,268	-	-	-	629,268
Sanitation Receivable, Net	230,487	-	-	-	230,487
Property Tax Receivable, Net	165,372	-	-	8,029	173,401
Accounts Receivable, Net	5,551	-	-	-	5,551
Due from Other Funds	823,975	-	-	5,935	829,910
Restricted Cash	-	408,346	532,539	990,820	1,931,705
Total Assets	\$ 2,557,547	\$ 408,346	\$ 532,539	\$ 1,004,784	\$ 4,503,216
Liabilities					
Accounts Payable and Accrued Expenses	\$ 596,036	\$ -	\$ -	\$ 219,783	\$ 815,819
Compensated Absences	36,675	-	-	-	36,675
Renter Deposit	-	-	-	3,945	3,945
Due to Other Governments	15,000	-	-	-	15,000
Due to Other Funds	28,679	-	604,471	193,200	826,350
Total Liabilities	676,390	-	604,471	416,928	1,697,789
Deferred Inflows					
Unavailable Revenue - Property Taxes	113,409	-	-	4,641	118,050
Total Deferred Inflows	113,409	-	-	4,641	118,050
Fund Balances					
Restricted for:					
Economic Development	-	-	(71,932)	95,628	23,696
Culture and Recreation	-	408,346	-	-	408,346
Public Safety	-	-	-	63,145	63,145
Debt Service	-	-	-	65,209	65,209
Committed To:					
Cemetery Care	49,480	-	-	-	49,480
Assigned to:					
Donations and Sponsorships	-	-	-	359,233	359,233
Unassigned	1,718,268	-	-	-	1,718,268
Total Fund Balances	1,767,748	408,346	(71,932)	583,215	2,687,377
Total Liabilities, Deferred Inflows and Fund Balances	\$ 2,557,547	\$ 408,346	\$ 532,539	\$ 1,004,784	\$ 4,503,216

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, 2017**

Total Fund Balances - Governmental Funds (Exhibit C) \$ 2,687,377

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 118,050

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 \$45,902,182 and the accumulated depreciation is \$24,456,828.

21,445,354

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.

(55,509)

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 (from pension schedule) 1,095,126

Deferred inflows of resources related to pensions (from pension schedule) (228,051)

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

General Obligation Bonds (2,797,632)

General Obligation Bonds - Current (132,800)

Revenue Bonds (2,680,348)

Revenue Bonds - Current (710,338)

Capital Leases (1,981,954)

Capital Leases - Current (409,443)

Net Pension Liability (8,413,763)

Compensated Absences (250,799)

Total Net Position Governmental Activities (Exhibit A) \$ 7,685,270

CITY OF HARTSVILLE, SOUTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2017

	General Fund	Hospitality Tax Fund	Infrastructure Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
Taxes					
Property Taxes	\$ 2,766,548	\$ -	\$ -	\$ 159,493	\$ 2,926,041
Other Taxes	1,853,510	903,623	500	207,596	2,965,229
Fee in Lieu	-	-	518,141	-	518,141
Franchise Fees	643,540	-	-	-	643,540
Licenses, Permits and Fees	1,937,781	-	-	-	1,937,781
Intergovernmental Revenue	215,157	-	-	-	215,157
Charges for Services	1,256,457	-	-	-	1,256,457
Fines and Forfeitures	133,446	-	-	-	133,446
Investment Earnings	6	-	53	-	59
Contributions and Donations	-	-	-	694,175	694,175
Rents	66,410	-	-	-	66,410
Fire Contract	626,034	-	-	-	626,034
Grants	-	-	-	413,593	413,593
Miscellaneous	282,765	-	5,500	22,633	310,898
	<u>9,781,654</u>	<u>903,623</u>	<u>524,194</u>	<u>1,497,490</u>	<u>12,706,961</u>
Total Revenues					
Expenditures					
Current					
General Government	3,300,442	-	-	-	3,300,442
Public Safety	4,293,909	-	-	29,816	4,323,725
Public Works	1,923,887	-	-	-	1,923,887
Economic Development	-	156,411	8,293	351,319	516,023
Culture and Recreation	798,203	-	-	-	798,203
Airport	82,169	-	-	-	82,169
Cemetery	116,554	-	-	-	116,554
Capital Outlay	2,761,751	252,907	937,924	881,511	4,834,093
Debt Service	-	-	-	-	-
Principal	383,759	359,411	336,339	117,500	1,197,009
Interest	29,396	53,749	90,669	19,174	192,988
	<u>13,690,070</u>	<u>822,478</u>	<u>1,373,225</u>	<u>1,399,320</u>	<u>17,285,093</u>
Total Expenditures					
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(3,908,416)</u>	<u>81,145</u>	<u>(849,031)</u>	<u>98,170</u>	<u>(4,578,132)</u>
Other Financing Sources (Uses)					
Bond Proceeds	600,000	-	-	-	600,000
Capital Lease Proceeds	896,051	-	-	-	896,051
Sale of Capital Assets	17,207	-	-	-	17,207
Transfers In	1,539,381	87,500	-	-	1,626,881
Transfers Out	-	(476,439)	-	(159,050)	(635,489)
	<u>3,052,639</u>	<u>(388,939)</u>	<u>-</u>	<u>(159,050)</u>	<u>2,504,650</u>
Total Other Financing Sources (Uses)					
Net Change in Fund Balances	(855,777)	(307,794)	(849,031)	(60,880)	(2,073,482)
Fund Balances, Beginning of Year	<u>2,623,525</u>	<u>716,140</u>	<u>777,099</u>	<u>644,095</u>	<u>4,760,859</u>
Fund Balances, End of Year	<u>\$ 1,767,748</u>	<u>\$ 408,346</u>	<u>\$ (71,932)</u>	<u>\$ 583,215</u>	<u>\$ 2,687,377</u>

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

**CITY OF HARTSVILLE, SOUTH CAROLINA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENT FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2017**

Total Net Change In Fund Balances - Governmental Funds (Exhibit E) \$ (2,073,482)

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 \$3,872,190 exceeds depreciation expense of \$1,392,699 in the period. 2,479,491

The loss on disposal of assets has been included in the Statement of Activities, whereas in the governmental funds, proceeds from disposal of assets increases financial resources. Thus, the change in net position differs from the change in fund balance by the carrying amount of the assets disposed. (711,934)

Contributions of capital assets are not recorded in the governmental funds. However, in the statement of activities, the fair market value of donated capital assets are reported as capital contributions. 114,600

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. 813,250

General obligation bonds proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position (600,000)

Repayment of capital leases is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. 386,923

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 increased in the current year. (56,171)

Capital Lease proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. (896,051)

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. (689)

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 increased in the current year. (4,288)

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	\$ 574,506	
Cost of benefits earned net of employee contributions (pension expense from benefit schedule)	<u>(1,334,308)</u>	<u>(759,802)</u>

Change in Net Position of Governmental Activities (Exhibit B) \$ (1,308,153)

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, 2017

Assets

Current Assets:

Cash and Cash Equivalents	\$ 6,817,710
Accounts Receivable, Net	638,686
Inventory	<u>151,181</u>

Total Current Assets	<u>7,607,577</u>
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Non-Current Assets:

Land	145,904
Construction in Progress	604,878
Capital Assets, Net	<u>16,899,679</u>

Total Non-Current Assets	<u>17,650,461</u>
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Deferred Outflows of Resources

Prepaid Pension Cost	<u>178,993</u>
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Total Assets and Deferred Outflows of Resources	<u><u>25,437,031</u></u>
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Liabilities

Current Liabilities:

Accounts Payable and Accrued Expenses	70,329
Accrued Interest Payable	21,994
Due to Other Funds	3,560
Current Portion of Compensated Absences	1,056
Current Portion of Revenue Bonds Payable	605,000
Current Portion of Capital Lease Payable	<u>89,996</u>

Total Current Liabilities	<u>791,935</u>
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Long-Term Liabilities:

Compensated Absences	20,058
Net Pension Liability	1,482,304
Revenue Bonds Payable	6,090,000
Capital Lease Payable	<u>72,572</u>

Total Liabilities	<u>8,456,869</u>
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Deferred Inflows of Resources

Unavailable Revenue - Pension	<u>29,706</u>
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Net Position

Net Investment in Capital Assets	7,917,325
Restricted for Debt Service	70,721
Unrestricted	<u>8,962,410</u>

Total Net Position	<u><u>\$ 16,950,456</u></u>
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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, 2017

	Water & Sewer	Other Proprietary Funds	Total Proprietary Funds
Operating Revenues			
Charges for Services			
Water Charges	\$ 1,791,784	\$ 1,194	\$ 1,792,978
Sewer Charges	1,782,486	-	1,782,486
Taps	23,860	-	23,860
Penalties	90,853	-	90,853
Other Fees and Charges	53,870	131,469	185,339
Concession Fees	-	111,389	111,389
Tower Leases	127,353	-	127,353
	<u>3,870,206</u>	<u>244,052</u>	<u>4,114,258</u>
Total Revenues			
Operating Expenses			
Bad Debt Recovery	(11,213)	-	(11,213)
Contract Services	658,272	4,231	662,503
Depreciation	780,495	69,299	849,794
Dues and Subscriptions	3,328	175	3,503
Employee Benefits	120,007	28,921	148,928
Insurance	179,563	13,928	193,491
Legal and Professional	173,785	-	173,785
Miscellaneous	138	2,094	2,232
Office Supplies	14,161	250	14,411
Payroll Taxes	28,200	6,964	35,164
Postage	18,728	-	18,728
Repairs and Maintenance	37,267	40,006	77,273
Salaries	374,953	180,038	554,991
Supplies	172,182	63,476	235,658
System Repairs and Maintenance	251,847	3,395	255,242
Telephone	9,005	4,006	13,011
Training	5,000	221	5,221
Uniforms	6,161	1,236	7,397
Utilities	-	685	685
Vehicle Expense	59,994	369	60,363
Water Testing Fees	18,052	-	18,052
	<u>2,899,925</u>	<u>419,294</u>	<u>3,319,219</u>
Total Operating Expenses			
Operating Income / (Loss)	<u>970,281</u>	<u>(175,242)</u>	<u>795,039</u>
Non-Operating Income (Expense)			
Investment Income	16,539	-	16,539
Interest Expense	(265,294)	-	(265,294)
	<u>(248,755)</u>	<u>-</u>	<u>(248,755)</u>
Total Non-Operating Income (Expense)			
Income Before Contributions and Transfers	<u>721,526</u>	<u>(175,242)</u>	<u>546,284</u>
Operating Transfers In	-	62,607	62,607
Operating Transfers Out	(1,039,999)	-	(1,039,999)
	<u>(1,039,999)</u>	<u>62,607</u>	<u>(977,392)</u>
Total Transfers			
Change in Net Position	(318,473)	(112,635)	(431,108)
Net Position, Beginning of Year	<u>16,208,152</u>	<u>1,173,412</u>	<u>17,381,564</u>
Net Position, End of Year	<u>\$ 15,889,679</u>	<u>\$ 1,060,777</u>	<u>\$ 16,950,456</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, 2017

Cash Flows from Operating Activities

Cash Received from Customers	\$ 4,121,444
Cash Paid to Suppliers	(1,817,240)
Cash Paid To Employees	<u>(554,991)</u>

Net Cash Provided by Operating Activities 1,749,213

Cash Flows From Non-Capital Financing Activities

Operating Transfers from Other Funds	(977,392)
(Decrease) in Due to Other Funds	<u>(63,088)</u>

Net Cash (Used) by Non-Capital Financing Activities (1,040,480)

Cash Flows from Capital and Related Financing Activities

Purchases of Capital Assets	(485,719)
Principal Paid on Capital Debt	(669,550)
Interest Paid on Capital Debt	<u>(265,067)</u>

Net Cash (Used) by Capital and Related Financing Activities (1,420,336)

Cash Flows from Investing Activities

Interest Income	<u>16,540</u>
-----------------	---------------

Net Cash Provided by Investing Activities 16,540

Net Decrease in Cash and Cash Equivalents (695,063)

Cash and Cash Equivalents, Beginning of Year 7,512,773

Cash and Cash Equivalents, End of Year \$ 6,817,710

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, 2017
(Continued)

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

Operating Income	\$ 795,039
Adjustments to Reconcile Operating Income to Net Cash Provided	
By Operating Activities:	
Depreciation	849,794
Decrease in Accounts Receivable, Net	7,186
(Increase) in Inventory	(13,306)
Decrease in Deferred Cost	7,089
Increase in Net Pension Liability	88,581
Increase in Accounts and other Payables	<u>14,830</u>
Net Cash Provided by Operating Activities	<u><u>\$ 1,749,213</u></u>

RECONCILIATION OF TOTAL CASH AND CASH EQUIVALENTS

Current Assets - Cash and Cash Equivalents	<u>\$ 6,817,710</u>
Total Cash and Cash Equivalents	<u><u>\$ 6,817,710</u></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, 2017

	<u>Agency Funds</u>
Assets	
Cash	\$ 91,780
Capital Assets, Net	<u>127,001</u>
Total Assets	<u><u>\$ 218,781</u></u>
Liabilities	
Due To Agency Recipient	<u>\$ 218,781</u>
Total Liabilities	<u><u>\$ 218,781</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, 2017

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, 2017

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation

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

Government-Wide Financial Statements:

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

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

Fund Financial Statements:

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

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

CITY OF HARTSVILLE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

The funds of the City are described below:

Governmental Funds

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

General Fund

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

Special Revenue Fund

The *Special Revenue Fund*, a non-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.

Special Revenue Fund

The *Special Projects Fund*, a non-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.

Narcotics Fund

The *Narcotics Fund*, a non-major fund, is used to account for revenues and expenditures from drug seized monies.

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.

CITY OF HARTSVILLE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

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*, 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.

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.

CITY OF HARTSVILLE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

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.

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

CITY OF HARTSVILLE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting (continued)

liability is incurred or economic asset is used, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

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

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

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

D. Cash, Cash Equivalents and Investments

Cash and Cash Equivalents

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

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.

CITY OF HARTSVILLE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

Note 1. Summary of Significant Accounting Policies (continued)

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 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.

CITY OF HARTSVILLE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

Note 1. Summary of Significant Accounting Policies (continued)

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.

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. The second item is future pension revenues related to the GASB 68 pension liability.

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 principal 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.

CITY OF HARTSVILLE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

Note 1. Summary of Significant Accounting Policies (continued)

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.
- 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

CITY OF HARTSVILLE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

Note 1. Summary of Significant Accounting Policies (continued)

N. Equity Classifications (continued)

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.

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

CITY OF HARTSVILLE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

Note 1. Summary of Significant Accounting Policies (continued)

R. Use of Estimates (continued)

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.

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, 2017, \$8,673,639 of the City's bank balance of \$9,723,119, which has a carrying value of \$9,543,357, was exposed to custodial credit risk as follows:

Uninsured by FDIC, but collateral held by pledging bank in the City's name	\$ <u>8,673,639</u>
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Note 3. Restricted Cash

Certain resources, which have been set aside for grant expenditures are classified as restricted cash on the Special Revenue Fund balance sheet because their use is limited. The amount of restricted cash held by the Special Revenue Fund amounted to \$1,931,705 as of June 30, 2017.

CITY OF HARTSVILLE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

Note 4. Property Taxes

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

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

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

	Governmental Funds	Enterprise Funds	Total
Receivables:			
Taxes	\$ 295,440	\$ -	\$ 295,440
Accounts	5,551	973,409	978,960
Intergovernmental	629,269	-	629,269
Sanitation	354,744	-	354,744
Gross Receivables	1,285,004	973,409	2,258,413
Less Allowance for Uncollectibles	(246,297)	(334,723)	(581,020)
Net Total Receivables	\$ 1,038,707	\$ 638,686	\$ 1,677,393

Note 5. Inter-fund Receivables and Payables

Inter-fund balances at June 30, 2017, (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:

Fund	Receivables	Payables
General Fund	\$ 823,975	\$ 28,679
Special Revenue Funds	5,935	797,671
Proprietary Fund	28,888	32,448
Totals	\$ 858,798	\$ 858,798

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, 2017

Note 6. Capital Assets

Capital asset activity for the year ended June 30, 2017, was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental Activities:					
Non-depreciable Assets:					
Land	\$ 4,715,438	\$ 984,985	\$ (241,532)	\$ -	\$ 5,458,891
Construction in Progress	2,870,007	1,954,583	-	(175,685)	4,648,905
Depreciable Assets					
Building and Systems	2,699,801	13,227	-	-	2,713,028
Infrastructure	21,955,544	-	(1,131,855)	148,438	20,972,127
Machinery and Equipment	11,262,401	1,033,995	(214,412)	27,247	12,109,231
Totals	<u>43,503,191</u>	<u>3,986,790</u>	<u>(1,587,799)</u>	<u>-</u>	<u>45,902,182</u>
Less Accumulated Depreciation For:					
Building and Systems	1,396,564	81,487	-	-	1,478,051
Infrastructure	13,925,045	793,604	(758,217)	-	13,960,432
Machinery and Equipment	8,618,385	517,608	(117,648)	-	9,018,345
Total Accumulated Depreciation	<u>23,939,994</u>	<u>1,392,699</u>	<u>(875,865)</u>	<u>-</u>	<u>24,456,828</u>
Governmental Activities Capital Assets, Net	<u>\$ 19,563,197</u>	<u>\$ 2,594,091</u>	<u>\$ (711,934)</u>	<u>\$ -</u>	<u>\$ 21,445,354</u>
Business-Type Activities:					
Non-depreciable Assets:					
Land	\$ 138,188	\$ 7,716	\$ -	\$ -	\$ 145,904
Construction in Progress	2,439,517	380,953	-	(2,215,592)	604,878
Depreciable Assets					
Building and Systems	134,518	-	-	-	134,518
Infrastructure	26,675,049	-	-	2,191,039	28,866,088
Machinery and Equipment	2,499,465	69,880	-	-	2,569,345
Splash Pad	631,558	27,170	-	24,553	683,281
Totals	<u>32,518,295</u>	<u>485,719</u>	<u>-</u>	<u>-</u>	<u>33,004,014</u>
Less Accumulated Depreciation For:					
Building and Systems	113,048	2,538	-	-	115,586
Infrastructure	12,320,691	649,386	-	-	12,970,077
Machinery and Equipment	1,935,476	128,572	-	-	2,064,048
Splash Pad	134,543.00	69,299	-	-	203,842
Total Accumulated Depreciation	<u>14,503,758</u>	<u>849,795</u>	<u>-</u>	<u>-</u>	<u>15,353,553</u>
Business-Type Activities Capital Assets, Net	<u>\$ 18,014,537</u>	<u>\$ (364,076)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,650,461</u>

CITY OF HARTSVILLE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

Note 6. Capital Assets (continued)

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

Governmental Activities	
General Government	\$ 415,442
Public Safety	544,545
Public Works	242,190
Culture and Recreation	100,553
Economic Development	65,039
Airport	10,306
Cemetery	<u>14,624</u>
 Total Depreciation Expense- Governmental Activities	 <u>\$ 1,392,699</u>

Construction in progress and construction commitments – governmental activities and business-type activities consisted of the following at June 30, 2017:

	Expenditures To Date	Total Contract	Contract Payments Remaining
Governmental Activities:			
Wayfinding Signage	\$ 7,000	\$ 172,000	\$ 165,000
5th Street Intersection	51,583	648,425	596,842
Railroad Development - Land	947,777	947,777	-
Multi-County BP Project	<u>3,642,545</u>	<u>3,642,545</u>	<u>-</u>
 Total	 <u>\$ 4,648,905</u>	 <u>\$ 5,410,747</u>	 <u>\$ 761,842</u>
Business-Type Activities:			
Public Service Complex	\$ 207,353	\$ 3,000,000	\$ 2,792,647
Traffic Circle Project	21,904	318,208	296,304
Black Creek Grinders	41,557	863,470	821,913
Industrial Park	40,445	40,445	-
Storm Water	<u>293,619</u>	<u>293,619</u>	<u>-</u>
 Total	 <u>\$ 604,878</u>	 <u>\$ 4,515,742</u>	 <u>\$ 3,910,864</u>

CITY OF HARTSVILLE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

Note 7. Accounts Payable and Accrued Expenses

The significant components of accounts payable and accrued expenses for governmental activities at June 30, 2017, are as follows:

Accounts Payable	\$ 407,417
Accrued Payroll, Withholdings, Fringe and Benefits	<u>408,402</u>
Total Accounts Payable and Accrued Expenses - Governmental Activities	<u><u>\$ 815,819</u></u>

Note 8. Long-term Debt

Governmental Activities:

As of June 30, 2017, the governmental long-term debt consisted of general obligation bonds, revenue bonds, capital leases and compensated absences.

General Obligation Bonds

On June 29, 2012, the City issued Series 2012 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%.

On May 18, 2017, the City issued Series 2017 General Obligation Bonds totaling \$600,000 with principal and interest payments due June 1st of each year. The bonds range in maturity dates from 2018 to 2027. The interest rate is fixed at 2.43%.

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

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 132,800	\$ 31,750	\$ 164,550
2019	136,300	28,321	164,621
2020	139,200	25,342	164,542
2021	142,300	22,301	164,601
2022	145,400	19,195	164,595
2023-2027	<u>674,500</u>	<u>48,360</u>	<u>722,860</u>
	<u><u>\$ 1,370,500</u></u>	<u><u>\$ 175,269</u></u>	<u><u>\$ 1,545,769</u></u>

Revenue Bonds Payable

On June 29, 2012, the City issued Series 2012 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 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%.

CITY OF HARTSVILLE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

Note 8. Long-term Debt (continued)

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%.

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

Year Ending June 30,	Principal	Interest	Total
2018	\$ 710,338	\$ 129,831	\$ 840,169
2019	727,153	114,924	842,077
2020	746,240	95,838	842,078
2021	765,834	76,244	842,078
2022	785,947	56,130	842,077
2023-2025	1,215,106	71,643	1,286,749
	<u>\$ 4,950,618</u>	<u>\$ 544,610</u>	<u>\$ 5,495,228</u>

Capital Leases Payable

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

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

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

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

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

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

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

CITY OF HARTSVILLE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

Note 8. Long-term Debt (continued)

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

On May 26, 2017, the City entered into a capital lease/purchase agreement with U.S Bancorp Government Leasing and Finance, Inc. to purchase various vehicles and equipment in the amount of \$350,419. The lease is payable in annual installments beginning June 15, 2018, including interest at a rate of 2.175%.

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, 2017.

Year Ending 30-Jun	Governmental Activities
2018	\$ 462,120
2019	492,028
2020	492,032
2021	488,533
2022	211,898
2023-2024	<u>423,797</u>
Total Minimum Lease Payments	2,570,408
Less: Amount Representing Interest	<u>(179,011)</u>
Present Value of Minimum Lease Payments	<u>\$ 2,391,397</u>

Business-type Activities:

Revenue Bonds

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

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

Year Ending June 30,	Principal	Interest	Total
2018	605,000	243,650	848,650
2019	625,000	225,500	850,500
2020	650,000	200,500	850,500
2021	675,000	174,500	849,500
2022	695,000	154,250	849,250
2023-2027	2,365,000	502,400	2,867,400
2028-2029	<u>1,080,000</u>	<u>65,200</u>	<u>1,145,200</u>
	<u>\$ 6,695,000</u>	<u>\$ 1,566,000</u>	<u>\$ 8,261,000</u>

CITY OF HARTSVILLE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

Note 8. Long-term Debt (continued)

Capital Leases Payable

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

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

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

The following is a schedule of the future minimum lease payments under capital lease, and the present value of the net minimum lease payments at June 30, 2017.

Year Ending 30-Jun	Business-Type Activities
2018	89,996
2019	26,089
2020	26,235
2021	<u>26,194</u>
Total Minimum Lease Payments	168,514
Less: Amount Representing Interest	<u>(5,946)</u>
Present Value of Minimum Lease Payments	<u>\$ 162,568</u>

The following is a summary of changes in long-term obligations of the City as of June 30, 2017:

	<u>Balance July 1, 2016</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2017</u>	<u>Due Within One year</u>
<i>Governmental Activities:</i>					
G.O. Bonds	\$ 888,000	\$ 600,000	\$ (117,500)	\$ 1,370,500	\$ 132,800
Revenue Bond	5,646,368	-	(695,750)	4,950,618	710,338
Capital Lease	1,882,269	896,051	(386,923)	2,391,397	409,443
Compensated Absences	<u>283,395</u>	<u>287,473</u>	<u>(283,395)</u>	<u>287,473</u>	<u>-</u>
Totals	<u>\$ 8,700,032</u>	<u>\$ 1,783,524</u>	<u>\$ (1,483,568)</u>	<u>\$ 8,999,988</u>	<u>\$ 1,252,581</u>
<i>Business-Type Activities:</i>					
Revenue Bonds	\$ 7,280,000		\$ (585,000)	\$ 6,695,000	\$ 605,000
Capital Lease	247,118		(84,550)	162,568	89,996
Compensated Absences	<u>43,290</u>	<u>21,114</u>	<u>(43,290)</u>	<u>21,114</u>	<u>-</u>
Totals	<u>\$ 7,570,408</u>	<u>\$ 21,114</u>	<u>\$ (712,840)</u>	<u>\$ 6,878,682</u>	<u>\$ 694,996</u>

CITY OF HARTSVILLE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

Note 10. Debt Limitations

The amount of legal debt margin as of June 30, 2017, is computed as follows:

Total Assessed Value	\$ <u>26,909,920</u>
Debit Limit (8% of Assessed Value)	\$ 2,152,794
Amount of Debt Applicable to Debt Limit	<u>(1,370,500)</u>
Legal Debt Margin	<u>\$ 782,294</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 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 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.

CITY OF HARTSVILLE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

Note 11. Employee Retirement Systems (continued)

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

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

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

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

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

CITY OF HARTSVILLE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

Note 11. Employee Retirement Systems (continued)

Required employee contribution rates for fiscal year 2016-2017 are as follows:

SCRS	<u>Fiscal Year 2017</u>	<u>Fiscal Year 2016</u>
Employee Class Two	8.66 % of earnable compensation	8.16 % of earnable compensation
Employee Class Three	8.66 % of earnable compensation	8.16 % of earnable compensation
PORS		
Employee Class One	\$21 per month	\$21 per month
Employee Class Two	9.24 % of earnable compensation	8.74 % of earnable compensation
Employee Class Three	9.24 % of earnable compensation	8.74 % of earnable compensation

Required employer contributions for fiscal year 2016-2017 are as follows:

SCRS	<u>Fiscal Year 2017</u>	<u>Fiscal Year 2016</u>
Employee Class Two	11.41 % of earnable compensation	10.91 % of earnable compensation
Employee Class Three	11.41 % of earnable compensation	10.91 % of earnable compensation
Employer Incidental Death Benefit	0.15 % of earnable compensation	0.15 % of earnable compensation
PORS		
Employee Class One	7.80% of earnable compensation	7.80% of earnable compensation
Employee Class Two	13.84 % of earnable compensation	13.34 % of earnable compensation
Employee Class Three	13.84 % of earnable compensation	13.34 % of earnable compensation
Employer Incidental Death Benefit	0.20 % of earnable compensation	0.20 % of earnable compensation
Employer Accidental Death Program	0.20 % of earnable compensation	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, 2017, the City reported a liability of \$6,007,245 for the SCRS and \$3,888,822 for the PORS for a total of \$9,896,067 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, 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, 2017, the City's proportion was 0.028124 percent for the SCRS and .153320 percent for the PORS measured as of June 30, 2016.

For the year ended June 30, 2017, the City recognized pension expense of \$855,467. At June 30, 2017, 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	\$ 119,975	\$ 6,524
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	946,360	-
Changes in proportion and differences between District contributions and proportionate share of contributions	135,320	251,233
Town contributions subsequent to measurement date	<u>72,464</u>	<u>-</u>
Total	<u>\$ 1,274,119</u>	<u>\$ 257,757</u>

CITY OF HARTSVILLE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

Note 11. Employee Retirement Systems (continued)

The City's contributions subsequent to the measurement date of \$637,148 are 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, 2017.

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

Year Ended June 30:	<u>SCRS</u>	<u>PORS</u>	<u>Combined</u>
2018	\$ 154,126	\$ 82,476	\$ 236,602
2019	121,126	79,551	200,677
2020	163,985	148,187	312,172
2021	<u>148,747</u>	<u>118,164</u>	<u>266,911</u>
Total	<u>\$ 587,984</u>	<u>\$ 428,378</u>	<u>\$ 1,016,362</u>

Actuarial Assumptions and Methods- Actuarial valuations involve estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and future salary increases. Actuarial assumptions and methods used during the annual valuation process are subject to periodic reviews, typically with an experience study, as actual results over an extended period of time are compared with past expectations and new estimates are made about the future. South Carolina state statute requires that an actuarial experience study be completed at least once in each five-year period. An experience report on the Systems was most recently issued as of July 1, 2015. As a result of the experience study, the actuary recommended adjustments to the actuarial assumptions, which included salary increase, payroll growth, mortality, retirement, terminations, refunds, disability, inflation, and asset valuation method. The experience study also recommended reducing the long-term investment rate of return assumption, which is a prescribed assumption that is set in state statute by the General Assembly, from 7.50 to 7.25 percent. With the exception of the rate of return, all recommended assumption and method changes were adopted by both the PEBA Board and SFAA, as co-fiduciaries. The General Assembly did not change the assumed annual rate of return during the 2016 legislative session so that assumption currently remains at 7.50 percent. The newly adopted assumptions and methods will be first used to perform the July 1, 2016, actuarial valuation, the results of which will be used in determining the total pension liability as of the June 30, 2017, measurement date.

The June 30, 2016, total pension liability, net pension liability, and sensitivity information were determined by our consulting actuary, Gabriel, Roeder, Smith and Company (GRS) and are based on the July 1, 2015, actuarial valuations as adopted by the PEBA Board and SFAA which utilized membership data as of July 1, 2015. The total pension liability was rolled-forward from the valuation date to the plan's fiscal year ended June 30, 2016, using generally accepted actuarial principles. Information included in the following schedules is based on the certification provided by GRS.

CITY OF HARTSVILLE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

Note 11. Employee Retirement Systems (continued)

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

	SCRS	PORS
Actuarial cost method	Entry age normal	Entry age normal
Investment rate of return ¹	7.5%	7.5%
Projected salary increases	3.5% to 12.5% (varies by service) ¹	4.0% to 10.0% (varies by service) ¹
Benefit adjustments	lesser of 1% or \$500 annually	lesser of 1% or \$500 annually
¹ Includes inflation at 2.75%		

The post-retiree mortality assumption is dependent upon the member's job category and gender. This assumption includes base rates which are automatically adjusted for future improvement in mortality using published Scale AA projected from the year 2000. Assumptions are used in July 1, 2015 valuations for SCRS and PORS are as follows:

Former Job Class	Males	Females
Educators	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 and Firefighters	RP-2000 Males (with Blue Collar adjustment) multiplied by 115%	RP-2000 Females (with Blue Collar adjustment) multiplied by 115%

Long term expected rate of return- The long-term expected rate of return on pension plan investments, as used in the July 1, 2015, actuarial valuations, was based upon the 30 year capital market outlook at the end of the third quarter 2015. The long-term expected rate of returns represent assumptions developed using an arithmetic building block approach primarily based on consensus expectations and market based inputs. Expected returns are net of investment fees.

The expected returns, along with the expected inflation rate, form the basis for the revised target asset allocation adopted beginning January 1, 2016. The long-term expected rate of return is produced by weighting the expected future real rates of return by the target allocation percentage and adding expected inflation and is summarized in the table below. 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.

CITY OF HARTSVILLE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

Note 11. Employee Retirement Systems (continued)

Asset Class	Target Asset Allocation	Expected Arithmetic Real Rate of Return	Long Term Expected Portfolio Real Rate of Return
Global Equity	43.0%		
Global Public Equity	34.0%	6.52%	2.22%
Private Equity	9.0%	9.30%	0.84%
Real Assets	8.0%		
Real Estate	5.0%	4.32%	0.22%
Commodities	3.0%	4.53%	0.13%
Opportunistic	20.0%		
GTAA/Risk Parity	10.0%	3.90%	0.39%
HF (Low Beta)	10.0%	3.87%	0.39%
Diversified Credit	17.0%		
Mixed Credit	5.0%	3.52%	0.17%
Emerging Markets Debt	5.0%	4.91%	0.25%
Private Debt	7.0%	4.47%	0.31%
Conservative Fixed Income	12.0%		
Core Fixed Income	10.0%	1.72%	0.17%
Cash and Short Duration (Net)	2.0%	0.71%	0.01%
Total Expected Real Return	100%		5.10%
Inflation for Actuarial Purposes			2.75%
Total Expected Nominal Return			7.85%

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

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

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
System			
SCRS	\$ 7,493,874	\$ 6,007,245	\$ 4,769,683
PORS	\$ 5,096,634	\$ 3,888,822	\$ 2,803,376

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, 2017 in the amount of \$166,810.

CITY OF HARTSVILLE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

Note 12. Post-Employment Health Care Benefits

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

SC ORBET contracts with an actuarial consultant to provide an actuarial valuation of the City's OPEB liability under GASB Statement 45. The most recent OPEB liability actuarial valuation was completed in July 2015 for the plan year that ended June 30, 2015. A copy of the financial report and the required supplementary information of the Trust may be obtained from the Municipal Association of South Carolina, PO Box 12109, Columbia, SC 29211.

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

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

The following table represents the OPEB costs for the 2017 year and the annual required contribution:

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

CITY OF HARTSVILLE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

Note 12. Post-Employment Health Care Benefits (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, 2017, was as follows:

Annual Required Contribution	\$	66,215
Actual Contribution		66,215
Percent Contributed		100%
Net OPEB Obligation		(80,895)
Actuarial Accrued Liability		1,149,937
Plan Assets		552,781
Unfunded Actuarial Accrued Liability	\$	597,156
Covered Payroll	\$	4,369,087
Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll		13.67%

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:	January 1, 2017
Actuarial cost method:	Entry Age Normal
Amortization method:	Level Percent of Payroll
Remaining amortization period:	30 years
Actuarial assumptions:	
Investment rate of return	4.75%
Projected salary increases	2.25% per year
Healthcare inflation rate	7.5% to 5.0% in .50% annual steps

CITY OF HARTSVILLE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

Note 13. Commitments and Contingencies

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

In the normal course of business, the City enters into agreements with contractors for construction projects. As of June 30, 2017, open contracts and project budgets for construction totaled \$9,926,489, of which \$5,253,783 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 \$241,181 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 \$218,418 for workers' compensation coverage.

Note 15. Deferred Compensation Plans

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

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

CITY OF HARTSVILLE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

Note 16. Intergovernmental Revenues

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

Note 17. Inter-fund Transfers

Transfers from (to) other funds for the year ended June 30, 2017, consist of the following:

<i>General Fund</i>		<i>Accommodations Fund</i>	
Transfer from Proprietary Fund	\$ 977,392	Transfer to General Fund	\$ (71,550)
Transfer from Hospitality fund	476,439	Transfer to Hospitality Fund	<u>(87,500)</u>
Transfer from Accommodations Fund	<u>71,550</u>		
		Net Total Transfer To	<u>\$ (159,050)</u>
Net Total Transfer From	<u>\$ 1,525,381</u>		
		Proprietary Fund	
		Transfer to StormWater Fund	\$ (62,607)
		Transfer to General Fund	<u>(977,392)</u>
		Net Total Transfer To	<u>\$ (1,039,999)</u>
<i>StormWater Fund</i>			
Transfer from Proprietary Fund	<u>\$ 62,607</u>		
Net Total Transfer From	<u>\$ 62,607</u>		

General Fund

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

Hospitality Fund

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

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

StormWater Fund:

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

Accommodations Fund

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

CITY OF HARTSVILLE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

Note 17. Inter-fund Transfers (continued)

Proprietary Fund

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

Note 18. Operating Lease Commitments

The City has an operating lease on nine properties, of which four are leased to Nonprofit organizations for a \$1. One of the remaining leases is for five years starting July 1, 2013, One of the remaining leases is for five years starting July 1, 2013, another lease is for five years starting July 1, 2014, and the remaining three leases are for one year terms. Either party may terminate the rental agreement at any time. Rent is payable on the first day of the month in the amount of \$5,400. Rental income amounted to \$66,410 for the fiscal ended June 30, 2017.

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, 2017, totaled \$222,160.

Note 19. Fee in Lieu Agreements

The City has one abatement program which results in reduced property tax collections from certain taxpayers.

The City of Hartsville, in conjunction with Darlington County, provide property tax reductions through South Carolina's Fee in Lieu of Tax (FILOT) program pursuant to the authority granted by Tile 12, Chapter 44 of the Code of Laws of South Carolina, 1976, as amended in order to reduce the property tax burden on businesses thereby inducing such businesses to invest in the City and County. South Carolina has a property tax structure that compares unfavorably to many other states with whom we compete to attract industry. This program is designed to make the City of Hartsville a more attractive location for companies making significant capital investment and job creation. As the site selection process for industries has become increasingly more competitive, many companies come to view FILOT agreements as absolutely critical to their decision to locate in South Carolina. This innovative solution is the primary recruitment tool used by county and city governments in South Carolina to recruit new industry and to encourage our existing industries to remain in operation in the City of Hartsville.

In order to be eligible for a FILOT, a business must commit to invest at least \$2.5 million over a twenty-year period. Property subject to a FILOT agreement is exempt from ad valorem property tax and is instead subject to a fee in lieu of tax, equal to the product of the value of the property, a negotiated assessment ratio that is equal to or lower than the normally applicable assessment rates, and a millage rate that is either fixed for the life of the agreement or is adjusted every five years based on the trailing five year average. In addition, the FILOT payments may be fixed over the life of the FILOT program based on a net present value method.

CITY OF HARTSVILLE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

Note 19. Fee in Lieu Agreements (continued)

The FILOT agreements entered into by the City of Hartsville provide companies with a reduced assessment ratio, usually to the maximum allowed by state statute, 6%, and a fixed millage rate for the life of the agreement which is typically a term of 20-30 years in length.

The FILOT program resulted in property tax abated of \$117,492.

According the South Carolina Department of Revenue reports, capital investment committed to the existing FILOT agreements was \$95,000,000. This investment resulted in FILOT payments of \$41,524 to the City of Hartsville for the tax year 2016/

Note 20. Pending Implementation of GASB Statements

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*, establishes new accounting and financial reporting requirements for governments whose employees are provided with OPEB, as well as for certain non-employer governments that have a legal obligation to provide financial support for OPEB provided to the employees of other entities. The provisions in Statement 75 are effective for fiscal years beginning after June 15, 2017, which the County will implement with the 2015 financial statements. Management has not yet determined the impact of implementing this standard will have on the Count's financial statements, if any.

Note 19. Subsequent Events

The City of Hartsville has evaluated subsequent events through January 4, 2018, 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, 2017**

	Budget	Adjusted Budget	Actual	Variance Positive (Negative)
Revenues				
Taxes				
Property Taxes	\$ 2,385,000	\$ 2,385,000	\$ 2,766,548	\$ 381,548
Vehicle Taxes	307,400	307,400	319,712	12,312
PILOT Taxes	115,000	115,000	90,847	(24,153)
Accommodations Tax	95,000	95,000	147,263	52,263
Merchant Inventory Tax	56,667	56,667	56,667	-
Local Option Sales Tax	1,100,000	1,100,000	1,239,021	139,021
Total Taxes	<u>4,059,067</u>	<u>4,059,067</u>	<u>4,620,058</u>	<u>560,991</u>
Licenses, Fees and Permits				
Franchise Fees	710,000	710,000	643,540	(66,460)
Business License Fees	1,570,000	1,570,000	1,678,347	108,347
Telecommunications Fees	40,000	40,000	40,185	185
Permits	125,700	125,700	171,412	45,712
Fire	25,000	25,000	21,623	(3,377)
Recreation	20,000	20,000	26,214	6,214
Total Licenses, Fees and Permits	<u>2,490,700</u>	<u>2,490,700</u>	<u>2,581,321</u>	<u>90,621</u>
Intergovernmental Revenue				
Local Government Funds	165,000	165,000	215,157	50,157
Total Intergovernmental Revenue	<u>165,000</u>	<u>165,000</u>	<u>215,157</u>	<u>50,157</u>
Charges for Services				
Solid Waste	1,205,000	1,205,000	1,256,457	51,457
Total Charges for Services	<u>1,205,000</u>	<u>1,205,000</u>	<u>1,256,457</u>	<u>51,457</u>
Fines and Forfeitures				
Police	80,500	80,500	133,193	52,693
Victim's Rights	7,000	7,000	253	(6,747)
Total Fines and Forfeitures	<u>87,500</u>	<u>87,500</u>	<u>133,446</u>	<u>45,946</u>
Miscellaneous				
School Resource Officer	235,000	235,000	108,997	(126,003)
Fire Contracts	525,000	525,000	626,034	101,034
Recreation Program Income	-	-	2,701	2,701
Cemetery	50,000	50,000	53,970	3,970
Rent Income	73,600	73,600	66,410	(7,190)
Other	99,200	99,200	117,097	17,897
Interest Income	3,500	3,500	6	(3,494)
Total Miscellaneous	<u>986,300</u>	<u>3,053,800</u>	<u>975,215</u>	<u>(2,078,585)</u>
Total Revenues	<u>8,993,567</u>	<u>11,061,067</u>	<u>9,781,654</u>	<u>(1,279,413)</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, 2017
(Continued)**

Expenditures

General Government	<u>Budget</u>	<u>Adjusted Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Advertisement	\$ 1,500	\$ 600	\$ 989	\$ (389)
Banking Fees	25,000	36,000	49,161	(13,161)
Computer Expenses	50,000	62,000	61,293	707
Contract Services	350,200	381,300	477,532	(96,232)
Contingency	310,910	81,330	-	81,330
Demolition	65,000	22,500	22,029	471
Dues and Subscriptions	14,200	15,800	12,904	2,896
Employee Benefits	116,685	112,783	111,288	1,495
Grant Expenditures	260,000	308,413	193,676	114,737
Insurance	340,378	377,817	377,629	188
Legal and Professional Fees	70,000	195,000	193,703	1,297
Miscellaneous	183,150	243,350	297,633	(54,283)
Office Supplies	19,000	20,100	19,769	331
Payroll Taxes	75,068	71,048	71,431	(383)
Postage	6,700	5,700	5,634	66
Repairs and Maintenance	68,000	57,000	55,923	1,077
Salaries	987,916	948,610	990,550	(41,940)
Telephone	11,750	8,450	7,223	1,227
Training	37,040	36,140	35,907	233
Utilities	297,100	307,800	306,610	1,190
Vehicle Expense	3,500	3,400	9,401	(6,001)
Travel	-	-	157	(157)
Total General Government	<u>3,293,097</u>	<u>3,295,141</u>	<u>3,300,442</u>	<u>(5,301)</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, 2017
(Continued)

Public Safety

Police	Budget	Adjusted Budget	Actual	Variance Positive (Negative)
Boarding Prisoners	\$ 7,000	\$ 7,000	\$ 5,750	\$ 1,250
Contracted Services	31,750	30,550	29,991	559
Demolition	-	-	5,774	(5,774)
Dues and Subscriptions	5,145	3,035	2,815	220
Employee Benefits	219,456	233,775	241,413	(7,638)
Insurance	394,296	360,678	357,420	3,258
Legal and Professional	18,470	16,900	16,770	130
Miscellaneous	21,000	20,400	20,114	286
Office Supplies	9,500	13,300	14,880	(1,580)
Payroll Taxes	124,407	129,679	133,225	(3,546)
Postage	1,195	1,045	1,499	(454)
Repairs and Maintenance	39,000	47,300	47,242	58
Salaries	1,624,059	1,748,983	1,801,596	(52,613)
Supplies	2,600	1,100	1,013	87
Telephone	9,304	18,504	18,401	103
Training	30,600	24,100	21,792	2,308
Uniforms	13,000	24,000	23,394	606
Utilities	16,000	15,000	14,983	17
Vehicle Expense	103,600	140,200	139,987	213
911 E Contract	76,454	73,240	73,230	10
Police Total	<u>2,746,836</u>	<u>2,908,789</u>	<u>2,971,289</u>	<u>(62,500)</u>
Fire				
Contract Services	58,219	62,300	62,271	29
Dues and Subscriptions	1,400	1,400	1,159	241
Employee Benefits	88,575	96,300	97,034	(734)
Insurance	139,644	137,600	137,374	226
Legal and Professional	9,880	9,880	15,322	(5,442)
Office Supplies	2,000	2,000	1,969	31
Payroll Taxes	53,647	56,400	56,672	(272)
Postage	200	200	163	37
Miscellaneous	5,000	5,000	5,890	(890)
Repairs and Maintenance	38,345	40,180	38,694	1,486
Salaries	701,273	739,643	741,121	(1,478)
Supplies	6,700	8,600	8,310	290
Telephone	14,300	14,300	14,611	(311)
Training	25,000	27,700	26,808	892
Uniforms	14,400	14,400	14,386	14
Utilities	14,000	14,000	14,967	(967)
Vehicle Expense	55,000	74,700	74,502	198
911 E Contract	10,900	10,900	11,367	(467)
Fire Total	<u>1,238,483</u>	<u>1,315,503</u>	<u>1,322,620</u>	<u>(7,117)</u>
Total Public Safety	<u>3,985,319</u>	<u>4,224,292</u>	<u>4,293,909</u>	<u>(69,617)</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, 2017
(Continued)

Culture and Recreation	<u>Budget</u>	<u>Adjusted Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Advertisement	\$ 1,000	\$ 1,000	\$ 1,787	\$ (787)
Contract Services	36,000	37,085	61,554	(24,469)
Dues and Subscriptions	350	3,200	3,168	32
Employee Benefits	30,947	34,000	34,168	(168)
Insurance	58,738	58,500	57,612	888
Legal and Professional	1,650	1,650	1,757	(107)
Miscellaneous	3,000	21,000	20,807	193
Office Supplies	2,500	2,500	2,545	(45)
Payroll Taxes	21,569	21,569	22,945	(1,376)
Postage	200	200	29	171
Repairs and Maintenance	46,000	50,500	97,749	(47,249)
Salaries	306,948	297,837	302,654	(4,817)
Telephone	7,000	9,300	9,302	(2)
Training	1,500	5,200	5,105	95
Utilities	125,000	118,200	118,175	25
Vehicle Expense	13,000	10,700	10,438	262
Supplies	9,400	13,000	25,603	(12,603)
Uniforms	2,500	2,500	2,581	(81)
Small Tools and Equipment	13,500	20,200	20,057	143
Program Expenses	-	-	167	(167)
Total Culture and Recreation	<u>680,802</u>	<u>708,141</u>	<u>798,203</u>	<u>(90,062)</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, 2017
(Continued)**

Cemetery	<u>Budget</u>	<u>Adjusted Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Building Maintenance	\$ 3,500	\$ 1,300	\$ 1,335	\$ (35)
Contract Services	86,400	86,400	86,435	(35)
Miscellaneous	15,000	28,500	28,548	(48)
Telephone	250	250	236	14
Total Cemetery	<u>105,150</u>	<u>116,450</u>	<u>116,554</u>	<u>(104)</u>
Airport				
Contract Services	55,500	52,500	53,059	(559)
Insurance	2,250	2,250	2,228	22
Repairs and Maintenance	-	8,800	8,598	202
Telephone	600	600	562	38
Utilities	4,200	4,200	17,722	(13,522)
Total Airport	<u>62,550</u>	<u>68,350</u>	<u>82,169</u>	<u>(13,819)</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, 2017
(Continued)

Public Works	<u>Budget</u>	<u>Adjusted Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Bad Debt Expense	\$ -	\$ -	\$ 19,155	\$ (19,155)
Contract Services	54,500	101,200	100,793	407
County Tipping Fee	162,000	128,400	128,331	69
Dues and Subscriptions	2,500	2,200	2,087	113
Employee Benefits	82,500	89,037	90,431	(1,394)
Insurance	224,201	214,607	214,118	489
Legal and Professional	2,970	6,170	14,876	(8,706)
Miscellaneous	-	-	19	(19)
Office Supplies	1,100	1,100	1,100	-
Payroll Taxes	57,482	58,070	58,968	(898)
Postage	200	200	106	94
Repairs and Maintenance	126,700	150,855	152,425	(1,570)
Salaries	763,408	813,384	813,092	292
Small Equipment and Tools	15,000	31,000	30,986	14
Supplies	28,700	27,200	27,803	(603)
Telephone	3,500	3,500	3,310	190
Training	3,500	7,245	9,127	(1,882)
Vehicle Expense	182,000	227,700	223,546	4,154
Uniforms	18,000	20,100	19,886	214
Utilities	15,400	14,600	13,728	872
Total Public Works	<u>1,743,661</u>	<u>1,896,568</u>	<u>1,923,887</u>	<u>(27,319)</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, 2017
(Continued)**

	Budget	Adjusted Budget	Actual	Variance Positive (Negative)
Capital Outlay				
General Government	\$ 77,400	\$ 1,044,281	\$ 1,109,106	\$ (64,825)
Public Safety	583,080	1,013,549	1,007,602	5,947
Culture and Recreation	-	15,000	55,006	(40,006)
Cemetary	5,000	13,300	13,227	73
Airport	50,000	50,000	3,188	46,812
Public Works	269,000	574,500	573,622	878
Total Capital Outlay	<u>984,480</u>	<u>2,710,630</u>	<u>2,761,751</u>	<u>(51,121)</u>
Debt Service				
Principal	423,220	360,220	383,759	(23,539)
Interest	20,513	29,500	29,396	104
Total Debt Service	<u>443,733</u>	<u>389,720</u>	<u>413,155</u>	<u>(23,435)</u>
Total Expenditures	<u>11,298,792</u>	<u>13,409,292</u>	<u>13,690,070</u>	<u>(280,778)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(2,305,225)</u>	<u>(2,348,225)</u>	<u>(3,908,416)</u>	<u>(998,635)</u>
Other Financing Sources (Uses)				
Bond Proceeds	-	-	600,000	600,000
Lease Proceeds	630,000	630,000	896,051	266,051
Sale of Capital Assets	25,000	25,000	17,207	(7,793)
Operating Transfers In	1,693,225	1,693,225	1,539,381	(153,844)
Operating Transfers Out	(43,000)	-	-	-
Total Other Financing Sources (Uses)	<u>2,305,225</u>	<u>2,348,225</u>	<u>3,052,639</u>	<u>704,414</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>(855,777)</u>	<u>\$ (855,777)</u>
Fund Balance, Beginning of Year			<u>2,623,525</u>	
Fund Balance, End of Year			<u>\$ 1,767,748</u>	

**CITY OF HARTSVILLE, SOUTH CAROLINA
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
For the Fiscal Year Ended June 30, 2017**

	Budgeted Amounts			Variance
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Positive (Negative)
Revenues				
Taxes	\$ 4,059,067	\$ 4,059,067	\$ 4,620,058	\$ 560,991
Licenses, Fees and Permits	2,490,700	2,490,700	2,581,321	90,621
Intergovernmental	165,000	165,000	215,157	50,157
Charges for Services	1,205,000	1,205,000	1,256,457	51,457
Fines and Forfeitures	87,500	87,500	133,446	45,946
Miscellaneous	<u>986,300</u>	<u>3,053,800</u>	<u>975,215</u>	<u>(2,078,585)</u>
 Total Revenues	 <u>8,993,567</u>	 <u>11,061,067</u>	 <u>9,781,654</u>	 <u>(1,279,413)</u>
Expenditures				
Current:				
General Government	3,293,097	3,295,141	3,300,442	(5,301)
Public Safety	3,985,319	4,224,292	4,293,909	(69,617)
Culture and Recreation	680,802	708,141	798,203	(90,062)
Cemetery	105,150	116,450	116,554	(104)
Airport	62,550	68,350	82,169	(13,819)
Public Works	1,743,661	1,896,568	1,923,887	(27,319)
Capital Outlay	984,480	2,710,630	2,761,751	(51,121)
Debt Service				
Principal	423,220	360,220	383,759	(23,539)
Interest	<u>20,513</u>	<u>29,500</u>	<u>29,396</u>	<u>104</u>
 Total Expenditures	 <u>11,298,792</u>	 <u>13,409,292</u>	 <u>13,690,070</u>	 <u>(280,778)</u>
 Excess (Deficiency) of Revenues Over Expenditures	 <u>(2,305,225)</u>	 <u>(2,348,225)</u>	 <u>(3,908,416)</u>	 <u>(1,560,191)</u>
Other Financing Sources (Uses)				
Bond Proceeds	-	-	600,000	600,000
Capital Lease Proceeds	630,000	630,000	896,051	266,051
Sale of Capital Assets	25,000	25,000	17,207	(7,793)
Operating Transfers In	1,693,225	1,693,225	1,539,381	(153,844)
Operating Transfers Out	<u>(43,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
 Total Other Financing Sources (Uses)	 <u>2,305,225</u>	 <u>2,348,225</u>	 <u>3,052,639</u>	 <u>704,414</u>
 Net Change in Fund Balance	 <u>\$ -</u>	 <u>\$ -</u>	 (855,777)	 \$ (855,777)
 Fund Balance, Beginning of Year			 <u>2,623,525</u>	
 Fund Balance, End of Year			 <u>\$ 1,767,748</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, 2017**

	<u>2017</u>		<u>2016</u>		<u>2015</u>
SCRS					
City's proportion of the net pension liability (asset)	0.028124%		0.029181%		0.027748%
City's proportionate share of the net pension liability (asset)	\$ 6,007,245	\$	5,534,317	\$	4,777,286
City's covered employee payroll	\$ 2,893,086	\$	2,664,376	\$	2,744,291
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	48.16%		48.14%		57.44%
Plan fiduciary net position as a percentage of total pension liability	24.38%		20.98%		18.59%
	<u>2017</u>		<u>2016</u>		<u>2015</u>
PORS					
City's proportion of the net pension liability (asset)	0.153320%		0.158200%		0.159940%
City's proportionate share of the net pension liability (asset)	\$ 3,888,822	\$	3,448,007	\$	3,061,916
City's covered employee payroll	\$ 2,125,749	\$	1,949,412	\$	1,951,125
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	54.66%		56.54%		63.72%
Plan fiduciary net position as a percentage of total pension liability	15.79%		13.07%		11.91%

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

**CITY OF HARTSVILLE, SOUTH CAROLINA
REQUIRED SUPPLEMENTAL INFORMATION
SCHEDULE OF CITY CONTRIBUTIONS
For the Fiscal Year Ended June 30, 2017**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 637,148	\$ 557,759	\$ 548,864	\$ 500,153
Contributions in relation to contractually required contribution	<u>637,148</u>	<u>557,759</u>	<u>548,864</u>	<u>500,153</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's covered-employee payroll	\$ 5,018,835	\$ 4,613,788	\$ 4,695,416	\$ 4,420,271
Contributions as a percentage of covered-employee payroll	12.70%	12.09%	11.69%	11.31%

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

**CITY OF HARTSVILLE, SOUTH CAROLINA
REQUIRED SUPPLEMENTAL INFORMATION
OTHER POST EMPLOYMENT BENEFIT PLAN – DEFINED HEALTHCARE PLAN
SCHEDULES OF EMPLOYER CONTRIBUTIONS AND FUNDING PROGRESS
For the Fiscal Year Ended June 30, 2017**

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Applicable to Fiscal Year Ending	Annual OPEB Cost	Contribution for Fiscal Year	Annual Percentage Contributed	Net OPEB Obligation
June 30, 2016	\$ 65,795	\$ 66,215	100.64%	\$ (80,895)
June 30, 2015	\$ 91,083	\$ 172,398	189.28%	\$ (81,315)
June 30, 2014	\$ 92,455	\$ 92,455	100.00%	\$ -
June 30, 2013	\$ 125,689	\$ 125,689	100.00%	\$ -
June 30, 2012	\$ 125,787	\$ 125,787	100.00%	\$ -
June 30, 2011	\$ 126,000	\$ 126,000	100.00%	\$ -

*TBD - To be determined

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Aggregate* (b)	Underfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
January 1, 2017	\$ 552,781	\$ 1,149,937	\$ 597,156	48.07%	\$ 4,369,087	13.67%
July 1, 2015	\$ 494,657	\$ 973,672	\$ 479,015	50.80%	\$ 4,083,818	11.73%
July 1, 2013	\$ 371,091	\$ 1,190,321	\$ 819,230	31.18%	\$ 3,963,233	20.67%
July 1, 2011	\$ 100,056	\$ 1,452,286	\$ 1,352,230	6.89%	\$ 3,554,727	38.04%

CITY OF HARTSVILLE, SOUTH CAROLINA
NOTES TO REQUIRED SUPPLEMENTAL INFORMATION
June 30, 2017

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, cemetery, airport, public works, capital outlay, and debt service has excess expenditures over appropriations in the amount of \$5,301, \$69,617, \$90,062, \$104, \$13,819, \$27,319, \$51,121 and \$23,435.

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 non-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 non-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.

Special Projects Fund

The *Special Projects Fund*, a non-major fund, is used to account for revenues and expenditures from donations and contributions from the public that are to be used for specific purposes.

Narcotics Fund

The *Narcotics Fund*, a non-major fund, is used to account for revenues and expenditures from drug seized monies that are to be used for public safety.

**CITY OF HARTSVILLE, SOUTH CAROLINA
HOSPITALITY TAX FUND
BALANCE SHEET
June 30, 2017**

Assets

Restricted Cash	\$ <u>408,346</u>
Total Assets	\$ <u>408,346</u>

Liabilities and Fund Balance

Fund Balance	
Restricted for Culture and Recreation	\$ <u>408,346</u>
Total Liabilities and Fund Balance	\$ <u>408,346</u>

**CITY OF HARTSVILLE, SOUTH CAROLINA
HOSPITALITY TAX FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
For the Fiscal Year Ended June 30, 2017**

Revenues

Other Taxes	\$ <u>903,623</u>
Total Revenues	<u>903,623</u>

Expenditures

Economic Development	156,411
Capital Outlay	252,907
Debt Services	
Principal	359,411
Interest	<u>53,749</u>
Total Expenditures	<u>822,478</u>

Excess of Revenues Over Expenditures	<u>81,145</u>
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Other Financing Sources (Uses)

Transfer from Accommodations Fund	87,500
Transfer to General Fund	<u>(476,439)</u>
Total Other Financing Sources (Uses)	<u>(388,939)</u>

Net Change in Fund Balance	(307,794)
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Restricted Fund Balance, Beginning of Year	<u>716,140</u>
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Restricted Fund Balance, End of Year	<u><u>\$ 408,346</u></u>
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**CITY OF HARTSVILLE, SOUTH CAROLINA
SPECIAL REVENUE FUND
BALANCE SHEET
June 30, 2017**

Assets

Cash	\$ 265,564
Due from Other Funds	<u>816</u>
Total Assets	<u><u>\$ 266,380</u></u>

Liabilities and Fund Balance

Accounts Payable	\$ 116,427
Due to Other Funds	<u>220,292</u>
Total Liabilities	<u>336,719</u>
Fund Balance	
Restricted for Economic Development	<u>(70,339)</u>
Total Liabilities and Fund Balance	<u><u>\$ 266,380</u></u>

**CITY OF HARTSVILLE, SOUTH CAROLINA
SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
For the Fiscal Year Ended June 30, 2017**

Revenues

Grant Proceeds	\$ 413,593
Total Revenues	<u>413,593</u>

Expenditures

Capital Outlay	
General Government	216,281
Public Safety	182,275
Economic Development	<u>98,629</u>
Total Expenditures	<u>497,185</u>

Excess (Deficiency) of Revenues Over Expenditures	<u>(83,592)</u>
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Net Change in Fund Balance (83,592)

Restricted Fund Balance, Beginning of Year	<u>13,253</u>
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Restricted Fund Balance, End of Year	<u><u>\$ (70,339)</u></u>
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**CITY OF HARTSVILLE, SOUTH CAROLINA
VICTIM'S ASSISTANCE
SCHEDULE OF FINES, ASSESSMENTS AND SURCHARGES
For the Fiscal Year Ended June 30, 2017**

Court Fines

Court Fines Collected	\$ 92,404
Court Fines Retained by Town	<u>(85,586)</u>

Court Fines Remitted to the State Treasurer	<u>\$ 6,818</u>
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Court Assessments

Court Assessments Collected	107,578
Court Assessments Retained by Town	<u>(12,019)</u>

Court Assessments Remitted to the State Treasurer	<u>95,559</u>
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Court Surcharges

Court Surcharges Collected	53,965
Court Surcharges Retained by Town	<u>(8,456)</u>

Court Surcharges Remitted to the State Treasurer	<u>45,509</u>
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Victim's Services

Funds Available for Carryforward, Beginning of Year	25,538
Court Assessments Allocated to Victim Services	20,475
Victim Assistance Fund Expenditures	<u>(32,845)</u>

Fund Available for Carryforward, End of Year	<u>\$ 13,168</u>
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**CITY OF HARTSVILLE, SOUTH CAROLINA
INFRASTRUCTURE PARK FUND
BALANCE SHEET
June 30, 2017**

Assets

Cash \$ 532,539

Total Assets \$ 532,539

Liabilities and Fund Balance

Due to Other Funds \$ 604,471

Total Liabilities 604,471

Fund Balance

Restricted for Economic Development (71,932)

Total Liabilities and Fund Balance \$ 532,539

**CITY OF HARTSVILLE, SOUTH CAROLINA
 INFRASTRUCTURE PARK FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 For the Fiscal Year Ended June 30, 2017**

Revenues

Fee in Lieu	\$ 518,141
Other Taxes	500
Miscellaneous Income	5,500
Investment Earnings	<u>53</u>
 Total Revenues	 <u>524,194</u>

Expenditures

Economic Development	8,293
Capital Outlay	937,924
Debt Service	
Principal	336,339
Interest	<u>90,669</u>
 Total Expenditures	 <u>1,373,225</u>

Excess (Deficiency) of Revenues Over Expenditures	<u>(849,031)</u>
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Net Change in Fund Balance (849,031)

Restricted Fund Balance, Beginning of Year 777,099

Restricted Fund Balance, End of Year \$ (71,932)

**CITY OF HARTSVILLE, SOUTH CAROLINA
CARGILL DEVELOPMENT FUND
BALANCE SHEET
June 30, 2017**

Assets

Cash	\$ <u> -</u>
Total Assets	\$ <u> -</u>

Liabilities and Fund Balance

Due to General Fund	\$ <u> 1,016</u>
Fund Balance Restricted for Economic Development	<u> (1,016)</u>
Total Liabilities and Fund Balance	\$ <u> -</u>

**CITY OF HARTSVILLE, SOUTH CAROLINA
CARGILL DEVELOPMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
For the Fiscal Year Ended June 30, 2017**

Revenues

Miscellaneous	\$ <u> -</u>
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Expenditures

Cargil Economic Development	<u> 1,016</u>
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Net Change in Fund Balance	(1,016)
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Restricted Fund Balance, Beginning of Year	<u> -</u>
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Restricted Fund Balance, End of Year	<u><u> \$ (1,016)</u></u>
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**CITY OF HARTSVILLE, SOUTH CAROLINA
ACCOMMODATIONS TAX FUND
BALANCE SHEET
June 30, 2017**

Assets

Cash	\$ <u>166,983</u>
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Total Assets	\$ <u>166,983</u>
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Liabilities and Fund Balance

Fund Balance	
Restricted for Economic Development	\$ <u>166,983</u>

Total Liabilities and Fund Balance	\$ <u>166,983</u>
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**CITY OF HARTSVILLE, SOUTH CAROLINA
 ACCOMMODATIONS TAX FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 For the Fiscal Year Ended June 30, 2017**

Revenues

Other Taxes	\$ <u>207,596</u>
Total Revenues	<u>207,596</u>

Expenditures

Economic Development	<u>10,581</u>
Total Expenditures	<u>10,581</u>

Excess of Revenues Over Expenditures	<u>197,015</u>
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Other Financing Sources (Uses)

Transfer To Hospitality Fund	(87,500)
Transfer To General Fund	<u>(71,550)</u>
Total Other Financing Sources (Uses)	<u>(159,050)</u>

Net Change in Fund Balance	37,965
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Restricted Fund Balance, Beginning of Year	<u>129,018</u>
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Restricted Fund Balance, End of Year	<u><u>\$ 166,983</u></u>
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**CITY OF HARTSVILLE, SOUTH CAROLINA
SPECIAL PROJECTS FUND
BALANCE SHEET
June 30, 2017**

Assets

Cash	\$ 436,782
Total Assets	<u>\$ 436,782</u>

Liabilities and Fund Balance

Accounts Payable	\$ 103,356
Deposits	3,945
Due to Other Funds	<u>(29,752)</u>
Total Liabilities	<u>77,549</u>
Fund Balance	
Restricted for Economic Development	<u>359,233</u>
Total Liabilities and Fund Balance	<u>\$ 436,782</u>

**CITY OF HARTSVILLE, SOUTH CAROLINA
SPECIAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
For the Fiscal Year Ended June 30, 2017**

Revenues

Donations	\$ 694,175
Total Revenues	<u>694,175</u>

Expenditures

Economic Development	339,722
Capital Outlay	384,326
Total Expenditures	<u>724,048</u>

Excess (Deficiency) of Revenues Over Expenditures	<u>(29,873)</u>
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Net Change in Fund Balance (29,873)

Restricted Fund Balance, Beginning of Year	<u>389,106</u>
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Restricted Fund Balance, End of Year	<u><u>\$ 359,233</u></u>
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**CITY OF HARTSVILLE, SOUTH CAROLINA
NARCOTICS FUND
BALANCE SHEET
June 30, 2017**

Assets

Cash	\$ 59,670
Due from Other Funds	<u>3,475</u>
Total Assets	<u>\$ 63,145</u>

Liabilities and Fund Balance

Fund Balance	
Restricted for Economic Development	<u>\$ 63,145</u>
Total Liabilities and Fund Balance	<u>\$ 63,145</u>

**CITY OF HARTSVILLE, SOUTH CAROLINA
NARCOTICS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
For the Fiscal Year Ended June 30, 2017**

Revenues

Miscellaneous Income	\$ <u>22,633</u>
Total Revenues	<u>22,633</u>

Expenditures

Police Safety	<u>29,816</u>
Total Expenditures	<u>29,816</u>

Excess (Deficiency) of Revenues Over Expenditures	<u>(7,183)</u>
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Net Change in Fund Balance	(7,183)
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Restricted Fund Balance, Beginning of Year	<u>70,328</u>
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Restricted Fund Balance, End of Year	<u><u>\$ 63,145</u></u>
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DEBT SERVICE FUND

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

**CITY OF HARTSVILLE, SOUTH CAROLINA
DEBT SERVICE FUND
BALANCE SHEET
For the Fiscal Year Ended June 30, 2017**

Assets

Cash	\$ 61,821
Property Tax Receivable, Net	<u>8,029</u>
Total Assets	<u><u>\$ 69,850</u></u>

Liabilities, Deferred Inflows and Fund Balance

Deferred Inflows

Unavailable Revenue - Property Taxes	<u>\$ 4,641</u>
Fund Balance	
Restricted for Debt Service	<u>65,209</u>
Total Liabilities, Deferred Inflows and Fund Balance	<u><u>\$ 69,850</u></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, 2017**

Revenues

Property Taxes	\$ <u>159,493</u>
Total Revenues	<u>159,493</u>

Expenditures

Debt Service	
Principal	117,500
Interest	<u>19,174</u>
Total Expenditures	<u>136,674</u>

Net Change in Fund Balance	22,819
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Restricted Fund Balance, Beginning of Year	<u>42,390</u>
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Restricted Fund Balance, End of Year	<u><u>\$ 65,209</u></u>
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ENTERPRISE FUNDS

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
ENTERPRISE FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION –
ENTERPRISE FUNDS - BUDGET TO ACTUAL
For the Fiscal Year Ended June 30, 2017

	<u>Adjusted Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Operating Revenues			
Charges for Services			
Service Charges	\$ 3,859,000	\$ 3,686,853	\$ (172,147)
Taps	2,000	23,860	21,860
Penalties	90,000	90,853	853
Other Fees and Charges	191,000	185,339	(5,661)
Miscellaneous	2,500	-	(2,500)
Tower Leases	110,000	127,353	17,353
	<u>4,254,500</u>	<u>4,114,258</u>	<u>(140,242)</u>
Operating Expenses			
Bad Debt Recovery	-	(11,213)	11,213
Contract Services	665,919	662,503	3,416
Contingency	802,000	-	802,000
Depreciation	259,559	849,794	(590,235)
Dues and Subscriptions	4,400	3,503	897
Employee Benefits	57,351	148,928	(91,577)
Insurance	194,119	193,491	628
Legal and Professional	262,810	173,785	89,025
Miscellaneous	-	2,232	(2,232)
Office Supplies	14,700	14,411	289
Payroll Taxes	37,649	35,164	2,485
Postage	18,750	18,728	22
Repairs and Maintenance	360,890	77,273	283,617
Salaries	590,936	554,991	35,945
Supplies	242,670	235,658	7,012
System Repairs and Maintenance	209,409	255,242	(45,833)
Telephone	10,065	13,011	(2,946)
Training	6,145	5,221	924
Uniforms	7,620	7,397	223
Utilities	500	685	(185)
Vehicle Expense	59,850	60,363	(513)
Water Testing Fees	18,100	18,052	48
	<u>3,823,442</u>	<u>3,319,219</u>	<u>504,223</u>
Operating Income	<u>431,058</u>	<u>795,039</u>	<u>363,981</u>
Non-Operating Income (Expense)			
Investment Income	10,500	16,539	6,039
Interest Expense	(3,866)	(265,294)	(261,428)
	<u>6,634</u>	<u>(248,755)</u>	<u>(255,389)</u>
Income Before Contributions and Transfers	<u>437,692</u>	<u>546,284</u>	<u>108,592</u>
Operating Transfers In	185,000	62,607	(122,393)
Operating Transfers (Out)	(1,191,892)	(1,039,999)	151,893
Change in Net Position	<u>(569,200)</u>	<u>(431,108)</u>	<u>138,092</u>
Net Position, Beginning of Year	<u>17,381,564</u>	<u>17,381,564</u>	<u>-</u>
Net Position, End of Year	<u>\$ 16,812,364</u>	<u>\$ 16,950,456</u>	<u>\$ 138,092</u>

FIDUCIARY FUNDS

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

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

Parking and Beautification Fund

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

CITY OF HARTSVILLE, SOUTH CAROLINA
FIDUCIARY FUNDS
COMBINING SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES –
ALL AGENCY FUNDS
For the Fiscal Year Ended June 30, 2017

	Balance			Balance
	<u>July 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2017</u>
Parking and Beautification Commission				
Cash	\$ 72,964	\$ 47,615	(28,799)	\$ 91,780
Due from Other Governments	4,017	-	(4,017)	-
Capital Assets, Net of Accumulated Depreciation	<u>132,375</u>	<u>-</u>	<u>(5,374)</u>	<u>127,001</u>
 Total Assets	 <u>\$ 209,356</u>	 <u>\$ 47,615</u>	 <u>\$ (38,190)</u>	 <u>\$ 218,781</u>
 Due to Agency Recipient	 <u>209,356</u>	 <u>47,615</u>	 <u>(38,190)</u>	 <u>218,781</u>
 Total Liabilities	 <u>\$ 209,356</u>	 <u>\$ 47,615</u>	 <u>\$ (38,190)</u>	 <u>\$ 218,781</u>

COMPLIANCE SECTION

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February 2, 2018

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, 2017, and the related notes to the financial statements, which collectively comprise the City of Hartsville, South Carolina's basic financial statements and have issued our report thereon dated February 2, 2018.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Sheheen, Hancock & Godwin, LLP

Sheheen, Hancock & Godwin, LLP
Camden, South Carolina