

**CITY OF HARTSVILLE
HARTSVILLE, SOUTH CAROLINA**

**ANNUAL FINANCIAL REPORT
Fiscal Year Ended June 30, 2018**

**CITY OF HARTSVILLE, SOUTH CAROLINA
ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2018**

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Carl M. (Mel) Pennington, IV

MAYOR PRO-TEM

Johnny L. Andrews - District 4

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Tre Gammage —District 1

Bernice L. Wilson, Sr. -District 2

Teresa Mack-District 3

Robert J. Braddock, Jr. -District 5

William A. Shirley –District 6

City Manager ----- Natalie M. Zeigler
Finance Director----- Karen Caulder
Director of Administrative Services / City Clerk ----- Sherron L. Skipper
Public Service Director ----- Russell Slatton
Parks & Recreation Services Director-----Russell Slatton
Police Chief----- Jerry Thompson
Fire Chief-----Jeff Burr

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January 17, 2019

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JOHN C. BOYKIN, III

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, 2018, 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, 2018, 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 68, and the schedules of funding progress and employer contributions, schedule of City's proportionate share of net pension liabilities, schedule of City's contributions, schedule of change in net OPEB liability, schedule of the net OPEB liability and schedule of employer contributions on pages 69-73 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 January 17, 2019, on our consideration of the City of Hartsville, South Carolina's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Hartsville, South Carolina's internal control over financial reporting and compliance.

Sheheen, Hancock & Godwin, LLP

Sheheen, Hancock and Godwin, LLP
Camden, South Carolina

**CITY OF HARTSVILLE, SOUTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2018**

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, 2018. 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 \$24,748,201 at the close of the 2018 fiscal year. Of this amount, \$7,431,072 may be used to meet City government's ongoing obligations to citizens and creditors.
- Revenues and other financing sources (uses) totaled \$17,544,286 and expenditures totaled \$17,665,678 for all governmental funds at the fund level. Included in that expenditure total is \$3,514,387 in capital outlay projects. Accordingly, expenditures exceeded revenues and other financing sources by \$121,392.
- As of the close of fiscal year 2018, the City of Hartsville's governmental funds reported combined ending fund balances of \$2,385,097. Approximately 58 percent of this amount, \$1,394,273 is available for spending at the governments' discretion (general fund unassigned fund balance).
- The City of Hartsville's business type activities reported net position at fiscal year-end of \$17,317,129, a decrease of less than 1 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, 2018
(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, sewer and water park, 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 90.

**CITY OF HARTSVILLE, SOUTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2018
(Continued)**

Fiduciary Funds: The City acts as agent, or fiduciary, for other entities resources. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the City's fiduciary activities are reported in a separate statement of fiduciary net position. We exclude these activities from the City's government-wide financial statements because the City cannot use these assets to finance its operations. The fiduciary fund statement of net position can be found on page 22 of this report. Supplementary fiduciary fund information can be found on page 91.

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 23-60.

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 \$24,748,201, at the close of the most recent fiscal year. Net position is reported in three categories: net investment in capital assets of \$23,264,916, restricted net position of \$481,977, and unrestricted net position of \$1,001,308. The City's combined net position increased by \$112,475 between fiscal years 2017 and 2018. (See Table A-1)

The largest portion of the City's net position (94 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, 2018
(Continued)**

Table A-1

	Governmental Activities		Business-Type Activities		Total	
	2017	2018	2017	2018	2017	2018
Assets						
Current and Other Assets	\$ 3,676,866	\$ 4,713,953	\$ 7,604,017	\$ 7,608,074	\$ 11,280,883	\$ 12,322,027
Capital Assets	<u>21,445,354</u>	<u>22,372,972</u>	<u>17,650,461</u>	<u>27,158,982</u>	<u>39,095,815</u>	<u>49,531,954</u>
Total Assets	<u>25,122,220</u>	<u>27,086,925</u>	<u>25,254,478</u>	<u>34,767,056</u>	<u>50,376,698</u>	<u>61,853,981</u>
Deferred Outflows						
OPEB Cost	-	11,635	-	-	-	11,635
Pension Cost	<u>1,095,126</u>	<u>1,752,701</u>	<u>178,993</u>	<u>232,606</u>	<u>1,274,119</u>	<u>1,985,307</u>
Total Deferred Outflows	<u>1,095,126</u>	<u>1,764,336</u>	<u>178,993</u>	<u>232,606</u>	<u>1,274,119</u>	<u>1,996,942</u>
Liabilities						
Current Liabilities	2,179,529	3,467,633	788,375	2,101,222	2,967,904	5,568,855
Non-Current Liabilities	<u>16,124,496</u>	<u>17,795,575</u>	<u>7,664,934</u>	<u>15,560,997</u>	<u>23,789,430</u>	<u>33,356,572</u>
Total Liabilities	<u>18,304,025</u>	<u>21,263,208</u>	<u>8,453,309</u>	<u>17,662,219</u>	<u>26,757,334</u>	<u>38,925,427</u>
Deferred Inflows						
Revenue	<u>228,051</u>	<u>156,981</u>	<u>29,706</u>	<u>20,314</u>	<u>257,757</u>	<u>177,295</u>
Net Position						
Net Investment in Capital						
Assets	12,732,839	13,364,538	7,917,325	9,900,378	20,650,164	23,264,916
Restricted For:						
Economic Development	23,696	(63,935)	-	-	23,696	(63,935)
Culture and Recreation	408,346	415,409	-	-	408,346	415,409
Public Safety	63,145	75,444	-	-	63,145	75,444
Debt Service	65,209	51,491	70,721	3,568	135,930	55,059
Unrestricted	<u>(5,607,965)</u>	<u>(6,411,875)</u>	<u>8,962,410</u>	<u>7,413,183</u>	<u>3,354,445</u>	<u>1,001,308</u>
Total Net Position	<u>\$ 7,685,270</u>	<u>\$ 7,431,072</u>	<u>\$ 16,950,456</u>	<u>\$ 17,317,129</u>	<u>\$ 24,635,726</u>	<u>\$ 24,748,201</u>

Changes in net position:

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

Governmental Activities

Revenues for the City's governmental activities increased by \$1,370,085, while total expenditures decreased by \$510,887.

Business-type activities:

The City's business-type activities are the water and sewer enterprise fund, a combined public utility consisting of water, sewer and water park services, storm water fund, the splash pad and concessions. The total of charges for services, interest revenue and transfers of \$4,572,066 were more than the total expenses of \$4,205,393, yielding a positive change in net position of \$366,673 for fiscal year 2018. Since the water, sewer & water park, 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 \$691,454 in principal payments, \$10,522,028 in capital expenses for all four utilities.

**CITY OF HARTSVILLE, SOUTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2018
(Continued)**

Table A-2
City of Hartsville Changes in Net Position

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>
Revenues						
Program Revenues:						
Fees, Fines and Charges for Services	\$ 4,099,432	\$ 4,184,086	\$ 3,986,905	\$ 4,509,900	\$ 8,086,337	\$ 8,693,986
Operating Grants	909,452	446,236	-	-	909,452	446,236
Capital Grants	277,916	2,447,827	-	25,345	277,916	2,473,172
General Revenues:						
Property Taxes	6,996,280	6,944,564	-	-	6,996,280	6,944,564
Miscellaneous	281,094	93,254	127,353	127,812	408,447	221,066
Unrestricted Investment Earnings	59	918	16,539	27,686	16,598	28,604
Intergovernmental Revenues	215,157	175,366	-	-	215,157	175,366
Gain on Disposition of Capital Assets	(694,727)	21,212	-	-	(694,727)	21,212
Transfer - Utility Fund	977,392	118,677	(977,392)	(118,677)	-	-
Total Revenues	<u>13,062,055</u>	<u>14,432,140</u>	<u>3,153,405</u>	<u>4,572,066</u>	<u>16,215,460</u>	<u>19,004,206</u>
Expenses						
General Government	4,130,661	4,032,971	-	-	4,130,661	4,032,971
Public Safety	5,213,984	5,127,963	-	-	5,213,984	5,127,963
Public Works	2,166,079	2,189,176	-	-	2,166,079	2,189,176
Economic Development	581,062	559,193	-	-	581,062	559,193
Culture and Recreation	898,756	821,073	-	-	898,756	821,073
Airport	92,474	88,879	-	-	92,474	88,879
Cemetery	131,178	142,387	-	-	131,178	142,387
Interest on Long-Term Debt	194,112	207,973	-	-	194,112	207,973
Capital Outlay	961,902	689,706	-	-	961,902	689,706
Enterprise Funds:						
Water and Sewer	-	-	3,165,219	3,967,076	3,165,219	3,967,076
Other Proprietary Funds	-	-	419,294	238,317	419,294	238,317
Total Expenses	<u>14,370,208</u>	<u>13,859,321</u>	<u>3,584,513</u>	<u>4,205,393</u>	<u>17,954,721</u>	<u>18,064,714</u>
Change in Net Position	(1,308,153)	572,819	(431,108)	366,673	(1,739,261)	939,492
Net Position, Beginning of Year, as restated	<u>8,993,423</u>	<u>6,858,253</u>	<u>17,381,564</u>	<u>16,950,456</u>	<u>26,374,987</u>	<u>23,808,709</u>
Net Position, End of Year	<u>\$ 7,685,270</u>	<u>\$ 7,431,072</u>	<u>\$ 16,950,456</u>	<u>\$ 17,317,129</u>	<u>\$ 24,635,726</u>	<u>\$ 24,748,201</u>

**CITY OF HARTSVILLE, SOUTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2018
(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 \$2,386,113. In the general fund there was a committed balance of \$49,407, and an unassigned fund balance of \$1,394,273. The remaining fund balance consisted of \$478,409 in restricted and \$464,024 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 \$7,413,183 or 43% of total proprietary fund net position in the amount of \$17,317,129. The City's largest component of proprietary fund net position is net investment in capital assets, of \$9,900,378 or 57% 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 2018 listed below:

Budget Amendments

Revenue:	
Accumulated Surplus	\$ 877,000
Expenditures:	
Accommodations Tax Expense	\$ 57,000
Capital	\$ 535,000
Grant Matches	\$ 165,000
Salaries	\$ 50,000
Special Projects and Services	\$ 70,000

**CITY OF HARTSVILLE, SOUTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2018
(Continued)**

Capital Asset and Debt Administration

Capital Assets

At the end of 2018, 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>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>
Land	\$ 5,458,891	\$ 7,683,556	\$ 145,904	\$ 145,904	\$ 5,604,795	\$ 7,829,460
Construction in Progress	4,648,905	3,786,016	604,878	2,407,535	5,253,783	6,193,551
Buildings and Systems	2,713,028	2,713,028	134,518	134,518	2,847,546	2,847,546
Infrastructure	20,972,127	21,549,246	28,866,088	28,866,088	49,838,215	50,415,334
Machinery and Equipment	12,109,231	12,148,147	2,569,345	2,969,112	14,678,576	15,117,259
Splash Pad / Water Park	-	-	683,281	8,982,636	683,281	8,982,636
Accumulated Depreciation	<u>(24,456,828)</u>	<u>(25,507,021)</u>	<u>(15,353,553)</u>	<u>(16,346,811)</u>	<u>(39,810,381)</u>	<u>(41,853,832)</u>
Total	<u>\$ 21,445,354</u>	<u>\$ 22,372,972</u>	<u>\$ 17,650,461</u>	<u>\$ 27,158,982</u>	<u>\$ 39,095,815</u>	<u>\$ 49,531,954</u>

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

Government Activities

Machinery and Vehicles	\$ 565,500
Land	\$ 1,052,926

Business-type Activities

Water Park	\$ 8,299,356
Machinery and Equipment	\$ 420,118
Traffic Circle Project	\$ 307,723
Black Creek Grinders	\$ 440,715
Public Service Complex	\$ 516,174

**CITY OF HARTSVILLE, SOUTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2018
(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 \$24,003,301 in outstanding notes, bonds, capital leases and compensated absences, compared to \$15,878,670 at June 30, 2017, and \$10,778,577 in net pension liability, compared to \$9,896,067 at June 30, 2017. The City's bonded debt represents bonds secured solely by specified revenue sources (i.e. revenue bonds, water and sewer charges 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 2018 the total debt limitation of assessed values for the City is \$2,152,794 with \$1,237,700 remaining.

Additional information on the City of Hartsville's long term debt as reported for fiscal year 2018 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, 2018, the unemployment rate for Darlington County was 3.4%. This compares favorably with the latest State's unemployment rate of 3.8% and the national rate of 3.9%. These indicators were considered in preparing the City's budget for the 2018 fiscal year.

The City has been very fortunate and due to sound fiscal decisions, did not increase millage for fiscal year 2018. While the City continues to be relatively stable in this improving economy, we have taken a conservative approach to our budget projections for 2019.

In our business-type activities the budget for fiscal year 2018 increased minimally due to expected volume increases and continued implementation of our rate study that went into effect on July 1, 2014, in which no water and sewer rate increases occurred. In 2018 the City completed a comprehensive rate study with an engineering firm. As a result, City Council approved water and sewer rate increases over a five-year period with implementation on July 1, 2018. The rate increases are to ensure that the City can properly maintain the infrastructure and continue providing quality services to the City 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, 2018

	Governmental Activities	Business-type Activities	Total	Component Unit
Assets				
Cash and Cash Equivalents	\$ 2,587,107	\$ 6,698,505	\$ 9,285,612	\$ 191,535
Restricted Cash	1,229,939	-	1,229,939	-
Investments	-	-	-	951,373
Receivables, Net	896,907	747,970	1,644,877	-
Inventories	-	161,599	161,599	-
Interfund Balances	-	-	-	-
Capital Assets:				
Land	7,683,556	145,904	7,829,460	-
Construction in Progress	3,786,016	2,407,535	6,193,551	-
Buildings and Systems	2,713,028	134,518	2,847,546	-
Machinery and Equipment	12,148,147	2,969,112	15,117,259	-
Infrastructure	21,549,246	28,866,088	50,415,334	-
Splash Pad / Water Park	-	8,982,636	8,982,636	-
Less: Accumulated Depreciation	(25,507,021)	(16,346,811)	(41,853,832)	-
Total Capital Assets, Net of Depreciation	<u>22,372,972</u>	<u>27,158,982</u>	<u>49,531,954</u>	<u>-</u>
Deferred Outflows of Resources				
Prepaid OPEB Cost	11,635	-	11,635	-
Prepaid Pension Cost	1,752,701	232,606	1,985,307	-
Total Deferred Outflows of Resources	<u>1,764,336</u>	<u>232,606</u>	<u>1,996,942</u>	<u>-</u>
Total Assets and Deferred Outflows of Resources	<u><u>28,851,261</u></u>	<u><u>34,999,662</u></u>	<u><u>63,850,923</u></u>	<u><u>1,142,908</u></u>
Liabilities				
Accounts Payable and Accrued Liabilities	2,072,908	1,386,310	3,459,218	-
Accrued Interest Payable	45,643	18,792	64,435	-
Renters Deposits	2,418	-	2,418	-
Due to Other Governmental Units	6,025	-	6,025	-
Long-Term Liabilities:				
Due Within One Year:				
General Obligation Bonds	136,300	-	136,300	-
Revenue Bonds	727,153	625,000	1,352,153	-
Capital Leases	449,315	69,016	518,331	-
Compensated Absences	27,871	2,104	29,975	-
Due in More Than One Year:				
Compensated Absences	273,810	23,469	297,279	-
General Obligation Bonds	1,101,400	-	1,101,400	-
Revenue Bonds	3,513,127	13,465,000	16,978,127	-
Loan Payable	1,200,000	-	1,200,000	-
Capital Leases	1,881,139	508,597	2,389,736	-
Net OPEB Liability	611,453	-	611,453	-
Net Pension Liability	9,214,646	1,563,931	10,778,577	-
Total Liabilities	<u>21,263,208</u>	<u>17,662,219</u>	<u>38,925,427</u>	<u>-</u>
Deferred Inflows				
Unavailable Revenue - Pension	156,981	20,314	177,295	-
Total Deferred Inflows of Resources	<u>156,981</u>	<u>20,314</u>	<u>177,295</u>	<u>-</u>
Net Position				
Net Investment in Capital Assets	13,364,538	9,900,378	23,264,916	-
Restricted for:				
Economic Development	(63,935)	-	(63,935)	-
Culture and Recreation	415,409	-	415,409	-
Public Safety	75,444	-	75,444	-
Debt Service	51,491	3,568	55,059	-
Unrestricted	(6,411,875)	7,413,183	1,001,308	1,142,908
Total Net Position	<u>\$ 7,431,072</u>	<u>\$ 17,317,129</u>	<u>\$ 24,748,201</u>	<u>\$ 1,142,908</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, 2018

Function/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Unit	
	Expenses	Fees, Fines & Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business-type Activities		Total
Government Activities								
General Government Administration	\$ 4,032,971	\$ 2,128,354		\$ 326,740	\$ (1,577,877)	\$ -	\$ (1,577,877)	\$ -
Public Safety	5,127,963	708,771		-	(4,419,192)	-	(4,419,192)	-
Public Works	2,189,176	1,275,150	-	-	(914,026)	-	(914,026)	-
Economic Development	559,193	-	446,236	2,121,087	2,008,130	-	2,008,130	-
Culture and Recreation	821,073	25,601			(795,472)	-	(795,472)	-
Airport	88,879	-	-	-	(88,879)	-	(88,879)	-
Cemetery	142,387	46,210	-	-	(96,177)	-	(96,177)	-
Capital Outlay	689,706	-	-	-	(689,706)	-	(689,706)	-
Interest on Long-Term Debt	207,973	-	-	-	(207,973)	-	(207,973)	-
Total Governmental Activities	13,859,321	4,184,086	446,236	2,447,827	(6,781,172)	-	(6,781,172)	-
Business-Type Activities:								
Water & Sewer	3,967,076	4,359,308	-	25,345	-	417,577	417,577	-
Other Proprietary Funds	238,317	150,592	-	-	-	(87,725)	(87,725)	-
Total Business-Type Activities	4,205,393	4,509,900	-	25,345	-	329,852	329,852	-
Total Primary Government	\$ 18,064,714	\$ 8,693,986	\$ 446,236	\$ 2,473,172	(6,781,172)	329,852	(6,451,320)	-
Component Unit								
Hartsville Museum Foundation, Inc.	\$ 447,025	\$ -	\$ -	\$ 32,786				(414,239)
General Revenues:								
Taxes:								
Property Taxes, Levied for General Purposes					2,821,182	-	2,821,182	-
Other Taxes					2,783,487	-	2,783,487	-
Franchise Fees					819,487	-	819,487	-
Payments in Lieu of Taxes					520,408	-	520,408	-
Unrestricted Investment Earnings					918	27,686	28,604	36,114
Unrealized Loss on Investments					-	-	-	38,287
Miscellaneous					93,254	127,812	221,066	-
Intergovernmental Revenues					175,366	-	175,366	-
Gain/(Loss) on Disposition of Assets					21,212	-	21,212	83,180
Transfers - Utility Fund					118,677	(118,677)	-	-
Total General Revenues and Transfers					7,353,991	36,821	7,390,812	157,581
Change in Net Position					572,819	366,673	939,492	(256,658)
Net Position, Beginning of Year, as restated					6,858,253	16,950,456	23,808,709	1,399,566
Net Position, End of Year					\$ 7,431,072	\$ 17,317,129	\$ 24,748,201	\$ 1,142,908

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, 2018

	General Fund	Hospital Tax Fund	Infrastructure Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and Cash Equivalents	\$ 2,587,107	\$ -	\$ -	\$ -	\$ 2,587,107
Receivables:					
Intergovernmental Receivable	372,732	-	-	-	372,732
Sanitation Receivable, Net	253,333	-	-	-	253,333
Property Tax Receivable, Net	254,201	-	-	11,092	265,293
Accounts Receivable, Net	5,549	-	-	-	5,549
Due from Other Funds	51,777	-	-	-	51,777
Due from Other Governments	-	-	-	-	-
Restricted Cash	-	415,409	(73,309)	887,839	1,229,939
	<u>-</u>	<u>415,409</u>	<u>(73,309)</u>	<u>887,839</u>	<u>1,229,939</u>
Total Assets	<u>\$ 3,524,699</u>	<u>\$ 415,409</u>	<u>\$ (73,309)</u>	<u>\$ 898,931</u>	<u>\$ 4,765,730</u>
Liabilities					
Accounts Payable and Accrued Expenses	\$ 1,837,785	\$ -	\$ -	\$ 235,123	\$ 2,072,908
Compensated Absences	27,871	-	-	-	27,871
Renter Deposit	-	-	-	2,418	2,418
Due to Other Governments	6,025	-	-	-	6,025
Due to Other Funds	-	-	-	51,777	51,777
	<u>-</u>	<u>-</u>	<u>-</u>	<u>51,777</u>	<u>51,777</u>
Total Liabilities	<u>1,871,681</u>	<u>-</u>	<u>-</u>	<u>289,318</u>	<u>2,160,999</u>
Deferred Inflows					
Unavailable Revenue - Property Taxes	209,338	-	-	9,280	218,618
	<u>209,338</u>	<u>-</u>	<u>-</u>	<u>9,280</u>	<u>218,618</u>
Total Deferred Inflows	<u>209,338</u>	<u>-</u>	<u>-</u>	<u>9,280</u>	<u>218,618</u>
Fund Balances					
Restricted for:					
Economic Development	-	-	(73,309)	9,374	(63,935)
Culture and Recreation	-	415,409	-	-	415,409
Public Safety	-	-	-	75,444	75,444
Debt Service	-	-	-	51,491	51,491
Committed To:					
Cemetery Care	49,407	-	-	-	49,407
Assigned to:					
Donations and Sponsorships	-	-	-	464,024	464,024
Unassigned	1,394,273	-	-	-	1,394,273
	<u>1,394,273</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,394,273</u>
Total Fund Balances	<u>1,443,680</u>	<u>415,409</u>	<u>(73,309)</u>	<u>600,333</u>	<u>2,386,113</u>
Total Liabilities, Deferred Inflows and Fund Balances	<u>\$ 3,524,699</u>	<u>\$ 415,409</u>	<u>\$ (73,309)</u>	<u>\$ 898,931</u>	<u>\$ 4,765,730</u>

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

CITY OF HARTSVILLE, SOUTH CAROLINA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
June 30, 2018

Total Fund Balances - Governmental Funds (Exhibit C)	\$	2,386,113
<p>Amounts reported for governmental activities in the Statement of Net Position are different because:</p>		
<p>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.</p>		
Property Taxes		218,618
<p>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 \$47,879,993 and the accumulated depreciation is \$25,507,021.</p>		
		22,372,972
<p>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.</p>		
		(45,643)
<p>Deferred outflows and inflows of resources related to pension are applicable to future periods and, therefore, not reported in the funds.</p>		
Deferred outflows of resources related to pensions (from pension schedule)		1,752,701
Deferred outflows of resources related to OPEB		11,635
Deferred inflows of resources related to pensions (from pension schedule)		(156,981)
<p>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:</p>		
General Obligation Bonds		(1,101,400)
General Obligation Bonds - Current		(136,300)
Revenue Bonds		(3,513,127)
Revenue Bonds - Current		(727,153)
Loan Payable		(1,200,000)
Capital Leases		(1,881,139)
Capital Leases - Current		(449,315)
Net OPEB Liability		(611,453)
Net Pension Liability		(9,214,646)
Compensated Absences		(273,810)
		(273,810)
Total Net Position Governmental Activities (Exhibit A)	\$	<u>7,431,072</u>

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

CITY OF HARTSVILLE, SOUTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2018

	General Fund	Hospitality Tax Fund	Infrastructure Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
Taxes					
Property Taxes	\$ 2,569,741	\$ -	\$ -	\$ 150,874	\$ 2,720,615
Other Taxes	1,714,858	896,383	-	172,246	2,783,487
Fee in Lieu	-	-	520,408	-	520,408
Franchise Fees	819,487	-	-	-	819,487
Licenses, Permits and Fees	2,169,405	-	-	-	2,169,405
Intergovernmental Revenue	175,366	-	-	-	175,366
Charges for Services	1,275,150	-	-	-	1,275,150
Fines and Forfeitures	107,404	-	-	-	107,404
Investment Earnings	909	-	9	-	918
Contributions and Donations	-	-	-	446,236	446,236
Rents	26,603	-	-	-	26,603
Fire Contract	547,687	-	-	-	547,687
Insurance Proceeds	-	-	-	-	-
Grants	326,740	-	-	1,794,347	2,121,087
Miscellaneous	435,756	-	6,000	36,075	477,831
	<u>10,169,106</u>	<u>896,383</u>	<u>526,417</u>	<u>2,599,778</u>	<u>14,191,684</u>
Total Revenues					
Expenditures					
Current					
General Government	3,514,030	-	-	-	3,514,030
Public Safety	4,518,395	-	-	23,776	4,542,171
Public Works	1,936,137	-	-	-	1,936,137
Economic Development	-	221,320	8,344	229,992	459,656
Culture and Recreation	731,765	-	-	-	731,765
Airport	73,994	-	-	-	73,994
Cemetery	127,502	-	-	-	127,502
Capital Outlay	2,202,905	40,000	92,441	1,179,041	3,514,387
Debt Service					
Principal	409,444	367,857	342,481	132,800	1,252,582
Interest	56,216	45,303	84,528	31,792	217,839
	<u>13,570,388</u>	<u>674,480</u>	<u>527,794</u>	<u>1,597,401</u>	<u>16,370,063</u>
Total Expenditures					
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(3,401,282)</u>	<u>221,903</u>	<u>(1,377)</u>	<u>1,002,377</u>	<u>(2,178,379)</u>
Other Financing Sources (Uses)					
Loan Proceeds	1,200,000	-	-	-	1,200,000
Capital Lease Proceeds	348,500	-	-	-	348,500
Sale of Capital Assets	389,812	-	-	-	389,812
Transfers In	1,320,790	92,500	-	1,000	1,414,290
Transfers Out	(1,000)	(307,340)	-	(987,275)	(1,295,615)
	<u>3,258,102</u>	<u>(214,840)</u>	<u>-</u>	<u>(986,275)</u>	<u>2,056,987</u>
Total Other Financing Sources (Uses)					
Net Change in Fund Balances	(143,180)	7,063	(1,377)	16,102	(121,392)
Fund Balances, Beginning of Year, as restated	<u>1,586,860</u>	<u>408,346</u>	<u>(71,932)</u>	<u>583,215</u>	<u>2,506,489</u>
Fund Balances, End of Year	<u>\$ 1,443,680</u>	<u>\$ 415,409</u>	<u>\$ (73,309)</u>	<u>\$ 599,317</u>	<u>\$ 2,385,097</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, 2018

Total Net Change In Fund Balances - Governmental Funds (Exhibit E)	\$ (121,392)
Amounts reported for governmental activities in the Statement of Activities are different because of the following:	
Capital outlays are reported in the governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense. This is the amount by which capital outlay of \$2,784,680 exceeds depreciation expense of \$1,488,462 in the period.	1,296,218
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.	(368,600)
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.	-
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.	843,138
Capital lease proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position	(348,500)
Loan proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position	(1,200,000)
Repayment of capital leases is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.	409,443
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.	100,567
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.	(23,011)
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.	9,866
Changes in the City's proportionate share of the net pension liability, deferred outflows of resources, and deferred inflows of resources for the current year are not reported in the governmental funds but are reported in the Statement of Activities	(72,238)
Changes in the City's proportionate share of the net OPEB liability, deferred outflows of resources, and deferred inflows of resources for the current year are not reported in the governmental funds but are reported in the Statement of Activities	<u>47,328</u>
Change in Net Position of Governmental Activities (Exhibit B)	<u>\$ 572,819</u>

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

CITY OF HARTSVILLE, SOUTH CAROLINA
STATEMENT OF NET POSITION- PROPRIETARY FUNDS
June 30, 2018

Assets

Current Assets:

Cash and Cash Equivalents	\$ 6,698,505
Investments	-
Accounts Receivable, Net	747,970
Due from Other Funds	-
Inventory	<u>161,599</u>
 Total Current Assets	 <u>7,608,074</u>

Non-Current Assets:

Land	145,904
Construction in Progress	2,407,535
Capital Assets, Net	<u>24,605,543</u>
 Total Non-Current Assets	 <u>27,158,982</u>

Deferred Outflows of Resources

Prepaid Pension Cost	<u>232,606</u>
 Total Assets and Deferred Outflows of Resources	 <u><u>34,999,662</u></u>

Liabilities

Current Liabilities:

Accounts Payable and Accrued Expenses	1,386,310
Accrued Interest Payable	18,792
Due to Other Funds	-
Current Portion of Compensated Absences	2,104
Current Portion of Revenue Bonds Payable	625,000
Current Portion of Capital Lease Payable	<u>69,016</u>
 Total Current Liabilities	 <u>2,101,222</u>

Long-Term Liabilities:

Compensated Absences	23,469
Net Pension Liability	1,563,931
Revenue Bonds Payable	13,465,000
Capital Lease Payable	<u>508,597</u>
 Total Liabilities	 <u>17,662,219</u>

Deferred Inflows of Resources

Unavailable Revenue - Pension	<u>20,314</u>
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Net Position

Net Investment in Capital Assets	9,900,378
Restricted for Debt Service	3,568
Unrestricted	<u>7,413,183</u>
 Total Net Position	 <u>\$ 17,317,129</u>

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

CITY OF HARTSVILLE, SOUTH CAROLINA
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION- PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2018

	Water, Sewer & Water Park	Other Proprietary Funds	Total Proprietary Funds
Operating Revenues			
Charges for Services			
Water Charges	\$ 1,945,447	\$ 92	\$ 1,945,539
Sewer Charges	1,873,885	-	1,873,885
Taps	10,430	-	10,430
Penalties	91,240	-	91,240
Other Fees and Charges	47,406	1,000	48,406
Concessions	-	98,702	98,702
Waterpark	390,900	-	390,900
Splash Pad	-	50,798	50,798
Tower Leases	127,812	-	127,812
	<u>4,487,120</u>	<u>150,592</u>	<u>4,637,712</u>
Total Revenues			
Operating Expenses			
Advertising	67,441	-	67,441
Bad Debt Recovery	35,600	-	35,600
Contract Services	783,669	1,810	785,479
Depreciation	1,003,522	9,983	1,013,505
Dues and Subscriptions	2,539	175	2,714
Employee Benefits	79,193	8,950	88,143
Food	69,429	-	69,429
Grant Match	121,124	-	121,124
Insurance	186,722	8,955	195,677
Legal and Professional	148,564	12,576	161,140
Miscellaneous	7,521	20	7,541
Office Supplies	11,931	183	12,114
Payroll Taxes	33,671	4,216	37,887
Postage	19,353	-	19,353
Repairs and Maintenance	26,007	30,896	56,903
Salaries	456,334	110,710	567,044
Supplies	182,972	45,497	228,469
System Repairs and Maintenance	178,190	895	179,085
Telephone	5,558	3,198	8,756
Training	29,905	75	29,980
Uniforms	22,033	159	22,192
Utilities	13,096	-	13,096
Vehicle Expense	56,748	19	56,767
Water Testing Fees	18,658	-	18,658
	<u>3,559,780</u>	<u>238,317</u>	<u>3,798,097</u>
Total Operating Expenses			
Operating Income / (Loss)	<u>927,340</u>	<u>(87,725)</u>	<u>839,615</u>
Non-Operating Income (Expense)			
Investment Income	27,686	-	27,686
Bond Issuance Costs	(156,958)	-	(156,958)
Interest Expense	(250,338)	-	(250,338)
	<u>(379,610)</u>	<u>-</u>	<u>(379,610)</u>
Total Non-Operating Income (Expense)			
Income Before Contributions and Transfers	<u>547,730</u>	<u>(87,725)</u>	<u>460,005</u>
Operating Transfers In	1,317,974	90,628	1,408,602
Operating Transfers Out	(1,027,579)	(499,700)	(1,527,279)
	<u>290,395</u>	<u>(409,072)</u>	<u>(118,677)</u>
Total Transfers			
Capital Contributions	<u>25,345</u>	<u>-</u>	<u>25,345</u>
Change in Net Position	<u>863,470</u>	<u>(496,797)</u>	<u>366,673</u>
Net Position, Beginning of Year	<u>15,889,679</u>	<u>1,060,777</u>	<u>16,950,456</u>
Net Position, End of Year	<u>\$ 16,753,149</u>	<u>\$ 563,980</u>	<u>\$ 17,317,129</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, 2018

Cash Flows from Operating Activities	
Cash Received from Customers	\$ 4,528,428
Cash Paid to Suppliers	(888,904)
Cash Paid To Employees	<u>(567,044)</u>
Net Cash Provided by Operating Activities	<u>3,072,480</u>
Cash Flows From Non-Capital Financing Activities	
Operating Transfers from Other Funds	(118,677)
(Decrease) in Due to Other Funds	<u>(3,560)</u>
Net Cash (Used) by Non-Capital Financing Activities	<u>(122,237)</u>
Cash Flows from Capital and Related Financing Activities	
Proceeds from Revenue Bond	8,000,000
Proceeds from Capital Leases	501,500
Bond Issuance Costs	(156,958)
Purchases of Capital Assets	(10,522,028)
Principal Paid on Capital Debt	(691,454)
Interest Paid on Capital Debt	<u>(253,540)</u>
Net Cash (Used) by Capital and Related Financing Activities	<u>(3,122,480)</u>
Cash Flows from Investing Activities	
Capital Contribution	25,345
Interest Income	<u>27,687</u>
Net Cash Provided by Investing Activities	<u>53,032</u>
Net Decrease in Cash and Cash Equivalents	(119,205)
Cash and Cash Equivalents, Beginning of Year	<u>6,817,710</u>
Cash and Cash Equivalents, End of Year	<u>\$ 6,698,505</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, 2018
(Continued)

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

Operating Income	\$	839,615
Adjustments to Reconcile Operating Income to Net Cash Provided		
By Operating Activities:		
Depreciation		1,013,505
Decrease in Accounts Receivable, Net		(109,284)
(Increase) in Inventory		(10,418)
Decrease in Deferred Cost		(63,005)
Increase in Net Pension Liability		81,627
Increase in Accounts and other Payables		<u>1,320,440</u>
Net Cash Provided by Operating Activities	\$	<u>3,072,480</u>

RECONCILIATION OF TOTAL CASH AND CASH EQUIVALENTS

Current Assets - Cash and Cash Equivalents	\$	<u>6,698,505</u>
Total Cash and Cash Equivalents	\$	<u>6,698,505</u>

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

CITY OF HARTSVILLE, SOUTH CAROLINA
STATEMENT OF NET POSITON - FIDUCIARY FUND
June 30, 2018

	<u>Agency Funds</u>
Assets	
Cash	\$ 111,959
Accounts Receivable	2,205
Capital Assets, Net	<u>116,256</u>
Total Assets	<u>\$ 230,420</u>
Liabilities	
Due To Agency Recipient	<u>\$ 230,420</u>
Total Liabilities	<u>\$ 230,420</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, 2018

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 two 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)

A. Reporting Entity (continued)

Blended Component Unit: Hartsville Public Development Corporation, Inc. (the “Corporation”) was created by City of Hartsville as a Nonprofit Corporation under the laws of the State of South Carolina for the specific purpose of providing support for the capital projects of the City. The board members are appointed by City Council. Because the Corporation exclusively benefits the City, the Corporation’s financial information is blended with that of the City in the basic financial statements. Separate financial statements for Hartsville Public Development Corporation, Inc. are not issued.

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

CITY OF HARTSVILLE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

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

The funds of the City are described below:

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.

CITY OF HARTSVILLE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

Cargill Development Fund

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

Infrastructure Park Fund

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

Hospitality Tax Fund

The *Hospitality Tax Fund*, 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, Sewer and Water Park Fund. Accounts for monies collected from charges for services of water, sewer and water park 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. During the year this fund was closed due to the opening of the water park.

CITY OF HARTSVILLE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

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

Fiduciary Funds

Fiduciary fund reporting focuses on net position and changes in net position. The City has one fiduciary fund which is an agency funds.

Agency Funds

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

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

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.

CITY OF HARTSVILLE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting (continued)

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

Basis of Accounting

In the government-wide statement of net position and statement of activities, both governmental and business-like activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the

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

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

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

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

D. Cash, Cash Equivalents and Investments

Cash and Cash Equivalents

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

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

CITY OF HARTSVILLE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 1. Summary of Significant Accounting Policies (continued)

E. Receivables (continued)

available. Non-exchange transactions collectible but not available, such as property taxes, are deferred in the fund financial statements in accordance with modified accrual, but not deferred in the government-wide financial statements in accordance with the accrual basis. All trade and property tax receivables are recorded net of any allowances for uncollectible.

F. Inventories

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

G. Restricted Assets

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

H. Capital Assets

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

Government-Wide Statements

In the government-wide financial statements, fixed assets are accounted for as capital assets. All fixed assets are valued at historical cost, or estimated historical cost if actual is unavailable, except 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

CITY OF HARTSVILLE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 1. Summary of Significant Accounting Policies (continued)

H. Capital Assets (continued)

Fund Financial Statements

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

I. Short-term Inter-fund Receivables/Payable

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

J. Compensated Absences

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

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

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 two deferred outflows arising from prepaid cost related to the GASB 68 pension liability and prepaid cost related to the GASB 75 OPEB 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.

CITY OF HARTSVILLE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 1. Summary of Significant Accounting Policies (continued)

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.

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

CITY OF HARTSVILLE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 1. Summary of Significant Accounting Policies (continued)

N. Equity Classifications (continued)

removes or changes the specified use by taking the same type of action it employed to previously commit those amounts.

- Assigned—Includes amounts that are intended to be used for specific purposes that are neither considered restricted nor committed, designated by Council before the end of the reporting period.

- Unassigned—Includes amounts that do not qualify to be accounted for and reported in any of the other fund balance categories. This classification represents the amount of fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund. The General Fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds, if expenditures incurred for specific purposes exceeded the amounts that are restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

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

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

O. Operating and Non-Operating Revenues and Expenses

Proprietary Fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

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

CITY OF HARTSVILLE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 1. Summary of Significant Accounting Policies (continued)

Q. Inter-fund Transactions (continued)

revenues/expenses in the enterprise fund. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

R. Use of Estimates

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

S. Statement of Cash Flows

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

T. Pensions

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

U. Prior Period Adjustments

Governmental

Net Position, beginning of the year, as previously stated	\$ 7,685,270
Decrease resulting from overstated revenue in June 30, 2017	(179,873)
Decrease resulting from recognition of net OPEB liability costs related to GASB Statement No. 75	<u>(647,144)</u>
Net Position, end of the year, as restated	<u>\$ 6,858,253</u>

General Fund

Fund Balance, beginning of year, as previously stated	\$ 1,767,748
Decrease resulting from overstated revenue in June 30, 2017	<u>(180,888)</u>
Fund Balance, end of year, as restated	<u>\$ 1,586,860</u>

CITY OF HARTSVILLE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

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, 2018, \$9,552,398 of the City's bank balance of \$10,601,805, which has a carrying value of \$10,514,950, was exposed to custodial credit risk as follows:

Uninsured by FDIC, but collateral held by pledging bank in the City's name	\$ <u>9,552,398</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 \$1,229,939 as of June 30, 2018.

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	\$ 449,928	\$ -	\$ 449,928
Accounts	5,550	1,118,263	1,123,813
Intergovernmental	372,733	-	372,733
Sanitation	395,706	-	395,706
Gross Receivables	1,223,917	1,118,263	2,342,180
Less Allowance for Uncollectibles	(327,009)	(370,293)	(697,302)
Net Total Receivables	\$ 896,908	\$ 747,970	\$ 1,644,878

CITY OF HARTSVILLE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 5. Inter-fund Receivables and Payables

Inter-fund balances at June 30, 2018, (all of which are expected to be received or paid within one year), consisted of the following individual fund receivables and payables:

Due to/from other funds:

<u>Fund</u>	<u>Receivables</u>	<u>Payables</u>
General Fund	\$ 65,127	\$ 13,350
Special Revenue Funds	-	51,777
Proprietary Fund	-	-
Totals	<u>\$ 65,127</u>	<u>\$ 65,127</u>

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

Note 6. Capital Assets

Capital asset activity for the year ended June 30, 2018, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balance</u>
Governmental Activities:					
Non-depreciable Assets:					
Land	\$ 5,458,891	\$ 1,052,926	\$ (249,633)	\$ 1,421,372	\$ 7,683,556
Construction in Progress	4,648,905	1,166,254	-	(2,029,143)	3,786,016
Depreciable Assets					
Building and Systems	2,713,028	-	-	-	2,713,028
Infrastructure	20,972,127	-	(30,652)	607,771	21,549,246
Machinery and Equipment	12,109,231	565,500	(526,584)	-	12,148,147
Totals	<u>45,902,182</u>	<u>2,784,680</u>	<u>(806,869)</u>	<u>-</u>	<u>47,879,993</u>
Less Accumulated Depreciation For:					
Building and Systems	1,478,051	81,502	-	-	1,559,553
Infrastructure	13,960,432	809,128	(30,652)	-	14,738,908
Machinery and Equipment	9,018,345	597,832	(407,617)	-	9,208,560
Total Accumulated Depreciation	<u>24,456,828</u>	<u>1,488,462</u>	<u>(438,269)</u>	<u>-</u>	<u>25,507,021</u>
Governmental Activities Capital Assets, Net	<u>\$ 21,445,354</u>	<u>\$ 1,296,218</u>	<u>\$ (368,600)</u>	<u>\$ -</u>	<u>\$ 22,372,972</u>
Business-Type Activities:					
Non-depreciable Assets:					
Land	\$ 145,904	\$ -	\$ -	\$ -	\$ 145,904
Construction in Progress	604,878	1,802,657	-	-	2,407,535
Depreciable Assets					
Building and Systems	134,518	-	-	-	134,518
Infrastructure	28,866,088	-	-	-	28,866,088
Machinery and Equipment	2,569,345	420,118	(20,351)	-	2,969,112
Splash Pad / Water Park	683,281	8,299,355	-	-	8,982,636
Totals	<u>33,004,014</u>	<u>10,522,130</u>	<u>(20,351)</u>	<u>-</u>	<u>43,505,793</u>
Less Accumulated Depreciation For:					
Building and Systems	115,586	2,538	-	-	118,124
Infrastructure	12,970,077	757,562	-	-	13,727,639
Machinery and Equipment	2,064,048	161,369	(20,248)	-	2,205,169
Splash Pad	203,842	92,037	-	-	295,879
Total Accumulated Depreciation	<u>15,353,553</u>	<u>1,013,506</u>	<u>(20,248)</u>	<u>-</u>	<u>16,346,811</u>
Business-Type Activities Capital Assets, Net	<u>\$ 17,650,461</u>	<u>\$ 9,508,624</u>	<u>\$ (103)</u>	<u>\$ -</u>	<u>\$ 27,158,982</u>

CITY OF HARTSVILLE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 6. Capital Assets (continued)

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

Governmental Activities	
General Government	\$ 461,423
Public Safety	595,385
Public Works	253,038
Culture and Recreation	89,308
Economic Development	59,538
Airport	14,885
Cemetery	<u>14,885</u>

Total Depreciation Expense- Governmental Activities	<u>\$ 1,488,462</u>
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Construction in progress and construction commitments – governmental activities and business-type activities consisted of the following at June 30, 2018:

	<u>Expenditures To Date</u>	<u>Total Contract</u>	<u>Contract Payments Remaining</u>
Governmental Activities:			
Wayfinding Signage	\$ 47,000	\$ 172,000	\$ 125,000
Firing Range	21,554	21,554	-
Multi-County BP Project	<u>3,717,462</u>	<u>3,717,462</u>	<u>-</u>
 Total	 <u>\$ 3,786,016</u>	 <u>\$ 3,911,016</u>	 <u>\$ 125,000</u>
Business-Type Activities:			
Public Service Complex	\$ 723,527	\$ 3,000,000	\$ 2,276,473
Traffic Circle Project	329,627	785,000	455,373
Black Creek Grinders	915,332	915,332	-
Industrial Park	40,445	40,445	-
Prestwood Sewer Rehab	35,633	35,633	-
Pine Ridge	65,243	1,000,000	-
Storm Water	<u>297,727</u>	<u>297,727</u>	<u>-</u>
 Total	 <u>\$ 2,407,534</u>	 <u>\$ 6,074,137</u>	 <u>\$ 2,731,846</u>

CITY OF HARTSVILLE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 7. Accounts Payable and Accrued Expenses

The significant components of accounts payable and accrued expenses for governmental activities at June 30, 2018, are as follows:

Accounts Payable	\$ 1,393,001
Accrued Payroll, Withholdings, Fringe and Benefits	<u>679,907</u>
Total Accounts Payable and Accrued Expenses - Governmental Activities	<u>\$ 2,072,908</u>

Note 8. Long-term Debt

Governmental Activities:

As of June 30, 2018, 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 June 30,	Principal	Interest	Total
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	148,500	16,021	164,521
2024-2027	<u>526,000</u>	<u>32,339</u>	<u>558,339</u>
	<u>\$ 1,237,700</u>	<u>\$ 143,519</u>	<u>\$ 1,381,219</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, 2018

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
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	393,436	35,481	428,917
2024-2025	821,672	36,162	857,834
	<u>\$ 4,240,282</u>	<u>\$ 414,779</u>	<u>\$ 4,655,061</u>

Loan Payable

On March 21, 2018, the City obtained a mortgage Line-of-Credit with the Byerly Foundation of \$1,500,000. At the end of June 30, 2018, the City had an outstanding balance of \$1,200,000. Interest on the note is due quarterly. The line-of-credit matures in 5 years from the original agreement date with principle and interest due at that time.

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

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

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

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

On May 25, 2018, the City entered into a capital lease/purchase agreement with Branch Banking and Trust Company (“BB&T”) to purchase Equipment for Public Safety in the amount of \$348,500. The lease is payable in annual installments beginning May 25, 2019, including interest at a rate of 3.410%.

CITY OF HARTSVILLE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

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, 2018.

Year Ending 30-Jun	Governmental Activities
2019	\$ 533,742
2020	533,747
2021	530,248
2022	253,612
2023	253,613
2024	<u>266,853</u>
Total Minimum Lease Payments	2,371,815
Less: Amount Representing Interest	<u>(41,362)</u>
Present Value of Minimum Lease Payments	<u>\$ 2,330,453</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%.

On December 6, 2017 the City issued a Combined System Improvement Revenue Bond Anticipation Note, Series 2017 with principal and interest due December 1, 2018. The interest rate is 2.65%.

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

Year Ending June 30,	Principal	Interest	Total
2019	8,625,000	225,500	8,850,500
2020	650,000	200,500	850,500
2021	675,000	174,500	849,500
2022	695,000	154,250	849,250
2023	440,000	133,400	573,400
2024-2028	2,455,000	412,200	2,867,200
2029	<u>550,000</u>	<u>22,000</u>	<u>572,000</u>
	<u>\$ 14,090,000</u>	<u>\$ 1,322,350</u>	<u>\$ 15,412,350</u>

CITY OF HARTSVILLE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 8. Long-term Debt (continued)

Capital Leases Payable

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%. This lease was paid off during the year ending June 30, 2018.

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 \$125,185. The lease is payable in annual installments beginning August 1, 2016, including interest at a rate of 1.57%.

On May 25, 2018, the City entered into a capital lease/purchase agreement with Branch Banking and Trust Company (“BB&T”) to purchase Equipment for the Water Park in the amount of \$501,500. The lease is payable in annual installments beginning May 25, 2019, including interest at a rate of 3.410%.

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, 2018.

Year Ending 30-Jun	Business-Type Activities
2019	86,117
2020	86,262
2021	86,222
2022	60,028
2023	60,028
2024-2028	<u>300,139</u>
Total Minimum Lease Payments	678,796
Less: Amount Representing Interest	<u>(101,182)</u>
Present Value of Minimum Lease Payments	<u>\$ 577,614</u>

The following is a summary of changes in long-term obligations of the City as of June 30, 2018:

	<u>Balance July 1, 2017</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2018</u>	<u>Due Within One year</u>
<i>Governmental Activities:</i>					
G.O. Bonds	\$ 1,370,500	\$ -	\$ (132,800)	\$ 1,237,700	\$ 136,300
Revenue Bond	4,950,618	-	(710,338)	4,240,280	727,153
Capital Lease	2,391,397	348,500	(409,444)	2,330,453	479,146
Line-of-Credit	-	1,200,000	-	1,200,000	-
Compensated Absences	<u>287,473</u>	<u>301,681</u>	<u>(287,473)</u>	<u>301,681</u>	<u>27,871</u>
Totals	<u>\$ 8,999,988</u>	<u>\$ 1,850,181</u>	<u>\$ (1,540,055)</u>	<u>\$ 9,310,114</u>	<u>\$ 1,370,470</u>
<i>Business-Type Activities:</i>					
Revenue Bonds	\$ 6,695,000	\$ 8,000,000	\$ (605,000)	\$ 14,090,000	\$ 625,000
Capital Lease	162,568	501,500	(86,454)	577,614	69,016
Compensated Absences	<u>21,114</u>	<u>25,573</u>	<u>(21,114)</u>	<u>25,573</u>	<u>-</u>
Totals	<u>\$ 6,878,682</u>	<u>\$ 8,527,073</u>	<u>\$ (712,568)</u>	<u>\$ 14,693,187</u>	<u>\$ 694,016</u>

CITY OF HARTSVILLE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 9. Debt Limitations

The amount of legal debt margin as of June 30, 2018, 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>(1,237,700)</u>
Legal Debt Margin	<u>\$ 915,094</u>

Note 10. Employee Retirement Systems

Description of the Entity- The South Carolina Public Employee Benefit Authority (PEBA), which was created July 1, 2012, administers the various retirement systems and retirement programs managed by its Retirement Division. PEBA has an 11-member Board of Directors, appointed by the Governor and General Assembly leadership, which serves as co-trustee and co-fiduciary of the systems and the trust funds. By law, the State Fiscal Accountability Authority (SFAA), which consists of five elected officials, also reviews certain PEBA Board decisions regarding the funding of the South Carolina Retirement Systems (Systems) and serves as a co-trustee of the Systems in conducting that review. Effective July 1, 2017, the Retirement System Funding and Administration

Act of 2017 assigned the PEBA Board of Directors as the Custodian of the Retirement Trust Funds and assigned SC PEBA and the Retirement Systems Investment Commission (RSIC) as co-trustees of the Retirement Trust Funds.

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

PEBA issues a Comprehensive Annual Financial Report (CAFR) containing financial statements and required supplementary information for the Systems' Pension Trust Funds. The CAFR is publicly available through the Retirement Benefits' link on PEBA's website at www.peba.sc.gov, or a copy may be obtained by submitting a request to PEBA, 202 Arbor Lake Drive, Columbia, SC 29223. PEBA is considered a division of the primary government of the state of South Carolina and therefore, retirement trust fund financial information is also included in the comprehensive annual financial report of the state.

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

CITY OF HARTSVILLE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 10. Employee Retirement Systems (continued)

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

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

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

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

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

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

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

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

CITY OF HARTSVILLE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 10. Employee Retirement Systems (continued)

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

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

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

Contributions- Contributions are prescribed in Title 9 of the South Carolina Code of Laws. The PEBA Board may increase the percentage rate in SCRS and PORS employer and employee contribution rates on the basis of the actuarial valuations, but any such increase may not result in a differential between the employee and total 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; this increase is not limited to one-half of one percent per year.

If the most recent annual actuarial valuation of the Systems for funding purposes shows a ratio of the actuarial value of system assets to the actuarial accrued liability of the system (the funded ratio) that is equal to or greater than ninety percent, then the board, effective on the following July first, may decrease the then current contribution rates upon making a finding that the decrease will not result in a funded ratio of less than ninety percent. Any decrease in contribution rates must maintain the 2.9 and 5 percent differentials between the SCRS and PORS employer and employee contribution rates respectively. If contribution rates are decreased pursuant to this provision, and the most recent annual actuarial valuation of the system shows a funded ratio of less than ninety percent, then effective on the following July first, and annually thereafter as necessary, the board shall increase the then current contribution rates until a subsequent annual actuarial valuation of the system shows a funded ratio that is equal to or greater than 90 percent.

The Retirement System Funding and Administration Act increases employer contribution rates to 13.56 percent for SCRS and 16.24 percent for PORS, effective July 1, 2017. It also removes the 2.9 percent and 5 percent differential and increases and establishes a ceiling on employee contribution rates at 9 percent and 9.75 percent for SCRS and PORS respectively. The employer contribution rates will continue to increase annually by 1 percent through July 1, 2022. The legislation's ultimate scheduled employer rate is 18.56 percent for SCRS and 21.24 percent for PORS. The amortization period is scheduled to be reduced one year for each of the next 10 years to a twenty-year amortization schedule. The recent pension reform legislation also changes the long-term funded ratio requirement from ninety to eighty-five.

CITY OF HARTSVILLE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 10. Employee Retirement Systems (continued)

Required employee contribution rates for fiscal years 2018 and 2017 are as follows:

SCRS	<u>Fiscal Year 2018</u>	<u>Fiscal Year 2017</u>
Employee Class Two	9.00 % of earnable compensation	8.66 % of earnable compensation
Employee Class Three	9.00 % of earnable compensation	8.66 % of earnable compensation
PORS		
Employee Class One	\$21 per month	\$21 per month
Employee Class Two	9.75 % of earnable compensation	9.24 % of earnable compensation
Employee Class Three	9.75 % of earnable compensation	9.24 % of earnable compensation

Required employer contributions for fiscal year 2017-2018 are as follows:

SCRS	<u>Fiscal Year 2018</u>	<u>Fiscal Year 2017</u>
Employee Class Two	13.41 % of earnable compensation	11.41 % of earnable compensation
Employee Class Three	13.41 % of earnable compensation	11.41 % 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	15.84 % of earnable compensation	13.84 % of earnable compensation
Employee Class Three	15.84 % of earnable compensation	13.84 % 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

Actuarial Assumptions and Methods- Actuarial valuations of the ongoing plan involve estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and future salary increases. Amounts determined regarding the net pension liability are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. South Carolina state statute requires that an actuarial experience study be completed at least once in each five-year period. An experience report on the Systems was most recently issued as of July 1, 2015.

The June 30, 2017, total pension liability (TPL), net pension liability (NPL), and sensitivity information shown in this report were determined by our consulting actuary, Gabriel, Roeder, Smith and Company (GRS) and are based on an actuarial valuation performed as of July 1, 2016. The total pension liability was rolled-forward from the valuation date to the plans' fiscal year end, June 30, 2017, using generally accepted actuarial principles. The Retirement System Funding and Administration Act of 2017 was signed into law April 25, 2017, and included a provision to reduce the assumed rate of return from 7.50% to 7.25% effective July 1, 2017. As a result of this legislation, GRS made an adjustment to the calculation of the roll-forward total pension liability for this assumption change as of the measurement date of June 30, 2017.

The following table provides a summary of the actuarial assumptions and methods used calculate the TPL as of June 30, 2017.

	SCRS	PORS
Actuarial cost method	Entry age normal	Entry age normal
Investment rate of return ¹	7.25%	7.25%
Projected salary increases	3.0% to 12.5% (varies by service) ¹	3.5% to 9.5% (varies by service) ¹
Benefit adjustments	lesser of 1% or \$500 annually	lesser of 1% or \$500 annually
¹ Includes inflation at 2.25%		

CITY OF HARTSVILLE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 10. Employee Retirement Systems (continued)

The post-retiree mortality assumption is dependent upon the member's job category and gender. The base mortality assumptions, the 2016 Public Retirees of South Carolina Mortality table (2016 PRSC), was developed using the Systems' mortality experience. These base rates are adjusted for future improvement in mortality using published Scale AA projected from the year 2016.

Assumptions used in the determination of the June 30, 2017, TPL are as follows:

Former Job Class	Males	Females
Educators	2016 PRSC Males multiplied by 92%	2016 PRSC Females multiplied by 98%
General Employees and Members of the General Assembly	2016 PRSC Males multiplied by 100%	2016 PRSC Females multiplied by 111%
Public Safety and Firefighters	2016 PRSC Males multiplied by 125%	2016 PRSC Females multiplied by 111%

Net Pension Liability- The NPL is calculated separately for each system and represents that particular system's TPL determined in accordance with GASB No. 67 less that System's fiduciary net position. NPL totals, as of June 30, 2017, for SCRS and PORS are presented below.

System	Total Pension Liability	Plan Fiduciary Net Position	Employers' Net Pension Liability (Asset)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
SCRS	\$ 48,244,437,494	\$ 25,732,829,268	\$ 22,511,608,226	53.3%
PORS	7,013,684,001	4,274,123,178	2,739,560,823	60.9%

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

Long term expected rate of return- The long-term expected rate of return on pension plan investments is based upon 30-year capital market assumptions. The long-term expected rate of returns represents 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 target asset allocation adopted at the beginning of the 2017 fiscal year. The long-term expected rate of return is produced by weighting the expected future real rates of return by the target allocation percentage and adding expected inflation and is summarized in the table below. For actuarial purposes, the 7.25 percent assumed annual investment rate of return used in the calculation of the TPL includes a 5.00 percent real rate of return and a 2.25 percent inflation component.

CITY OF HARTSVILLE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 10. 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	45.0%		
Global Public Equity	31.0%	6.72%	2.08%
Private Equity	9.0%	9.60%	0.86%
Equity Options Strategies	5.0%	5.91%	0.30%
Real Assets	8.0%		
Real Estate (Private)	5.0%	4.32%	0.22%
Real Estate (REITs)	2.0%	6.33%	0.13%
Infrastructure	1.0%	6.26%	0.06%
Opportunistic	17.0%		
GTAA/Risk Parity	10.0%	4.16%	0.42%
Hedge Funds (non-PA)	4.0%	3.82%	0.15%
Other Opportunistic Strategies	3.0%	4.16%	0.12%
Diversified Credit	18.0%		
Mixed Credit	6.0%	3.92%	0.24%
Emerging Markets Debt	5.0%	5.01%	0.25%
Private Debt	7.0%	4.37%	0.31%
Conservative Fixed Income	12.0%		
Core Fixed Income	10.0%	1.60%	0.16%
Cash and Short Duration (Net)	2.0%	0.92%	0.02%

Discount rate- The discount rate used to measure the TPL was 7.25 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers in SCRS and PORS will be made based on the actuarially determined rates based on provisions in the South Carolina Code of Laws. Based on those assumptions, the System's fiduciary net position was projected to be available to make all the projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL.

Sensitivity Analysis- The following table presents the collective NPL of the participating employers calculated using the discount rate of 7.25 percent, as well as what the employers' NPL would be if it were calculated using a discount rate that is 1.00 percent lower (6.25 percent) or 1.00 percent higher (8.25 percent) than the current rate.

	1% Decrease	Discount Rate	1% Increase
	<u>6.25%</u>	<u>7.25%</u>	<u>8.25%</u>
System			
SCRS	\$ 8,310,006	\$ 6,447,550	\$ 5,317,476
PORS	\$ 5,847,710	\$ 4,331,026	\$ 3,136,355

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions- At June 30, 2018, the Town reported a liability of \$6,447,550 for the SCRS and \$4,331,026 for the PORS for a total of \$10,778,576 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Town's proportion of the net pension liability was based on a projection of the Town'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, 2018, the Town's proportion was

CITY OF HARTSVILLE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 10. Employee Retirement Systems (continued)

0.028641 percent for the SCRS and .15809 percent for the PORS measured as of June 30, 2017.

For the year ended June 30, 2018, the Town recognized pension expense of \$90,860, plus employer's amortization of change in proportionate share and difference between employer contributions and proportionate share or contributions and deferred outflows and inflows of resources, \$1,242,781. At June 30, 2018, the Town 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	\$ 67,363	\$ 3,574
Changes of assumptions	788,489	-
Net difference between projected and actual earnings on pension plan investments	334,317	-
Changes in proportion and differences between District contributions and proportionate share of contributions	229,907	173,721
Town contributions subsequent to measurement date	<u>565,230</u>	<u>-</u>
Total	<u>\$ 1,985,306</u>	<u>\$ 177,295</u>

The Town's contributions subsequent to the measurement date of \$565,230 are reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ended June 30, 2018.

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	\$ 215,547	\$ 170,590	\$ 386,137
2019	259,696	241,316	501,012
2020	202,211	176,651	378,862
2021	<u>(48,033)</u>	<u>24,803</u>	<u>(23,230)</u>
Total	<u>\$ 629,421</u>	<u>\$ 613,360</u>	<u>\$ 1,242,781</u>

Payables to the Pension Plan- The Town reported a payable to the PEBA as of June 30, 2018, in the amount of \$444,681, representing required employer and employee contributions for the month of June 2018 for the plans. This amount is included in Accrued Expenses on the financial statements and was paid in July 2018.

CITY OF HARTSVILLE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 11. Other Post-Employment Benefits (OPEB)

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. Disabled retirees who meet the same criteria above will be eligible to participate in the City’s health and dental plan. 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 (including associated experience load), and the retiree pays the rest of the premium (including associated experience load). Effective January 1, 2017, the City pays \$375.32 of the medical premium and \$13.48 of the dental premium. The City’s contribution is available to:

- Retire participants as of July 1, 2009
- Active participants hired prior to July 1, 2009 who have a least 10 years of City service at the time of retirement.
- Participants hired on or after July 1, 2009 who have at least 25 years of City service at the time of retirement.

Rehired retirees whose service break began and ended with the city and were originally hired prior to 2009 receive credit for their prior service and are treated according to their original date of hire. All other rehired retirees are treated as new hires.

Upon reaching age 65, all retirees become responsible for their own premiums. Health care and dental insurance are offered in the City’s Other Post-Employment Benefits Plan.

The retiree may continue dependent coverage (and pay the full premium for this coverage) if enrolled in dependent coverage at the time of retirement. Surviving spouses may continue coverage, and they will inherit their spouse’s City contribution until Medicare eligibility, if applicable.

The following table summarizes the membership of the plan as of January 1, 2017, the valuation date:

Membership	
	Number
Inactive Employees or Beneficiaries Currently Receiving Benefits	13
Inactive Members Entitled To But Not Yet Receiving Benefits	0
Active Employees	124
Total Membership	137

CITY OF HARTSVILLE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 11. Other Post-Employment Benefits (OPEB) (continued)

The following table represents the results of the total and net OPEB liability at the measurement date:

Measurement Date of December 31, 2017	
TOL	\$ 1,185,109
FNP	<u>573,656</u>
NOL	\$ 611,453
Ratio of FNP to TOL	48.41%

Actuarial assumptions and other inputs – The TOL was determined by an actuarial valuation as of January 1, 2017, using the following key actuarial assumptions and other inputs.

Inflation	2.25%
Real wage growth	
SCRS	0.75%
PORS	1.25%
Wage inflation	
SCRS	3.00%
PORS	3.50%
Salary increases, including wage inflation	
SCRS	3.00% - 7.00%
PORS	3.50% - 9.50%
Long-term Investment Rate of Return, net of OPEB plan investment expense, including price inflation	4.75%
Municipal Bond Index Rate	
Prior Measurement Date	3.86%
Measurement Date	3.55%
Year FNP is projected to be depleted	
Prior Measurement Date	N/A
Measurement Date	N/A
Single Equivalent Interest Rate, net of OPEB plan investment expense, including price inflation	
Prior Measurement Date	4.75%
Measurement Date	4.75%
Health Care Cost Rates	
Pre-Medicare	7.50% for 2017 decreasing to an ultimate rate of 5.00% by 2023

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

Mortality rates were based on the RP-2014 Mortality Table for Employees with a 95% multiplier to better reflect anticipated experience and provide a margin for future improvements.

**CITY OF HARTSVILLE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018**

Note 11. Other Post-Employment Benefits (OPEB) (continued)

The demographic actuarial assumptions for retirement, disability incidence, withdrawal, and salary increases used in the January 1, 2017 valuation were based on the results of an actuarial experience study adopted by SCRS and PORS.

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the January 1, 2017 valuation were based on a review of recent plan experience done concurrently with the January 1, 2017 valuation.

Several factors should be considered in evaluating the long-term rate of return assumption, including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) are developed by the investment consultant for each major asset class. These ranges should be combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant may cover a shorter investment horizon and may not be useful in setting the long-term rate of return for funding OPEB plans which are likely to cover a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

As of the most recent adoption of the current long-term rate of return by the Plan, the target asset allocation for each major asset class, as provided by the Plan, are summarized in the following table:

Asset Class	Target Allocation
Fixed Income	94.3%
Equity Funds	0.0%
Cash and Cash Equivalents	<u>5.7%</u>
Total	100.0%

Note: In accepting the long-term expected return for the Plan, the actuary performed a high level review of the information provided by the Plan. Our review indicates the long-term expected rate of return assumption of 4.75% is reasonable.

**CITY OF HARTSVILLE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018**

Note 11. Other Post-Employment Benefits (OPEB) (continued)

Discount Rate (SEIR). The discount rate used to measure the TOL as of the Measurement Date was 4.75%. The projection of cash flows used to determine the discount rate was performed in accordance with GASB 74. The projection's basis was an actuarial valuation performed as of January 1, 2017. In addition to the actuarial methods and assumptions of the January 1, 2017 actuarial valuation, the following actuarial methods and assumptions were used in the projection of cash flows:

- Total payroll for the initial projection year consists of the payroll of the active membership present on the valuation date. In subsequent projection years, total payroll was assumed to increase annually using the payroll growth assumptions.
- Active employees do not explicitly contribute to the Plan.
- In all future years, the employer continues to contribute the full ADEC through deposit to the Trust and direct payment of benefits to plan members as the benefits come due. The employer is assumed to have the ability and willingness to make contributions to the Trust and benefit payments from its own resources for all periods in the projection.
- Projected assets do not include employer contributions that fund the estimated service costs of future employees.
- Cash flows occur mid-year.

Based on these assumptions, the Plan's FNP was projected to not be depleted.

The FNP projections are based upon the Plan's financial status on the Valuation Date, the indicated set of methods and assumptions, and the requirements of GASB 74. As such, the FNP projections are not reflective of the cash flows and asset accumulations that would occur on an ongoing plan basis, reflecting the impact of future members. Therefore, the results of this test do not necessarily indicate whether or not the fund will actually run out of money, the financial condition of the Plan, or the Plan's ability to make benefit payments in future years.

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

Health Care Cost Trend Rate Sensitivity			
	1% Decrease	Current	1% Increase
Net OPEB Liability	\$ 478,684	\$ 611,453	\$ 768,825

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

Discount Rate Sensitivity			
	1% Decrease (3.75%)	Current Discount Rate (4.75%)	1% Increase (5.75%)
Net OPEB Liability	\$ 722,909	\$ 611,453	\$ 511,305

CITY OF HARTSVILLE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 11. Other Post-Employment Benefits (OPEB) (continued)

The TOL is based upon an actuarial valuation performed as of the valuation date, January 1, 2017. Because this is the first year under GASB 75, an expected TOL as of December 31, 2016 is determined using standard roll back techniques. An expected TOL is determined as of December 31, 2017 using standard roll forward techniques. The roll forward calculation begins with the TOL, as of January 1, 2017, subtracts the actual benefit payments and refunds for the year, applies interest at the discount rate for the year, and then adds the annual normal cost (also called the service cost). The procedure used to determine the TOL, as of December 31, 2017, is shown in the following table:

Changes in the Net OPEB Liability

	Total OPEB Liability (a)	Plan Net Position (b)	Net OPEB Liability (a) – (b)
Balance as of December 31, 2016	\$1,149,938	\$502,794	\$647,144
Changes for the year:			
Service Cost at the end of the year*	43,756	0	43,756
Interest on TOL and Cash Flows	53,098	0	53,098
Change in benefit terms	0	0	0
Difference between expected and actual experience	3,242	0	3,242
Changes of assumptions or other inputs	0	0	0
Contributions - employer	0	131,140	(131,140)
Contributions – non-employer	0	0	0
Net investment income	0	14,246	(14,246)
Benefit payments and implicit subsidy credit	(64,925)	(64,925)	0
Plan administrative expenses	0	(9,599)	9,599
Other	<u>0</u>	<u>0</u>	<u>0</u>
Net changes	<u>\$35,171</u>	<u>\$70,862</u>	<u>\$(35,691)</u>
Balance as of December 31, 2017	<u>\$1,185,109</u>	<u>\$573,656</u>	<u>\$611,453</u>

*The service cost includes interest for the year.

CITY OF HARTSVILLE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 11. Other Post-Employment Benefits (OPEB) (continued)

The following table provides a summary of the deferred Outflows of Resources and deferred Inflows of Resources as of December 31, 2017:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,862	\$ 0
Changes of assumptions or other inputs	0	0
Net difference between projected and actual earnings on plan investments	<u>8,773</u>	<u>0</u>
Total	<u>\$ 11,635</u>	<u>\$ 0</u>

Amounts reported as deferred outflows or resources and deferred inflows of resources related to OPEB benefits will be recognized in OPEB expense as follows:

Measurement Period Ended December 31:		
2018	\$	2,573
2019	\$	2,573
2020	\$	2,573
2021	\$	2,574
2022	\$	380
Thereafter	\$	962

CITY OF HARTSVILLE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 11. Other Post-Employment Benefits (OPEB) (continued)

OPEB Expense

The OPEB Expense (OE) consists of a number of different items. GASB 75 refers to the first item as Service Cost which is the Normal Cost using the Entry Age Normal actuarial funding method. The second item is interest on the TOL at 4.75%, the Discount Rate in effect as of the Prior Measurement Date.

The next three items refer to any changes that occurred in the TOL due to:

- benefit changes, or
- actual versus expected experience, or
- changes in assumptions or other inputs.

Benefit changes, which are reflected immediately, will increase OE, if there is a benefit improvement for existing Plan members, or decrease OE, if there is a benefit reduction. For the year ended December 31, 2017, there were no benefit changes to be recognized.

The next item to be recognized is the portion of current year changes in TOL due to actual versus expected Plan experience for the year. The portion to recognize in the current year is determined by spreading the total change over the average expected remaining service life of the entire Plan membership at the beginning of the measurement period. The average expected remaining service life of active members is the average number of years the active members are expected to remain in covered employment. The average expected remaining service life of the inactive members is zero. The recognition period is the weighted average of these two amounts, or 8.54 years.

The last item under changes in TOL is changes in assumptions or other inputs. There were no changes in assumptions or other inputs to be recognized.

Active member contributions for the year and projected earnings on FNP at the discount rate serve to reduce the expense. One-fifth of current-period difference between actual and projected earnings on the FNP is recognized in the OE.

The current year portions of previously determined experience and assumption amounts, recognized as Deferred Outflows of Resources and Deferred Inflows of Resources (see Section III) are included on the following page. Deferred Outflows of Resources are added to the OE while Deferred Inflows of Resources are subtracted from the OE. Finally, other miscellaneous items are included.

**CITY OF HARTSVILLE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018**

Note 11. Other Post-Employment Benefits (OPEB) (continued)

The calculation of the investment gain or loss is shown in the following table:

Investment Earnings (Gain) Loss	
a) Expected asset return rate	4.75%
b) Beginning of year market value of assets	502,794
c) End of year market value of assets	573,656
d) Expected return on beginning assets for plan year	23,883
e) External cash flow (mid-year payments assumed):	
Contributions – employer	131,140
Contributions – active member	0
Refunds of contributions	0
Benefit payments	(64,925)
Administrative expenses	(9,599)
Other	<u>0</u>
Total external cash flow	56,616
f) Expected return on external cash flow	1,329
g) Projected earnings for plan year (d+ f)	25,212
h) Net investment income (c – b – e)	14,246
i). Investment earnings (gain) loss (g – h)	<u>\$ 10,966</u>

**CITY OF HARTSVILLE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018**

Note 11. Other Post-Employment Benefits (OPEB) (continued)

The calculation of the OE for the year ended June 30, 2018 is shown in the following table:

OPEB Expense For Year Ending June 30, 2018	
Service Cost at end of year*	\$ 43,756
Interest on the Total OPEB Liability and Cash Flow	53,098
Current-period benefit changes	0
Expensed portion of current-period difference between expected and actual experience in the Total OPEB Liability	380
Expensed portion of current-period changes of assumptions or other inputs	0
Active member contributions	0
Projected earnings on plan investments	(25,212)
Expensed portion of current-period differences between actual and projected earnings on plan investments	2,193
Administrative Costs**	9,599
Other	0
Recognition of beginning Deferred Outflows of Resources as OPEB Expense	0
Recognition of beginning Deferred Inflows of Resources as OPEB Expense	<u>0</u>
OPEB Expense	<u>\$ 83,814</u>

*The service cost includes interest for the year.

**Administrative costs are based on the fees paid from the plan's trust.

Note 12. 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, 2018, open contracts and project budgets for construction totaled \$9,985,153, of which \$6,193,550 has been recorded as construction in progress.

CITY OF HARTSVILLE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 12. Commitments and Contingencies (continued)

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 13. 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 \$268,760 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 \$231,418 for workers' compensation coverage.

Note 14. Deferred Compensation Plans

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

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

Note 15. Intergovernmental Revenues

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

CITY OF HARTSVILLE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 16. Inter-fund Transfers

Transfers from (to) other funds for the year ended June 30, 2018, consist of the following:

<i>General Fund</i>		<i>Accommodations Fund</i>	
Transfer to Projects Fund	\$ (1,000)	Transfer to General Fund	\$ (76,500)
Transfer from Proprietary Fund	936,951	Transfer to Hospitality Fund	<u>(92,500)</u>
Transfer from Hospitality fund	307,340		
Transfer from Accommodations Fund	<u>76,500</u>	Net Total Transfer To	<u>\$ (169,000)</u>
Net Total Transfer From	<u>\$ 1,319,791</u>		
<i>Hospitality Fund</i>		<i>Water and Sewer Fund</i>	
Transfer to General Fund	\$ (307,340)	Transfer from	\$ 499,699
Transfer from Accommodation Fund	<u>92,500</u>	Transfer from Special Revenue	818,275
		Transfer to StormWater Fund	(90,628)
Net Total Transfer To	<u>\$ (214,840)</u>	Transfer to General Fund	<u>(936,951)</u>
		Net Total Transfer To	<u>\$ 290,395</u>
<i>StormWater Fund</i>		<i>Projects Fund</i>	
Transfer from Proprietary Fund	<u>\$ 90,628</u>	Transfer from General Fund	<u>\$ 1,000</u>
Net Total Transfer From	<u>\$ 90,628</u>	Net Total Transfer From	<u>\$ 1,000</u>
<i>Splash Pad</i>		<i>Special Revenue Fund</i>	
Transfer to Water and Sewer Fund	<u>\$ (499,699)</u>	Transfer to	<u>\$ (818,275)</u>
	<u>\$ (499,699)</u>	Net Total Transfer From	<u>\$ (818,275)</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, 2018

Note 16. 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.

Transfer from: Funds were transferred from the special revenue fund for capital expense.

Note 17. Operating Lease Commitments

The City has an operating lease on ten properties, of which four are leased to Nonprofit organizations for a \$1. Two of the leases are three-year leases expiring in 2022 and the other leases are one-year terms. Either party may terminate the rental agreement at any time. Rent is payable on the first day of the month and varies based on each property. Rental income amounted to \$26,602 for the fiscal ended June 30, 2018.

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, 2018, totaled \$127,812.

Note 18. 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 (gram 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, 2018

Note 18. 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 \$102,645.

According to Darlington County, capital investment committed to the existing FILOT agreements was \$95,000,000. This investment resulted in FILOT payments of \$38,367 to the City of Hartsville for the tax year 2016.

Note 19. Pending Implementation of GASB Statements

The Governmental Accounting Standards Board (GASB) has issued five statements not yet implemented by the City. The statements which might impact the City are as follows:

Statement No. 83, Certain Asset Retirement Obligations, will be effective for fiscal year ending June 30, 2019. The objective of this statement is to address accounting and financial reporting for certain asset retirement obligations (ARO). The statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs.

Statement No. 84, Fiduciary Activities, will be effective for fiscal year ending June 30, 2020. The objective of this statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

Statement No. 87, Leases will be effective for fiscal year ending June 30, 2021. The objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments.

Statement No. 88, Certain Disclosures related to debt, including direct borrowings and direct placements, will be effective for fiscal year beginning after June 30, 2018. The primary objective of this statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period, will be effective for reporting periods beginning after December 15, 2019. The objective of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period.

Note 20. Subsequent Events

The City of Hartsville has evaluated subsequent events through January 17, 2019, 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.

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, 2018**

	Budget	Adjusted Budget	Actual	Variance Positive (Negative)
Revenues				
Taxes				
Property Taxes	\$ 2,510,000	\$ 2,510,000	\$ 2,569,741	\$ 59,741
Vehicle Taxes	335,000	335,000	276,447	(58,553)
PILOT Taxes	100,000	100,000	6,597	(93,403)
Accommodations Tax	120,000	120,000	133,230	13,230
Merchant Inventory Tax	56,667	56,667	56,667	-
Local Option Sales Tax	1,100,000	1,100,000	1,241,917	141,917
Total Taxes	<u>4,221,667</u>	<u>4,221,667</u>	<u>4,284,599</u>	<u>62,932</u>
Licenses, Fees and Permits				
Franchise Fees	698,000	698,000	819,487	121,487
Business License Fees	1,600,000	1,600,000	1,908,454	308,454
Telecommunications Fees	40,000	40,000	38,767	(1,233)
Permits	130,950	130,950	181,133	50,183
Fire	25,000	25,000	17,605	(7,395)
Recreation	20,000	20,000	23,446	3,446
Total Licenses, Fees and Permits	<u>2,513,950</u>	<u>2,513,950</u>	<u>2,988,892</u>	<u>474,942</u>
Intergovernmental Revenue				
Local Government Funds	165,000	165,000	175,366	10,366
Total Intergovernmental Revenue	<u>165,000</u>	<u>165,000</u>	<u>175,366</u>	<u>10,366</u>
Charges for Services				
Solid Waste	1,265,000	1,265,000	1,275,150	10,150
Total Charges for Services	<u>1,265,000</u>	<u>1,265,000</u>	<u>1,275,150</u>	<u>10,150</u>
Fines and Forfeitures				
Police	115,500	115,500	132,919	17,419
Victim's Rights	7,000	7,000	(25,515)	(32,515)
Total Fines and Forfeitures	<u>122,500</u>	<u>122,500</u>	<u>107,404</u>	<u>(15,096)</u>
Miscellaneous				
School Resource Officer	235,000	235,000	276,825	41,825
Fire Contracts	545,000	545,000	547,687	2,687
Recreation Program Income	-	-	2,155	2,155
Cemetery	50,000	50,000	46,210	(3,790)
Rent Income	33,600	33,600	26,603	(6,997)
Accumulated Surplus	-	1,079,000	-	(1,079,000)
Other	104,200	104,200	110,566	6,366
Grant Income	-	-	326,740	326,740
Interest Income	-	-	909	909
Total Miscellaneous	<u>967,800</u>	<u>2,046,800</u>	<u>1,337,695</u>	<u>(709,105)</u>
Total Revenues	<u>9,255,917</u>	<u>10,334,917</u>	<u>10,169,106</u>	<u>(165,811)</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, 2018
(Continued)

Expenditures

General Government	Budget	Adjusted Budget	Actual	Variance Positive (Negative)
Advertisement	\$ 2,500	\$ 2,500	\$ 2,300	\$ 200
Banking Fees	25,000	25,000	51,037	(26,037)
Computer Expenses	55,000	55,000	32,086	22,914
Contract Services	362,365	362,365	489,996	(127,631)
Contingency	259,999	259,999	-	259,999
Demolition	60,000	60,000	58,022	1,978
Dues and Subscriptions	14,028	14,028	12,745	1,283
Employee Benefits	130,488	130,488	128,007	2,481
Grant Expenditures	243,974	478,974	462,499	16,475
Insurance	339,471	339,471	391,134	(51,663)
Legal and Professional Fees	105,000	105,000	134,793	(29,793)
Miscellaneous	189,750	189,750	179,447	10,303
Office Supplies	21,400	21,400	20,679	721
Payroll Taxes	73,570	73,570	72,029	1,541
Postage	5,300	5,300	4,282	1,018
Repairs and Maintenance	54,100	54,100	100,166	(46,066)
Salaries	966,577	1,026,577	1,013,940	12,637
Telephone	9,100	9,100	7,019	2,081
Training	31,495	31,495	30,127	1,368
Utilities	298,600	298,600	312,564	(13,964)
Vehicle Expense	4,000	4,000	11,645	(7,645)
Travel	-	-	(487)	487
Total General Government	<u>3,251,717</u>	<u>3,546,717</u>	<u>3,514,030</u>	<u>32,687</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, 2018
(Continued)**

Public Safety

Police	<u>Budget</u>	<u>Adjusted Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Boarding Prisoners	\$ 7,000	\$ 7,000	\$ 6,375	\$ 625
Contracted Services	72,900	72,900	79,045	(6,145)
Demolition	-	-	-	-
Dues and Subscriptions	3,495	3,495	2,880	615
Employee Benefits	266,097	266,097	275,367	(9,270)
Insurance	398,155	398,155	416,646	(18,491)
Legal and Professional	15,705	15,705	12,773	2,932
Miscellaneous	33,000	33,000	23,811	9,189
Office Supplies	11,000	11,000	9,654	1,346
Payroll Taxes	130,379	130,379	136,599	(6,220)
Postage	1,745	1,745	1,748	(3)
Repairs and Maintenance	41,500	41,500	46,418	(4,918)
Salaries	1,773,125	1,773,125	1,872,065	(98,940)
Supplies	2,600	2,600	2,331	269
Telephone	11,034	11,034	19,592	(8,558)
Training	21,800	21,800	22,529	(729)
Uniforms	15,000	15,000	13,549	1,451
Utilities	16,000	16,000	18,701	(2,701)
Vehicle Expense	107,000	107,000	138,831	(31,831)
911 E Contract	76,500	76,500	73,230	3,270
Police Total	<u>3,004,035</u>	<u>3,004,035</u>	<u>3,172,144</u>	<u>(168,109)</u>
Fire				
Contract Services	59,469	59,469	60,290	(821)
Dues and Subscriptions	1,400	1,400	1,295	105
Employee Benefits	101,012	101,012	100,048	964
Insurance	144,800	144,800	146,327	(1,527)
Legal and Professional	9,880	9,880	9,012	868
Office Supplies	2,000	2,000	2,033	(33)
Payroll Taxes	54,100	54,100	55,823	(1,723)
Postage	200	200	251	(51)
Miscellaneous	5,000	5,000	5,045	(45)
Repairs and Maintenance	45,345	45,345	50,435	(5,090)
Salaries	706,500	706,500	751,730	(45,230)
Supplies	6,700	6,700	8,808	(2,108)
Telephone	14,300	14,300	12,185	2,115
Training	25,000	25,000	28,084	(3,084)
Uniforms	14,400	14,400	14,399	1
Utilities	14,000	14,000	15,782	(1,782)
Vehicle Expense	55,000	55,000	73,337	(18,337)
911 E Contract	10,900	10,900	11,367	(467)
Fire Total	<u>1,270,006</u>	<u>1,270,006</u>	<u>1,346,251</u>	<u>(76,245)</u>
Total Public Safety	<u>4,274,041</u>	<u>4,274,041</u>	<u>4,518,395</u>	<u>(244,354)</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, 2018
(Continued)

Culture and Recreation	<u>Budget</u>	<u>Adjusted Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Advertisement	\$ 1,000	\$ 1,000	\$ 1,423	\$ (423)
Contract Services	36,000	36,000	46,981	(10,981)
Dues and Subscriptions	3,000	3,000	2,493	507
Employee Benefits	39,335	39,335	35,379	3,956
Insurance	65,850	65,850	53,424	12,426
Legal and Professional	1,000	1,000	266	734
Miscellaneous	3,000	3,000	2,957	43
Office Supplies	2,500	2,500	2,309	191
Payroll Taxes	23,900	23,900	23,826	74
Postage	200	200	25	175
Repairs and Maintenance	66,000	66,000	78,861	(12,861)
Salaries	336,900	336,900	310,952	25,948
Telephone	7,000	7,000	7,992	(992)
Training	4,500	4,500	4,164	336
Utilities	120,000	120,000	138,089	(18,089)
Vehicle Expense	11,000	11,000	10,593	407
Supplies	9,800	9,800	1,541	8,259
Uniforms	2,000	2,000	1,056	944
Small Tools and Equipment	13,500	13,500	8,897	4,603
Program Expenses	-	-	537	(537)
Total Culture and Recreation	<u>746,485</u>	<u>746,485</u>	<u>731,765</u>	<u>14,720</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, 2018
(Continued)**

Cemetery	<u>Budget</u>	<u>Adjusted Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Building Maintenance	\$ 3,500	\$ 3,500	\$ 3,623	\$ (123)
Contract Services	86,400	86,400	93,600	(7,200)
Miscellaneous	15,715	15,715	29,975	(14,260)
Telephone	250	250	304	(54)
Total Cemetery	<u>105,865</u>	<u>105,865</u>	<u>127,502</u>	<u>(21,637)</u>
 Airport				
Contract Services	55,500	55,500	68,450	(12,950)
Insurance	2,250	2,250	2,228	22
Repairs and Maintenance	8,000	8,000	10,374	(2,374)
Telephone	600	600	565	35
Utilities	4,200	4,200	(7,623)	11,823
Total Airport	<u>70,550</u>	<u>70,550</u>	<u>73,994</u>	<u>(3,444)</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, 2018
(Continued)**

Public Works	Budget	Adjusted Budget	Actual	Variance Positive (Negative)
Bad Debt Expense	\$ -	\$ -	\$ 18,117	\$ (18,117)
Contract Services	60,500	60,500	83,541	(23,041)
County Tipping Fee	162,000	162,000	161,272	728
Dues and Subscriptions	2,500	2,500	860	1,640
Employee Benefits	98,605	103,605	102,751	854
Insurance	243,700	243,700	244,784	(1,084)
Legal and Professional	3,150	3,150	3,677	(527)
Miscellaneous	12,000	12,000	9,436	2,564
Office Supplies	1,100	1,100	891	209
Payroll Taxes	61,650	61,650	59,857	1,793
Postage	200	200	74	126
Repairs and Maintenance	130,600	130,600	113,997	16,603
Salaries	817,184	837,184	847,491	(10,307)
Small Equipment and Tools	14,000	14,000	15,146	(1,146)
Supplies	40,700	40,700	37,389	3,311
Telephone	3,500	3,500	3,787	(287)
Training	5,000	5,000	10,187	(5,187)
Vehicle Expense	184,500	184,500	183,090	1,410
Uniforms	18,000	18,000	24,206	(6,206)
Utilities	14,900	14,900	15,584	(684)
Total Public Works	<u>1,873,789</u>	<u>1,898,789</u>	<u>1,936,137</u>	<u>(37,348)</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, 2018
(Continued)

Capital Outlay	<u>Budget</u>	<u>Adjusted Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
General Government	\$ 52,090	\$ 811,090	1,653,458	\$ (842,368)
Public Safety	322,909	322,909	328,471	(5,562)
Culture and Recreation	-	-	34,366	(34,366)
Cemetery	-	-	-	-
Airport	50,000	50,000	-	50,000
Public Works	176,000	176,000	186,610	(10,610)
Total Capital Outlay	<u>600,999</u>	<u>1,359,999</u>	<u>2,202,905</u>	<u>(842,906)</u>
Debt Service				
Principal	408,834	408,834	409,444	(610)
Interest	54,927	54,927	56,216	(1,289)
Total Debt Service	<u>463,761</u>	<u>463,761</u>	<u>465,660</u>	<u>(1,899)</u>
Total Expenditures	<u>11,387,207</u>	<u>12,466,207</u>	<u>13,570,388</u>	<u>(1,104,181)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(2,131,290)</u>	<u>(2,131,290)</u>	<u>(3,401,282)</u>	<u>938,370</u>
Other Financing Sources (Uses)				
Loan Proceeds	-	-	1,200,000	1,200,000
Lease Proceeds	385,000	385,000	348,500	(36,500)
Sale of Capital Assets	270,000	270,000	389,812	119,812
Operating Transfers In	1,476,290	1,476,290	1,320,790	(155,500)
Operating Transfers Out	-	-	(1,000.00)	(1,000)
Total Other Financing Sources (Uses)	<u>2,131,290</u>	<u>2,131,290</u>	<u>3,258,102</u>	<u>1,126,812</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>(143,180)</u>	<u>\$ (143,180)</u>
Fund Balance, Beginning of Year			<u>1,767,748</u>	
Fund Balance, End of Year			<u>\$ 1,624,568</u>	

**CITY OF HARTSVILLE, SOUTH CAROLINA
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
For the Fiscal Year Ended June 30, 2018**

	Budgeted Amounts			Variance
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Positive (Negative)
Revenues				
Taxes	\$ 4,221,667	\$ 4,221,667	\$ 4,284,599	\$ 62,932
Licenses, Fees and Permits	2,513,950	2,513,950	2,988,892	474,942
Intergovernmental	165,000	165,000	175,366	10,366
Charges for Services	1,265,000	1,265,000	1,275,150	10,150
Fines and Forfeitures	122,500	122,500	107,404	(15,096)
Miscellaneous	<u>967,800</u>	<u>2,046,800</u>	<u>1,337,695</u>	<u>(709,105)</u>
 Total Revenues	 <u>9,255,917</u>	 <u>10,334,917</u>	 <u>10,169,106</u>	 <u>(165,811)</u>
Expenditures				
Current:				
General Government	3,251,717	3,546,717	3,514,030	32,687
Public Safety	4,274,041	4,274,041	4,518,395	(244,354)
Culture and Recreation	746,485	746,485	731,765	14,720
Cemetery	105,865	105,865	127,502	(21,637)
Airport	70,550	70,550	73,994	(3,444)
Public Works	1,873,789	1,898,789	1,936,137	(37,348)
Capital Outlay	600,999	1,359,999	2,202,905	(842,906)
Debt Service				
Principal	408,834	408,834	409,444	(610)
Interest	<u>54,927</u>	<u>54,927</u>	<u>56,216</u>	<u>(1,289)</u>
 Total Expenditures	 <u>11,387,207</u>	 <u>12,466,207</u>	 <u>13,570,388</u>	 <u>(1,104,181)</u>
 Excess (Deficiency) of Revenues Over Expenditures	 <u>(2,131,290)</u>	 <u>(2,131,290)</u>	 <u>(3,401,282)</u>	 <u>(1,269,992)</u>
Other Financing Sources (Uses)				
Loan Proceeds	-	-	1,200,000	1,200,000
Capital Lease Proceeds	385,000	385,000	348,500	(36,500)
Sale of Capital Assets	270,000	270,000	389,812	119,812
Operating Transfers In	1,476,290	1,476,290	1,320,790	(155,500)
Operating Transfers Out	<u>-</u>	<u>-</u>	<u>(1,000)</u>	<u>(1,000)</u>
 Total Other Financing Sources (Uses)	 <u>2,131,290</u>	 <u>2,131,290</u>	 <u>3,258,102</u>	 <u>1,126,812</u>
 Net Change in Fund Balance	 <u>\$ -</u>	 <u>\$ -</u>	 <u>(143,180)</u>	 <u>\$ (143,180)</u>
 Fund Balance, Beginning of Year			 <u>1,767,748</u>	
 Fund Balance, End of Year			 <u>\$ 1,624,568</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, 2018**

	<u>2018</u>		<u>2017</u>		<u>2016</u>
SCRS					
City's proportion of the net pension liability (asset)	0.028641%		0.028124%		0.029181%
City's proportionate share of the net pension liability (asset)	\$ 6,447,550	\$	6,007,245	\$	5,534,317
City's covered employee payroll	\$ 2,182,324	\$	2,893,086	\$	2,664,376
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	33.85%		48.16%		48.14%
Plan fiduciary net position as a percentage of total pension liability	26.05%		24.27%		20.98%
	<u>2018</u>		<u>2017</u>		<u>2016</u>
PORS					
City's proportion of the net pension liability (asset)	0.158090%		0.153320%		0.158200%
City's proportionate share of the net pension liability (asset)	\$ 4,331,026	\$	3,888,822	\$	3,448,007
City's covered employee payroll	\$ 1,658,294	\$	2,125,749	\$	1,949,412
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	38.29%		54.66%		56.54%
Plan fiduciary net position as a percentage of total pension liability	17.50%		15.71%		13.07%

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.
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**CITY OF HARTSVILLE, SOUTH CAROLINA
 REQUIRED SUPPLEMENTAL INFORMATION
 SCHEDULE OF CITY CONTRIBUTIONS
 For the Fiscal Year Ended June 30, 2018**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 565,230	\$ 637,148	\$ 557,759	\$ 548,864
Contributions in relation to contractually required contribution	<u>565,230</u>	<u>637,148</u>	<u>557,759</u>	<u>548,864</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's covered-employee payroll	\$ 3,840,618	\$ 5,018,835	\$ 4,613,788	\$ 4,695,416
Contributions as a percentage of covered-employee payroll	14.72%	12.70%	12.09%	11.69%

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 which information is available.
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**CITY OF HARTSVILLE, SOUTH CAROLINA
REQUIRED SUPPLEMENTAL INFORMATION
SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY
For the Fiscal Year Ended June 30, 2018**

	2018
Total OPEB Liability	
Service Cost at end of year	\$ 43,756
Interest on the Total OPEB Liability	53,098
Changes of benefit terms	-
Difference between expected and actual experience	3,242
Changes of assumptions or other inputs	-
Benefit payments*	(64,925)
Net change in Total OPEB Liability	35,171
Total OPEB Liability - beginning	\$ 1,149,938
Total OPEB Liability - ending (a)	\$ 1,185,109
Plan Fiduciary Net Position	
Contributions - employer**	\$ 131,140
Contributions - non-employer	-
Contributions - active member	-
Net investment income	14,246
Benefit Payments*	(64,925)
Administrative expense	(9,599)
Other	-
Net Change in Plan Fiduciary Net Position	\$ 70,862
Plan Fiduciary Net Position - beginning	\$ 502,794
Plan Fiduciary Net Position - ending (b)	\$ 573,656
Net OPEB Liability - ending (a) - (b)	\$ 611,453

* Benefit payments are net of participant contributions and include a payment of \$20,300 for the implicit subsidy based on the guidance in Illustration B-1 of GASB Implementation Guide No. 2017-2, "Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans". Benefit payments include \$44,625 paid outside the Trust.

** Employer contribution includes \$44,625 paid outside the Trust and \$20,300 due to the implicit subsidy.

Note: GASB Statement No. 75 requires ten years of information to be presented in this table. However, until a full 10-year trend is complied, the City will present information for those years for which information is available. The Discount rate used for year ended June 30, 2018 was 4.75%.

**CITY OF HARTSVILLE, SOUTH CAROLINA
 REQUIRED SUPPLEMENTAL INFORMATION
 SCHEDULE OF THE NET OPEB LIABILITY
 For the Fiscal Year Ended June 30, 2018**

	2018	2017
Total OPEB Liability	\$ 1,185,109	\$ 1,149,938
Plan Fiduciary Net Position	573,656	502,794
Net OPEB Liability	\$ 611,453	\$ 647,144
Plan Fiduciary Net Position as a percentage of the Total OPEB Liability	48.41%	43.72%
Covered Payroll*	\$ 4,369,087	\$ 4,369,087
Net OPEB Liability as a percentage of covered payroll	13.99%	14.81%

*For years following the valuation date (when no new valuation is performed), covered payroll has been set equal to the covered payroll from the most recent valuation.

Note: GASB Statement No. 75 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the City will present information for those years for which information is available.

**CITY OF HARTSVILLE, SOUTH CAROLINA
 REQUIRED SUPPLEMENTAL INFORMATION
 SCHEDULE OF EMPLOYER CONTRIBUTIONS
 For the Fiscal Year Ended June 30, 2018**

	2018
Actuarially Determined Employer Contribution (ADEC)	\$ 68,686
Contributions in relation to the ADEC	131,140
Annual contribution deficiency (excess)	\$ (62,454)
Covered Payroll*	\$ 4,369,087
Actual contributions as a percentage of covered payroll	3.00%

*For years following the valuation date (when no new valuation is performed), covered payroll has been set equal to the covered payroll from the most recent valuation.

Note: GASB Statement No. 75 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the City will present information for those years for which information is available.

CITY OF HARTSVILLE, SOUTH CAROLINA
NOTES TO REQUIRED SUPPLEMENTAL INFORMATION
June 30, 2018

Note 1. Budgets and Budgetary Accounting

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

Note 2. Legal Compliance – Budgets

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

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

The public safety, cemetery, airport, public works, capital outlay, and debt service has excess expenditures over appropriations in the amount of \$244,354, \$21,637, \$3,444, \$37,348, \$842,906 and \$1,899.

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, 2018**

Assets

Restricted Cash \$ 415,409

Total Assets **\$ 415,409**

Liabilities and Fund Balance

Fund Balance
Restricted for Culture and Recreation \$ 415,409

Total Liabilities and Fund Balance **\$ 415,409**

**CITY OF HARTSVILLE, SOUTH CAROLINA
HOSPITALITY TAX FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
For the Fiscal Year Ended June 30, 2018**

Revenues

Other Taxes	\$ <u>896,383</u>
Total Revenues	<u>896,383</u>

Expenditures

Economic Development	221,320
Capital Outlay	40,000
Debt Services	
Principal	367,857
Interest	<u>45,303</u>
Total Expenditures	<u>674,480</u>

Excess of Revenues Over Expenditures	<u>221,903</u>
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Other Financing Sources (Uses)

Transfer from Accomodations Fund	92,500
Transfer to General Fund	<u>(307,340)</u>
Total Other Financing Sources (Uses)	<u>(214,840)</u>

Net Change in Fund Balance	7,063
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Restricted Fund Balance, Beginning of Year	<u>408,346</u>
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Restricted Fund Balance, End of Year	<u><u>\$ 415,409</u></u>
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**CITY OF HARTSVILLE, SOUTH CAROLINA
SPECIAL REVENUE FUND
BALANCE SHEET
June 30, 2018**

Assets

Cash	\$ <u>139,349</u>
Total Assets	\$ <u>139,349</u>

Liabilities and Fund Balance

Accounts Payable	\$ 232,842
Due to Other Funds	<u>51,777</u>
Total Liabilities	<u>284,619</u>
Fund Balance	
Restricted for Economic Development	<u>(145,270)</u>
Total Liabilities and Fund Balance	\$ <u>139,349</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, 2018**

Revenues

Grant Proceeds	\$ 1,794,347
Total Revenues	<u>1,794,347</u>

Expenditures

Capital Outlay	
General Government	963,674
Public Safety	79,748
Economic Development	<u>7,581</u>
Total Expenditures	<u>1,051,003</u>

Excess (Deficiency) of Revenues Over Expenditures	<u>743,344</u>
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Other Financing Sources (Uses)

Transfer to Water and Sewer	<u>(818,275)</u>
Total Other Financing Sources	<u>(818,275)</u>

Net Change in Fund Balance	(74,931)
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Restricted Fund Balance, Beginning of Year	<u>(70,339)</u>
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Restricted Fund Balance, End of Year	<u>\$ (145,270)</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, 2018

COUNTY/MUNICIPAL FUNDS COLLECTED BY CLERK OF COURT	General Sessions	Magistrate Court	Municipal Court	Total
Court Fines and Assessments:				
Court Fines and Assessments Collected	\$ -	\$ -	\$ 200,888	\$ 200,888
Court Fines and Assessments Remitted to State Treasurer	-	-	(104,872)	(104,872)
Total Court Fines and Assessments Retained	-	-	96,016	96,016
Surcharges and Assessments Retained for Victim Services:				
Surcharges Collected and Retained	-	-	62,301	62,301
Assessments Retained	-	-	(10,187)	(10,187)
Total Surcharges and Assessments Retained for Victim Services	-	-	52,114	52,114
FOR THE DEPARTMENT OF CRIME VICTIM COMPENSATION (DCVC)				
<u>VICTIM SERVICE FUNDS COLLECTED</u>				
		Municipal	County	Total
Carryforward from Previous Year - Beginning Balance		-	-	-
<u>Victim Service Revenue:</u>				
Victim Service Fines Retained by City/County Treasurer		-	-	-
Victim Service Assessments Retained by City/County Treasurer		21,803	-	21,803
Grant Funds Received				
Grant From:		-	-	-
General Funds Transferred to Victim Service Fund				
(1) Town of		-	-	-
(2) Town of		-	-	-
(3) City of Hartsville		5,844	-	5,844
Total Funds Allocated to Victim Service Fund + Beginning Balance (A)		27,647	-	27,647
<u>Expenditures for Victim Service Program:</u>				
		Municipal	County	Total
Salaries and Benefits		21,805	-	21,805
Operating Expenditures		5,842	-	5,842
<u>Victim Service Contract(s):</u>				
(1) Chester County		-	-	-
(2) Entity's Name		-	-	-
<u>Victim Service Donation(s):</u>				
(1) Domestic Violence Shelter: Safe Passage Inc.		-	-	-
(2) Rape Crisis Center:		-	-	-
(3) Other Local Direct Crime Victims Service Agency:		-	-	-
Transferred to General Fund		-	-	-
Total Expenditures From Victim Service Fund/Program (B)		27,647	-	27,647
Total Victim Service Funds Retained by Municipal/County Treasurer (A-B)		-	-	-
Less: Prior Year Fund Deficit Repayment		-	-	-
Carryforward Funds - End of Year		-	-	-

**CITY OF HARTSVILLE, SOUTH CAROLINA
INFRASTRUCTURE PARK FUND
BALANCE SHEET
June 30, 2018**

Assets

Cash \$ (73,309)

Total Assets \$ (73,309)

Liabilities and Fund Balance

Due to Other Funds \$ -

Total Liabilities -

Fund Balance

Restricted for Economic Development (73,309)

Total Liabilities and Fund Balance \$ (73,309)

**CITY OF HARTSVILLE, SOUTH CAROLINA
 INFRASTRUCTURE PARK FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 For the Fiscal Year Ended June 30, 2018**

Revenues

Fee in Lieu	\$ 520,408
Miscellaneous Income	6,000
Investment Earnings	<u>9</u>
 Total Revenues	 <u>526,417</u>

Expenditures

Economic Development	8,344
Capital Outlay	92,441
Debt Service	
Principal	342,481
Interest	<u>84,528</u>
 Total Expenditures	 <u>527,794</u>

Excess (Deficiency) of Revenues Over Expenditures	<u>(1,377)</u>
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Net Change in Fund Balance	(1,377)
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Restricted Fund Balance, Beginning of Year	<u>(71,932)</u>
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Restricted Fund Balance, End of Year	<u>\$ (73,309)</u>
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**CITY OF HARTSVILLE, SOUTH CAROLINA
ACCOMMODATIONS TAX FUND
BALANCE SHEET
June 30, 2018**

Assets

Cash	\$ <u>154,644</u>
Total Assets	\$ <u><u>154,644</u></u>

Liabilities and Fund Balance

Fund Balance	
Restricted for Economic Development	\$ <u>154,644</u>
Total Liabilities and Fund Balance	\$ <u><u>154,644</u></u>

**CITY OF HARTSVILLE, SOUTH CAROLINA
 ACCOMMODATIONS TAX FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 For the Fiscal Year Ended June 30, 2018**

Revenues

Other Taxes	\$ <u>172,246</u>
Total Revenues	<u>172,246</u>

Expenditures

Economic Development	<u>15,585</u>
Total Expenditures	<u>15,585</u>

Excess of Revenues Over Expenditures	<u>156,661</u>
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Other Financing Sources (Uses)

Transfer To Hospitality Fund	(92,500)
Transfer To General Fund	<u>(76,500)</u>

Total Other Financing Sources (Uses)	<u>(169,000)</u>
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Net Change in Fund Balance	(12,339)
-----------------------------------	-----------------

Restricted Fund Balance, Beginning of Year	<u>166,983</u>
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Restricted Fund Balance, End of Year	<u>\$ 154,644</u>
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**CITY OF HARTSVILLE, SOUTH CAROLINA
SPECIAL PROJECTS FUND
BALANCE SHEET
June 30, 2018**

Assets

Cash	\$ 468,674
Total Assets	<u>\$ 468,674</u>

Liabilities and Fund Balance

Accounts Payable	\$ 2,232
Deposits	2,418
Due to Other Funds	<u>-</u>
Total Liabilities	<u>4,650</u>
Fund Balance	
Restricted for Economic Development	<u>464,024</u>
Total Liabilities and Fund Balance	<u><u>\$ 468,674</u></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, 2018**

Revenues

Donations	\$ 446,236
Total Revenues	446,236

Expenditures

Economic Development	214,407
Capital Outlay	128,038
Total Expenditures	342,445

Excess (Deficiency) of Revenues Over Expenditures	103,791
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Other Financing Sources (Uses)

Transfer In	1,000
Total Other Financing Sources (Uses)	1,000

Net Change in Fund Balance	104,791
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Restricted Fund Balance, Beginning of Year	359,233
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Restricted Fund Balance, End of Year	\$ 464,024
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**CITY OF HARTSVILLE, SOUTH CAROLINA
NARCOTICS FUND
BALANCE SHEET
June 30, 2018**

Assets

Cash	\$ <u>75,493</u>
Total Assets	\$ <u>75,493</u>

Liabilities and Fund Balance

Accounts Payable	\$ <u>49</u>
Total Liabilities	<u>49</u>
Fund Balance	
Restricted for Economic Development	\$ <u>75,444</u>
Total Liabilities and Fund Balance	\$ <u>75,493</u>

**CITY OF HARTSVILLE, SOUTH CAROLINA
NARCOTICS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
For the Fiscal Year Ended June 30, 2018**

Revenues

Miscellaneous Income	<u>\$ 36,075</u>
Total Revenues	<u>36,075</u>

Expenditures

Police Saftey	<u>23,776</u>
Total Expenditures	<u>23,776</u>

Excess (Deficiency) of Revenues Over Expenditures	<u>12,299</u>
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Net Change in Fund Balance 12,299

Restricted Fund Balance, Beginning of Year 63,145

Restricted Fund Balance, End of Year \$ 75,444

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, 2018**

Assets

Cash	\$ 49,679
Property Tax Receivable, Net	<u>11,092</u>
Total Assets	<u>\$ 60,771</u>

Liabilities, Deferred Inflows and Fund Balance

Deferred Inflows

Unavailable Revenue - Property Taxes	<u>\$ 9,280</u>
Fund Balance	
Restricted for Debt Service	<u>51,491</u>
Total Liabilities, Deferred Inflows and Fund Balance	<u>\$ 60,771</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, 2018**

Revenues

Property Taxes	<u>\$ 150,874</u>
Total Revenues	<u>150,874</u>

Expenditures

Debt Service	
Principal	132,800
Interest	<u>31,792</u>
Total Expenditures	<u>164,592</u>

Net Change in Fund Balance (13,718)

Restricted Fund Balance, Beginning of Year 65,209

Restricted Fund Balance, End of Year \$ 51,491

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, Sewer and Water Park , Storm Water, Splash Pad and Recreation Concessions Fund.

Water, Sewer and Water Park 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, 2018

	Adjusted Budget	Actual	Variance Positive (Negative)
Operating Revenues			
Charges for Services			
Service Charges	\$ 3,715,000	\$ 3,819,424	\$ 104,424
Taps	1,000	10,430	9,430
Penalties	90,000	91,240	1,240
Other Fees and Charges	45,000	48,406	3,406
Concessions	83,000	98,702	15,702
WaterPark	-	390,900	390,900
Splash Pad	147,000	50,798	(96,202)
Tower Leases	125,000	127,812	2,812
	<u>4,206,000</u>	<u>4,637,712</u>	<u>431,712</u>
Total Revenues			
Operating Expenses			
Advertising	-	67,441	(67,441)
Bad Debt Recovery	-	35,600	(35,600)
Contract Services	695,480	785,479	(89,999)
Contingency	679,249	-	679,249
Depreciation	25,000	1,013,505	(988,505)
Dues and Subscriptions	2,000	2,714	(714)
Employee Benefits	63,245	88,143	(24,898)
Food	-	69,429	(69,429)
Grant Match	-	121,124	(121,124)
Insurance	198,616	195,677	2,939
Legal and Professional	163,350	161,140	2,210
Miscellaneous	1,000	7,541	(6,541)
Office Supplies	10,000	12,114	(2,114)
Payroll Taxes	46,529	37,887	8,642
Postage	14,500	19,353	(4,853)
Repairs and Maintenance	22,800	56,903	(34,103)
Salaries	565,774	567,044	(1,270)
Supplies	205,000	228,469	(23,469)
System Repairs and Maintenance	223,000	179,085	43,915
Telephone	7,800	8,756	(956)
Training	3,000	29,980	(26,980)
Uniforms	6,500	22,192	(15,692)
Utilities	500	13,096	(12,596)
Vehicle Expense	56,650	56,767	(117)
Water Testing Fees	30,000	18,658	11,342
	<u>3,019,993</u>	<u>3,798,097</u>	<u>(778,104)</u>
Total Operating Expenses			
Operating Income	<u>1,186,007</u>	<u>839,615</u>	<u>(346,392)</u>
Non-Operating Income (Expense)			
Investment Income	500	27,686	27,186
Interest Expense	(247,202)	(250,338)	(3,136)
	<u>(246,702)</u>	<u>(379,610)</u>	<u>(132,908)</u>
Total Non-Operating Income (Expense)			
Income Before Contributions and Transfers	<u>939,305</u>	<u>460,005</u>	<u>(479,300)</u>
Operating Transfers In	185,000	1,408,602	1,223,602
Operating Transfers (Out)	(1,177,451)	(1,527,279)	(349,828)
Capital Contributions	<u>-</u>	<u>25,345</u>	<u>25,345</u>
Change in Net Position	(53,146)	366,673	419,819
Net Position, Beginning of Year	<u>16,950,456</u>	<u>16,950,456</u>	<u>-</u>
Net Position, End of Year	<u>\$ 16,897,310</u>	<u>\$ 17,317,129</u>	<u>\$ 419,819</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, 2018**

	<u>Balance</u> <u>July 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2018</u>
Parking and Beautification Commission				
Cash	\$ 91,780	\$ 39,090	(18,911)	\$ 111,959
Accounts Receivable	-	2,205	-	2,205
Capital Assets, Net of Accumulated Depreciation	<u>127,001</u>	<u>-</u>	<u>(10,745)</u>	<u>116,256</u>
 Total Assets	 <u>\$ 218,781</u>	 <u>\$ 41,295</u>	 <u>\$ (29,656)</u>	 <u>\$ 230,420</u>
 Due to Agency Recipient	 <u>218,781</u>	 <u>41,295</u>	 <u>(29,656)</u>	 <u>230,420</u>
 Total Liabilities	 <u>\$ 218,781</u>	 <u>\$ 41,295</u>	 <u>\$ (29,656)</u>	 <u>\$ 230,420</u>

COMPLIANCE SECTION

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January 17, 2019

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, 2018, 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 January 17, 2019.

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