

**CITY OF HARTSVILLE
HARTSVILLE, SOUTH CAROLINA**

**ANNUAL FINANCIAL REPORT
Fiscal Year Ended June 30, 2020**

**CITY OF HARTSVILLE, SOUTH CAROLINA
ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2020**

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MAYOR PRO-TEM

Johnny L. Andrews - District 4

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Tre Gammage —District 1

Bryson Caldwell-District 2

Teresa Mack-District 3

Robert J. Braddock, Jr. -District 5

Bobby McGee –District 6

City Manager -----Daniel P. Moore
Finance Director-----Karen Caulder
City Clerk ----- Sherron L. Skipper
Public Service Director ----- Russell Slatton
Parks & Recreation Services Director-----Russell Slatton
Police Chief----- Jerry Thompson
Fire Chief-----Jeff Burr
Human Resource Director-----Sylvester Wallace

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January 14, 2021

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, 2020, 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, 2020, 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 69, 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 70-74 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 14, 2021, on our consideration of the City of Hartsville, South Carolina's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Hartsville, South Carolina's internal control over financial reporting and compliance.



Sheheen, Hancock and Godwin, LLP
Camden, South Carolina

**CITY OF HARTSVILLE, SOUTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2020**

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, 2020. 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 \$25,259,461 at the close of the 2020 fiscal year. Of this amount, \$7,947,908 may be used to meet City government's ongoing obligations to citizens and creditors.
- Revenues and other financing sources (uses) totaled \$15,527,140 and expenditures totaled \$14,886,109 for all governmental funds at the fund level. Included in that expenditure total is \$985,898 in capital outlay projects. Accordingly, revenues exceeded expenditures and other financing sources by \$641,031.
- As of the close of fiscal year 2020, the City of Hartsville's governmental funds reported combined ending fund balances of \$2,790,024. Approximately 44 percent of this amount, \$1,239,993 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 \$17,311,553 an increase of approximately 4 percent.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-Wide Financial Statements:

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

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

**CITY OF HARTSVILLE, SOUTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2020
(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 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 93.

**CITY OF HARTSVILLE, SOUTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2020
(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 94.

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 23-61.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Position:

As noted previously, net position serves over time as a useful indicator of a government's financial position. For the City of Hartsville, assets exceeded liabilities by \$25,259,461 at the close of the most recent fiscal year. Net position is reported in three categories: net investment in capital assets of \$29,265,988, restricted net position of \$1,716,855, and unrestricted net position of \$(5,723,382). The City's combined net position increased by \$1,470,570 between fiscal years 2019 and 2020. (See Table A-1)

The largest portion of the City's net position (116 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, 2020
(Continued)**

Table A-1

	Governmental Activities		Business-Type Activities		Total	
	2019	2020	2019	2020	2019	2020
Assets						
Current and Other Assets	\$ 3,596,024	\$ 4,259,804	\$ 6,050,914	\$ 5,136,472	\$ 9,646,938	\$ 9,396,276
Capital Assets	<u>21,628,747</u>	<u>20,502,845</u>	<u>28,741,134</u>	<u>29,709,880</u>	<u>50,369,881</u>	<u>50,212,725</u>
Total Assets	<u>25,224,771</u>	<u>24,762,649</u>	<u>34,792,048</u>	<u>34,846,352</u>	<u>60,016,819</u>	<u>59,609,001</u>
Deferred Outflows						
OPEB Cost	27,706	76,471	-	-	27,706	76,471
Pension Cost	<u>1,539,222</u>	<u>1,586,361</u>	<u>177,845</u>	<u>231,864</u>	<u>1,717,067</u>	<u>1,818,225</u>
Total Deferred Outflows	<u>1,566,928</u>	<u>1,662,832</u>	<u>177,845</u>	<u>231,864</u>	<u>1,744,773</u>	<u>1,894,696</u>
Liabilities						
Current Liabilities	2,906,926	2,344,643	978,366	889,133	3,885,292	3,233,776
Non-Current Liabilities	<u>16,774,122</u>	<u>15,960,240</u>	<u>17,366,475</u>	<u>16,864,579</u>	<u>34,140,597</u>	<u>32,824,819</u>
Total Liabilities	<u>19,681,048</u>	<u>18,304,883</u>	<u>18,344,841</u>	<u>17,753,712</u>	<u>38,025,889</u>	<u>36,058,595</u>
Deferred Inflows						
Revenue	<u>158,717</u>	<u>172,690</u>	<u>27,312</u>	<u>12,951</u>	<u>186,029</u>	<u>185,641</u>
Net Position						
Net Investment in Capital Assets	13,760,078	13,823,925	13,853,243	15,442,063	27,613,321	29,265,988
Restricted For:						
Economic Development	91,045	279,539	-	-	91,045	279,539
Culture and Recreation	575,375	599,799	-	-	575,375	599,799
Public Safety	64,455	54,902	-	-	64,455	54,902
Debt Service	32,064	19,563	72,122	72,122	104,186	91,685
Construction Fund	-	-	1,644,080	690,930	1,644,080	690,930
Unrestricted	<u>(7,571,083)</u>	<u>(6,829,820)</u>	<u>1,028,295</u>	<u>1,106,438</u>	<u>(6,542,788)</u>	<u>(5,723,382)</u>
Total Net Position	<u>\$ 6,951,934</u>	<u>\$ 7,947,908</u>	<u>\$ 16,597,740</u>	<u>\$ 17,311,553</u>	<u>\$ 23,549,674</u>	<u>\$ 25,259,461</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 \$924,236, while total expenditures decreased by \$311,659.

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 and concessions fund. The total of charges for services, interest revenue and transfers of \$6,284,149 were more than the total expenses of \$5,570,336, yielding a positive change in net position of \$713,813 for fiscal year 2020. Since the water, sewer & water park, storm water and concessions fund are proprietary funds their capital expenses and principal payments are recorded on the balance sheet like non-governmental businesses. Therefore, the

**CITY OF HARTSVILLE, SOUTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2020
(Continued)**

negative change in net position does not reflect payment of \$753,142 in principal payments, \$133,068 in proceeds for debt and \$2,388,469 in capital expenses for all four utilities.

Table A-2
City of Hartsville Changes in Net Position

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>
Revenues						
Program Revenues:						
Fees, Fines and Charges for Services	\$ 4,167,409	\$ 4,377,474	\$ 6,392,993	\$ 5,555,827	\$ 10,560,402	\$ 9,933,301
Operating Grants	262,578	279,038	-	-	262,578	279,038
Capital Grants	766,615	837,178	-	1,637,570	766,615	2,474,748
General Revenues:						
Property Taxes	7,082,290	7,671,347	-	-	7,082,290	7,671,347
Miscellaneous	431,149	445,238	273,402	181,559	704,551	626,797
Unrestricted Investment Earnings	168	1,036	4,889	22,403	5,057	23,439
Intergovernmental Revenues	177,522	184,080	-	-	177,522	184,080
Gain (Loss) on Disposition of Capital Assets	(20,918)	1,809	-	-	(20,918)	1,809
Transfer - Utility Fund	1,119,361	1,113,210	(1,119,539)	(1,113,210)	(178)	-
Total Revenues	<u>13,986,174</u>	<u>14,910,410</u>	<u>5,551,745</u>	<u>6,284,149</u>	<u>19,537,919</u>	<u>21,194,559</u>
Expenses						
General Government	4,167,863	3,941,910	-	-	4,167,863	3,941,910
Public Safety	5,726,139	5,634,341	-	-	5,726,139	5,634,341
Public Works	2,232,786	2,276,095	-	-	2,232,786	2,276,095
Economic Development	478,940	934,863	-	-	478,940	934,863
Culture and Recreation	798,372	775,616	-	-	798,372	775,616
Airport	103,036	83,411	-	-	103,036	83,411
Cemetery	141,019	149,724	-	-	141,019	149,724
Interest on Long-Term Debt	178,134	185,807	-	-	178,134	185,807
Capital Outlay	639,023	171,886	-	-	639,023	171,886
Enterprise Funds:						
Water and Sewer	-	-	6,167,362	5,414,733	6,167,362	5,414,733
Other Proprietary Funds	-	-	157,514	155,603	157,514	155,603
Total Expenses	<u>14,465,312</u>	<u>14,153,653</u>	<u>6,324,876</u>	<u>5,570,336</u>	<u>20,790,188</u>	<u>19,723,989</u>
Change in Net Position	(479,138)	756,757	(773,131)	713,813	(1,252,269)	1,470,570
Net Position, Beginning of Year	<u>7,431,072</u>	<u>7,191,151</u>	<u>17,317,129</u>	<u>16,597,740</u>	<u>24,748,201</u>	<u>23,788,891</u>
Net Position, End of Year	<u>\$ 6,951,934</u>	<u>\$ 7,947,908</u>	<u>\$ 16,543,998</u>	<u>\$ 17,311,553</u>	<u>\$ 23,495,932</u>	<u>\$ 25,259,461</u>

**CITY OF HARTSVILLE, SOUTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2020
(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 \$2,790,024. In the general fund there was a committed balance of \$74,893, and an unassigned fund balance of \$1,239,993. The remaining fund balance consisted of \$953,803 in restricted and \$521,335 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 \$1,106,438 or 6% of total proprietary fund net position in the amount of \$17,311,553. The City's largest component of proprietary fund net position is net investment in capital assets, of \$15,442,063 or 89% 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 ended June 30, 2020, listed below:

Budget Amendments – Utility Funds

Revenue:	
Accumulated Surplus (Water Park)	\$ 231,000
Accumulated Surplus (Water/Sewer)	\$ 63,781
Capital Lease Proceeds (Water/Sewer)	\$ 133,068
Expenditures:	
Capital (Water/Sewer)	\$ 153,849
Maintenance (Water/Sewer)	\$ 23,000
Professional Services (Water/Sewer)	\$ 20,000
Capital (Water Park)	\$ 185,000
Personnel Costs (Water Park)	\$ 24,000
Supplies (Water Park)	\$ 22,000

**CITY OF HARTSVILLE, SOUTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2020
(Continued)**

Capital Asset and Debt Administration

Capital Assets

At the end of 2020, the City had invested \$50,212,725 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>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>
Land	\$ 7,683,556	\$ 7,683,556	\$ 145,904	\$ 145,904	\$ 7,829,460	\$ 7,829,460
Construction in Progress	3,904,418	4,042,387	1,562,255	449,421	5,466,673	4,491,808
Buildings and Systems	2,775,968	2,775,968	134,518	134,518	2,910,486	2,910,486
Infrastructure	21,931,946	21,940,625	32,239,046	35,249,688	54,170,992	57,190,313
Machinery and Equipment	10,468,664	10,673,202	2,906,704	3,120,880	13,375,368	13,794,082
Splash Pad / Water Park	-	-	9,233,879	9,510,364	9,233,879	9,510,364
Accumulated Depreciation	<u>(25,135,805)</u>	<u>(26,612,893)</u>	<u>(17,481,172)</u>	<u>(18,900,895)</u>	<u>(42,616,977)</u>	<u>(45,513,788)</u>
Total	<u>\$ 21,628,747</u>	<u>\$ 20,502,845</u>	<u>\$ 28,741,134</u>	<u>\$ 29,709,880</u>	<u>\$ 50,369,881</u>	<u>\$ 50,212,725</u>

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

Government Activities

Machinery and Vehicles	\$ 222,643
Infrastructure	\$ 8,679
Airport	\$ 137,969

Business-type Activities

Water Park	\$ 276,485
Machinery and Equipment	\$ 214,176
Infrastructure	\$ 1,786,560
Generator	\$ 21,260
South Park Sewer	\$ 32,529
Drainage	\$ 57,459

**CITY OF HARTSVILLE, SOUTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2020
(Continued)**

Additional information on the City of Hartsville's capital assets can be found in Note 6, beginning on page 36 of this report.

Long-Term Debt

At year end the City had \$23,714,652 in outstanding notes, bonds, capital leases and compensated absences, compared to \$24,750,800 at June 30, 2019, and \$11,439,683 in net pension liability, compared to \$10,969,300 at June 30, 2019. 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 2020 the total debt limitation of assessed values for the City is \$2,172,832 with \$1,210,632 remaining.

Additional information on the City of Hartsville's long term debt as reported for fiscal year 2020 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, 2020, the unemployment rate for Darlington County was 9.2%. This compares unfavorably with the latest State's unemployment rate of 8.7%, but favorably with the national rate of 11.2%. These indicators were considered in preparing the City's budget for the 2020 fiscal year.

The City has been very fortunate and due to sound fiscal decisions, did not increase millage for fiscal year 2020. While the City continues to be relatively stable in this improving economy, we have taken a conservative approach to our budget projections for 2020.

In our business-type activities the budget for fiscal year 2020 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, 2020

	Governmental Activities	Business-type Activities	Total	Component Unit
Assets				
Cash and Cash Equivalents	\$ 1,251,808	\$ 4,073,198	\$ 5,325,006	\$ 68,098
Restricted Cash	1,857,688	-	1,857,688	-
Investments	-	-	-	940,355
Receivables, Net	1,150,308	830,790	1,981,098	-
Inventories	-	232,484	232,484	-
Interfund Balances	-	-	-	-
Capital Assets:				
Land	7,683,556	145,904	7,829,460	-
Construction in Progress	4,042,387	449,421	4,491,808	-
Buildings and Systems	2,775,968	134,518	2,910,486	-
Machinery and Equipment	10,673,202	3,120,880	13,794,082	-
Infrastructure	21,940,625	35,249,688	57,190,313	-
Splash Pad / Water Park	-	9,510,364	9,510,364	-
Less: Accumulated Depreciation	(26,612,893)	(18,900,895)	(45,513,788)	-
Total Capital Assets, Net of Depreciation	<u>20,502,845</u>	<u>29,709,880</u>	<u>50,212,725</u>	<u>-</u>
Deferred Outflows of Resources				
Prepaid OPEB Cost	76,471	-	76,471	-
Prepaid Pension Cost	1,586,361	231,864	1,818,225	-
Total Deferred Outflows of Resources	<u>1,662,832</u>	<u>231,864</u>	<u>1,894,696</u>	<u>-</u>
Total Assets and Deferred Outflows of Resources	<u>26,425,481</u>	<u>35,078,216</u>	<u>61,503,697</u>	<u>1,008,453</u>
Liabilities				
Accounts Payable and Accrued Liabilities	785,321	60,220	845,541	-
Accrued Interest Payable	38,420	46,863	85,283	-
Renters Deposits	-	-	-	-
Due to Other Governmental Units	-	-	-	-
Long-Term Liabilities:				
Due Within One Year:				
General Obligation Bonds	142,300	-	142,300	-
Revenue Bonds	765,834	695,000	1,460,834	-
Capital Leases	525,193	69,950	595,143	-
Compensated Absences	87,575	17,100	104,675	-
Due in More Than One Year:				
Compensated Absences	422,813	59,900	482,713	-
General Obligation Bonds	819,900	-	819,900	-
Revenue Bonds	2,001,053	14,661,000	16,662,053	-
Loan Payable	1,400,000	-	1,400,000	-
Capital Leases	1,024,640	485,947	1,510,587	-
Net OPEB Liability	509,883	-	509,883	-
Net Pension Liability	9,781,951	1,657,732	11,439,683	-
Total Liabilities	<u>18,304,883</u>	<u>17,753,712</u>	<u>36,058,595</u>	<u>-</u>
Deferred Inflows				
Unavailable Revenue - OPEB	44,034	-	44,034	-
Unavailable Revenue - Pension	128,656	12,951	141,607	-
Total Deferred Inflows of Resources	<u>172,690</u>	<u>12,951</u>	<u>185,641</u>	<u>-</u>
Net Position				
Net Investment in Capital Assets	13,823,925	15,442,063	29,265,988	-
Restricted for:				
Economic Development	279,539	-	279,539	-
Culture and Recreation	599,799	-	599,799	-
Public Safety	54,902	-	54,902	-
Debt Service	19,563	72,122	91,685	-
Construction Fund	-	690,930	690,930	-
Unrestricted	(6,829,820)	1,106,438	(5,723,382)	1,008,453
Total Net Position	<u>\$ 7,947,908</u>	<u>\$ 17,311,553</u>	<u>\$ 25,259,461</u>	<u>\$ 1,008,453</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, 2020**

Function/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Unit
	Expenses	Fees, Fines & Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business-type Activities	
Government Activities							
General Government Administration	\$ 3,941,910	\$ 2,151,739	\$ -	\$ -	\$ (1,790,171)	\$ -	\$ (1,790,171)
Public Safety	5,634,341	748,013	-	-	(4,886,328)	-	(4,886,328)
Public Works	2,276,095	1,376,353	-	-	(899,742)	-	(899,742)
Economic Development	934,863	-	279,038	837,178	181,353	-	181,353
Culture and Recreation	775,616	20,429	-	-	(755,187)	-	(755,187)
Airport	83,411	-	-	-	(83,411)	-	(83,411)
Cemetery	149,724	80,940	-	-	(68,784)	-	(68,784)
Capital Outlay	171,886	-	-	-	(171,886)	-	(171,886)
Interest on Long-Term Debt	185,807	-	-	-	(185,807)	-	(185,807)
Total Governmental Activities	14,153,653	4,377,474	279,038	837,178	(8,659,963)	-	(8,659,963)
Business-Type Activities:							
Water & Sewer	5,414,733	5,512,600	-	1,637,570	-	1,735,437	1,735,437
Other Proprietary Funds	155,603	43,227	-	-	-	(112,376)	(112,376)
Total Business-Type Activities	5,570,336	5,555,827	-	1,637,570	-	1,623,061	1,623,061
Total Primary Government	\$ 19,723,989	\$ 9,933,301	\$ 279,038	\$ 2,474,748	(8,659,963)	1,623,061	(7,036,902)
Component Unit							
Hartsville Museum Foundation, Inc.	\$ 63,023	\$ -	\$ -	\$ 27,033	-	-	(35,990)
General Revenues:							
Taxes:							
Property Taxes, Levied for General Purposes					3,017,769	-	3,017,769
Other Taxes					3,238,696	-	3,238,696
Franchise Fees					761,945	-	761,945
Payments in Lieu of Taxes					652,937	-	652,937
Unrestricted Investment Earnings					1,036	22,403	23,439
Unrealized Gain/(Loss) on Investments					-	-	-
Miscellaneous					445,238	181,559	626,797
Intergovernmental Revenues					184,080	-	184,080
Gain/(Loss) on Disposition of Assets					1,809	-	1,809
Transfers - Utility Fund					1,113,210	(1,113,210)	-
Total General Revenues and Transfers					9,416,720	(909,248)	8,507,472
Change in Net Position					756,757	713,813	1,470,570
Net Position, Beginning of Year, Restated					7,191,151	16,597,740	23,788,891
Net Position, End of Year					\$ 7,947,908	\$ 17,311,553	\$ 25,259,461

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, 2020

	General Fund	Hospital Tax Fund	Infrastructure Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and Cash Equivalents	\$ 1,251,808	\$ -	\$ -	\$ -	\$ 1,251,808
Receivables:					
Intergovernmental Receivable	532,552	-	-	-	532,552
Sanitation Receivable, Net	307,314	-	-	-	307,314
Property Tax Receivable, Net	293,061	-	-	6,136	299,197
Accounts Receivable, Net	11,245	-	-	-	11,245
Due from Other Funds	1,811	-	-	-	1,811
Restricted Cash	-	448,740	216,080	1,192,868	1,857,688
Total Assets	<u>\$ 2,397,791</u>	<u>\$ 448,740</u>	<u>\$ 216,080</u>	<u>\$ 1,199,004</u>	<u>\$ 4,261,615</u>
Liabilities					
Accounts Payable and Accrued Expenses	\$ 784,855	\$ -	\$ -	\$ 512	\$ 785,367
Compensated Absences	87,575	-	-	-	87,575
Renter Deposit	-	-	-	-	-
Due to Other Governments	490	-	-	-	490
Due to Other Funds	-	-	-	1,275	1,275
Total Liabilities	<u>872,920</u>	<u>-</u>	<u>-</u>	<u>1,787</u>	<u>874,707</u>
Deferred Inflows					
Unavailable Revenue - Property Taxes	209,985	-	-	3,808	213,793
Unavailable Revenue - Grants	-	-	-	383,091	383,091
Total Deferred Inflows	<u>209,985</u>	<u>-</u>	<u>-</u>	<u>386,899</u>	<u>596,884</u>
Fund Balances					
Restricted for:					
Capital Projects	-	-	216,080	63,459	279,539
Culture, Recreation and Tourism	-	448,740	-	151,059	599,799
Public Safety	-	-	-	54,902	54,902
Debt Service	-	-	-	19,563	19,563
Committed To:					
Cemetery Care	74,893	-	-	-	74,893
Assigned to:					
Donations and Sponsorships	-	-	-	521,335	521,335
Unassigned	1,239,993	-	-	-	1,239,993
Total Fund Balances	<u>1,314,886</u>	<u>448,740</u>	<u>216,080</u>	<u>810,318</u>	<u>2,790,024</u>
Total Liabilities, Deferred Inflows and Fund Balances	<u>\$ 2,397,791</u>	<u>\$ 448,740</u>	<u>\$ 216,080</u>	<u>\$ 1,199,004</u>	<u>\$ 4,261,615</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, 2020**

Total Fund Balances - Governmental Funds (Exhibit C) \$ 2,790,024

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

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

Property Taxes 213,793

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 \$47,115,738 and the accumulated depreciation is \$26,612,893.

20,502,845

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.

(38,421)

Deferred outflows and inflows of resources related to pension are applicable to future periods and, therefore, not reported in the funds.

Deferred outflows of resources related to pensions (from pension schedule) 1,586,361

Deferred outflows of resources related to OPEB 76,471

Deferred inflows of resources related to OPEB (44,034)

Deferred inflows of resources related to pensions (from pension schedule) (128,656)

Deferred inflows of resources related to Grant Proceeds 383,092

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

General Obligation Bonds (819,900)

General Obligation Bonds - Current (142,300)

Revenue Bonds (2,001,053)

Revenue Bonds - Current (765,834)

Loan Payable (1,400,000)

Capital Leases (1,024,640)

Capital Leases - Current (525,193)

Net OPEB Liability (509,883)

Net Pension Liability (9,781,951)

Compensated Absences (422,813)

Total Net Position Governmental Activities (Exhibit A) \$ 7,947,908

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, 2020

	General Fund	Hospitality Tax Fund	Infrastructure Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
Taxes					
Property Taxes	\$ 2,842,743	\$ -	\$ -	\$ 152,071	\$ 2,994,814
Other Taxes	2,151,478	925,213	-	162,005	3,238,696
Fee in Lieu	-	-	652,937	-	652,937
Franchise Fees	761,945	-	-	-	761,945
Licenses, Permits and Fees	2,198,476	-	-	-	2,198,476
Intergovernmental Revenue	184,080	-	-	-	184,080
Charges for Services	1,376,353	-	-	-	1,376,353
Fines and Forfeitures	68,238	-	-	-	68,238
Investment Earnings	1,036	-	-	-	1,036
Contributions and Donations	-	-	-	279,038	279,038
Rents	29,406	-	-	-	29,406
Fire Contract	631,609	-	-	-	631,609
Grants	24,646	-	-	429,441	454,087
Miscellaneous	492,308	-	6,000	20,325	518,633
	<u>10,762,318</u>	<u>925,213</u>	<u>658,937</u>	<u>1,042,880</u>	<u>13,389,348</u>
Total Revenues					
Expenditures					
Current					
General Government	3,299,840	-	-	-	3,299,840
Public Safety	4,824,281	-	-	29,878	4,854,159
Public Works	2,067,003	-	-	-	2,067,003
Economic Development	-	135,725	6,991	243,509	386,225
Culture and Recreation	689,344	-	-	-	689,344
Airport	74,142	-	-	-	74,142
Cemetery	133,127	-	-	-	133,127
Capital Outlay	467,243	-	73,934	444,721	985,898
Debt Service					
Principal	501,025	385,350	360,890	139,200	1,386,465
Interest	49,358	27,811	68,027	25,372	170,568
	<u>12,105,363</u>	<u>548,886</u>	<u>509,842</u>	<u>882,680</u>	<u>14,046,771</u>
Total Expenditures					
Excess (Deficiency) of Revenues Over					
(Under) Expenditures					
	<u>(1,343,045)</u>	<u>376,327</u>	<u>149,095</u>	<u>160,200</u>	<u>(657,423)</u>
Other Financing Sources (Uses)					
Capital Lease Proceeds	183,436	-	-	-	183,436
Sale of Capital Assets	1,809	-	-	-	1,809
Transfers In	1,860,047	92,500	-	-	1,952,547
Transfers Out	(43,811)	(416,340)	-	(379,187)	(839,338)
	<u>2,001,481</u>	<u>(323,840)</u>	<u>-</u>	<u>(379,187)</u>	<u>1,298,454</u>
Total Other Financing Sources (Uses)					
Net Change in Fund Balances	658,436	52,487	149,095	(218,987)	641,031
Fund Balances, Beginning of Year, as restated	<u>656,450</u>	<u>396,253</u>	<u>66,985</u>	<u>1,029,305</u>	<u>2,148,993</u>
Fund Balances, End of Year	<u>\$ 1,314,886</u>	<u>\$ 448,740</u>	<u>\$ 216,080</u>	<u>\$ 810,318</u>	<u>\$ 2,790,024</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, 2020

Total Net Change In Fund Balances - Governmental Funds (Exhibit E)	\$ 641,031
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 depreciation expense of \$1,495,193 exceeds capital outlay of \$369,291 in the period.	(1,125,902)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.	885,440
Capital lease proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position.	196,436
Repayment of capital leases is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.	491,017
Because some revenues will not be collected for several months after the City's fiscal year ends, they are not considered "available" revenues and are deferred in the governmental funds. Deferred tax revenue decreased in the current year.	22,956
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.	(135,654)
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.	(2,012)
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.	(280,124)
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>63,569</u>
Change in Net Position of Governmental Activities (Exhibit B)	<u>\$ 756,757</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, 2020

Assets

Current Assets:

Cash and Cash Equivalents	\$ 4,073,198
Accounts Receivable, Net	830,790
Inventory	<u>232,484</u>
 Total Current Assets	 <u>5,136,472</u>

Non-Current Assets:

Land	145,904
Construction in Progress	449,421
Capital Assets, Net	<u>29,114,555</u>
 Total Non-Current Assets	 <u>29,709,880</u>

Deferred Outflows of Resources

Prepaid Pension Cost	<u>231,864</u>
 Total Assets and Deferred Outflows of Resources	 <u><u>35,078,216</u></u>

Liabilities

Current Liabilities:

Accounts Payable and Accrued Expenses	60,220
Accrued Interest Payable	46,863
Current Portion of Compensated Absences	17,100
Current Portion of Revenue Bonds Payable	695,000
Current Portion of Capital Lease Payable	<u>69,950</u>
 Total Current Liabilities	 <u>889,133</u>

Long-Term Liabilities:

Compensated Absences	59,900
Net Pension Liability	1,657,732
Revenue Bonds Payable	14,661,000
Capital Lease Payable	<u>485,947</u>
 Total Liabilities	 <u>17,753,712</u>

Deferred Inflows of Resources

Unavailable Revenue - Pension	<u>12,951</u>
-------------------------------	---------------

Net Position

Net Investment in Capital Assets	15,442,063
Restricted for Debt Service	72,122
Restricted for Construction Fund	690,930
Unrestricted	<u>1,106,438</u>
 Total Net Position	 <u>\$ 17,311,553</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, 2020

	Water, Sewer & Water Park	Other Proprietary Funds	Total Proprietary Funds
Operating Revenues			
Charges for Services			
Water Charges	\$ 2,015,364	\$ 33	\$ 2,015,397
Sewer Charges	2,270,038	-	2,270,038
Taps	38,795	-	38,795
Penalties	90,947	-	90,947
Other Fees and Charges	39,041	-	39,041
Waterpark	1,058,415	-	1,058,415
Splash Pad	-	42,825	42,825
Miscellaneous	16,554	369	16,923
Tower Leases	165,005	-	165,005
	<u>5,694,159</u>	<u>43,227</u>	<u>5,737,386</u>
Total Revenues			
Operating Expenses			
Advertising	67,898	-	67,898
Bad Debt Recovery	(55,050)	(147)	(55,197)
Contract Services	1,016,567	3,657	1,020,224
Depreciation	1,409,713	10,010	1,419,723
Dues and Subscriptions	2,643	-	2,643
Employee Benefits	174,000	13,063	187,063
Equipment	500	-	500
Food	122,207	-	122,207
Grant Match	32,529	-	32,529
Insurance	239,637	6,834	246,471
Legal and Professional	224,666	-	224,666
Miscellaneous	9,139	-	9,139
Office Supplies	14,650	496	15,146
Payroll Taxes	76,278	4,991	81,269
Postage	18,302	-	18,302
Repairs and Maintenance	129,931	14,468	144,399
Salaries	692,128	66,778	758,906
Supplies	205,340	19,890	225,230
System Repairs and Maintenance	223,654	15,292	238,946
Telephone	15,606	-	15,606
Training	14,737	-	14,737
Uniforms	14,026	271	14,297
Utilities	85,213	-	85,213
Vehicle Expense	50,749	-	50,749
Water Testing Fees	20,773	-	20,773
	<u>4,805,836</u>	<u>155,603</u>	<u>4,961,439</u>
Total Operating Expenses			
Operating Income / (Loss)	<u>888,323</u>	<u>(112,376)</u>	<u>775,947</u>
Non-Operating Income (Expense)			
Investment Income	22,403	-	22,403
Bond Issuance Costs	-	-	-
Bond Premium	-	-	-
Interest Expense	(608,897)	-	(608,897)
	<u>(586,494)</u>	<u>-</u>	<u>(586,494)</u>
Total Non-Operating Income (Expense)			
Income Before Contributions and Transfers	<u>301,829</u>	<u>(112,376)</u>	<u>189,453</u>
Operating Transfers In	155,059	96,280	251,339
Operating Transfers Out	(1,364,549)	-	(1,364,549)
	<u>(1,209,490)</u>	<u>96,280</u>	<u>(1,113,210)</u>
Total Transfers			
Capital Contributions	<u>1,637,570</u>	<u>-</u>	<u>1,637,570</u>
Change in Net Position	729,909	(16,096)	713,813
Net Position, Beginning of Year	<u>16,028,238</u>	<u>569,502</u>	<u>16,597,740</u>
Net Position, End of Year	<u>\$ 16,758,147</u>	<u>\$ 553,406</u>	<u>\$ 17,311,553</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, 2020

Cash Flows from Operating Activities	
Cash Received from Customers	\$ 5,857,009
Cash Paid to Suppliers	(2,852,834)
Cash Paid To Employees	<u>(758,906)</u>
Net Cash Provided by Operating Activities	<u>2,245,269</u>
Cash Flows From Non-Capital Financing Activities	
Operating Transfers from Other Funds	(1,113,210)
(Decrease) in Due to Other Funds	<u>(53,995)</u>
Net Cash (Used) by Non-Capital Financing Activities	<u>(1,167,205)</u>
Cash Flows from Capital and Related Financing Activities	
Proceeds from Capital Leases	133,068
Purchases of Capital Assets	(2,388,469)
Principal Paid on Capital Debt	(753,142)
Interest Paid on Capital Debt	<u>(611,126)</u>
Net Cash (Used) by Capital and Related Financing Activities	<u>(3,619,669)</u>
Cash Flows from Investing Activities	
Capital Contribution	1,637,570
Interest Income	<u>22,403</u>
Net Cash Provided by Investing Activities	<u>1,659,973</u>
Net Decrease in Cash and Cash Equivalents	(881,632)
Cash and Cash Equivalents, Beginning of Year	<u>4,954,830</u>
Cash and Cash Equivalents, End of Year	<u>\$ 4,073,198</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, 2020
(Continued)

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

Operating Income	\$ 775,947
Adjustments to Reconcile Operating Income to Net Cash Provided	
By Operating Activities:	
Depreciation	1,419,723
Decrease in Accounts Receivable, Net	119,623
(Increase) in Inventory	(32,818)
(Increase) in Deferred Cost	(68,380)
Increase in Net Pension Liability	113,059
(Decrease) in Accounts and other Payables	<u>(81,885)</u>
Net Cash Provided by Operating Activities	<u>\$ 2,245,269</u>

RECONCILIATION OF TOTAL CASH AND CASH EQUIVALENTS

Current Assets - Cash and Cash Equivalents	<u>\$ 4,073,198</u>
Total Cash and Cash Equivalents	<u>\$ 4,073,198</u>

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

CITY OF HARTSVILLE, SOUTH CAROLINA
STATEMENT OF NET POSITION - FIDUCIARY FUND
June 30, 2020

	<u>Agency Funds</u>
Assets	
Cash	\$ 88,503
Accounts Receivable	3,867
Capital Assets, Net	<u>136,206</u>
Total Assets	\$ <u>228,576</u>
Liabilities	
Due To Agency Recipient	<u>\$ 228,576</u>
Total Liabilities	\$ <u>228,576</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, 2020

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, 2020

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, 2020

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 Projects 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.

Hartsville Public Development Corporation

The *Hartsville Public Development Corporation*, a non-major fund, is used to provide support for the capital projects of the City.

CITY OF HARTSVILLE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

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.

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.

CITY OF HARTSVILLE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

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

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.

CITY OF HARTSVILLE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting (continued)

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

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

Basis of Accounting

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

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

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

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

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

D. Cash, Cash Equivalents and Investments

Cash and Cash Equivalents

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

CITY OF HARTSVILLE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

Note 1. Summary of Significant Accounting Policies (continued)

E. Receivables

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

In the fund financial statements, material receivables in governmental funds include revenue accruals such as property taxes, state shared revenue and grants if they are both measurable and available. Non-exchange transactions collectible but not available, such as property taxes, are deferred in the fund financial statements in accordance with modified accrual, but not deferred in the government-wide financial statements in accordance with the accrual basis. All trade and property tax receivables are recorded net of any allowances for uncollectible.

F. Inventories

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

G. Restricted Assets

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

H. Capital Assets

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

Government-Wide Statements

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

CITY OF HARTSVILLE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

Note 1. Summary of Significant Accounting Policies (continued)

H. Capital Assets (continued)

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

Fund Financial Statements

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

I. Short-term Inter-fund Receivables/Payable

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

J. Compensated Absences

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

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

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

CITY OF HARTSVILLE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

Note 1. Summary of Significant Accounting Policies (continued)

L. Deferred Inflows of Resources (continued)

statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period. The City has two types of items which occur because governmental fund revenues are not recognized until available (collected no later than 60 days after the end of the City's fiscal year) under the modified accrual basis of accounting that qualifies for reporting in the category. Accordingly, deferred property taxes are reported in the governmental funds balance sheet. The second item is future pension revenues related to the GASB 68 pension liability.

M. Long-Term Debt

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

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

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

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.).

CITY OF HARTSVILLE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

Note 1. Summary of Significant Accounting Policies (continued)

N. Equity Classifications (continued)

- **Restricted**—Includes amounts that are constrained by specific purposes which are externally imposed by (a) other governments through laws and regulations, (b) grantors or contributions through agreements, (c) creditors through debt covenants or other contracts, or (d) imposed by law through constitutional provisions or enabling legislation.

- **Committed**—Includes amounts that are constrained for specific purposes that are internally imposed by the government through formal action made by City Council, which is the highest level of decision-making authority, before the end of the reporting period. Those committed amounts cannot be used for any other purpose unless the government

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

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

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

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

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

O. Operating and Non-Operating Revenues and Expenses

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

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.

CITY OF HARTSVILLE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

Note 1. Summary of Significant Accounting Policies (continued)

Q. Inter-fund Transactions

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

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

R. Use of Estimates

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

S. Statement of Cash Flows

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

T. Pensions

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

CITY OF HARTSVILLE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

Note 1. Summary of Significant Accounting Policies (continued)

U. Prior Period Adjustments

Governmental

Net Position, beginning of the year, as previously stated	\$ 6,951,934
Revenue booked incorrectly in prior year	<u>239,217</u>
Net Position, end of the year, as restated	<u>\$ 7,191,151</u>

General Fund

Fund Balance, beginning of year, as previously stated	\$ 617,099
Increase resulting from revenue booked incorrectly in prior year	<u>39,351</u>
Fund Balance, end of year, as restated	<u>\$ 656,450</u>

Special Revenue Fund

Fund Balance, beginning of year, as previously stated	\$ (69,837)
Increase resulting from payables booked incorrectly in prior year	<u>199,866</u>
Fund Balance, end of year, as restated	<u>\$ 130,029</u>

Note 2. Deposits and Investments

Deposits – Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the City's deposits may not be recovered. The City's policy requires deposits to be 100 percent secured by collateral valued at market or par, whichever is lower, less the amount of the Federal Deposit Insurance Corporation (FDIC) insurance. Deposits of the City's reporting entity are insured or collateralized with securities held by the City, its agent, or by the pledging financial institutions trust department or agent in the name of the City. As of June 30, 2020, \$6,156,299 of the City's bank balance of \$7,003,767, which has a carrying value of \$7,271,205, was exposed to custodial credit risk as follows:

Uninsured by FDIC, but collateral held by pledging bank in the City's name	\$ <u>6,156,299</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 \$1,840,456 as of June 30, 2020.

CITY OF HARTSVILLE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

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	\$ 569,663	\$ -	\$ 569,663
Accounts	11,246	1,226,654	1,237,900
Intergovernmental	532,552	-	532,552
Sanitation	496,812	-	496,812
Gross Receivables	1,610,273	1,226,654	2,836,927
Less Allowance for Uncollectibles	(459,965)	(395,864)	(855,829)
Net Total Receivables	\$ 1,150,308	\$ 830,790	\$ 1,981,098

Note 5. Inter-fund Receivables and Payables

Inter-fund balances at June 30, 2020, (all of which are expected to be received or paid within one year), consisted of the following individual fund receivables and payables:

Due to/from other funds:

Fund	Receivables	Payables
General Fund	\$ 1,811	\$ -
Special Revenue Funds	-	1,275
Proprietary Fund	-	-
Fiduciary Fund	-	-
Totals	\$ 1,811	\$ 1,275

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

CITY OF HARTSVILLE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

Note 6. Capital Assets

Capital asset activity for the year ended June 30, 2020, 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	\$ 7,683,556	\$ -	\$ -	\$ -	\$ 7,683,556
Construction in Progress	3,904,418	137,969	-	-	4,042,387
Depreciable Assets					
Building and Systems	2,775,968	-	-	-	2,775,968
Infrastructure	21,931,946	8,679	-	-	21,940,625
Machinery and Equipment	10,468,664	222,643	(18,105)	-	10,673,202
Totals	<u>46,764,552</u>	<u>369,291</u>	<u>(18,105)</u>	<u>-</u>	<u>47,115,738</u>
Less Accumulated Depreciation For:					
Building and Systems	1,640,040	83,937	-	-	1,723,977
Infrastructure	15,504,774	818,601	-	-	16,323,375
Machinery and Equipment	7,990,991	592,655	(18,105)	-	8,565,541
Total Accumulated Depreciation	<u>25,135,805</u>	<u>1,495,193</u>	<u>(18,105)</u>	<u>-</u>	<u>26,612,893</u>
Governmental Activities Capital Assets, Net	<u>\$ 21,628,747</u>	<u>\$ (1,125,902)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,502,845</u>
Business-Type Activities:					
Non-depreciable Assets:					
Land	\$ 145,904	\$ -	\$ -	\$ -	\$ 145,904
Construction in Progress	1,562,255	111,248	-	(1,224,082)	449,421
Depreciable Assets					
Building and Systems	134,518	-	-	-	134,518
Infrastructure	32,239,046	1,786,560	-	1,224,082	35,249,688
Machinery and Equipment	2,906,704	214,176	-	-	3,120,880
Splash Pad / Water Park	9,233,879	276,485.00	-	-	9,510,364
Totals	<u>46,222,306</u>	<u>2,388,469</u>	<u>-</u>	<u>-</u>	<u>48,610,775</u>
Less Accumulated Depreciation For:					
Building and Systems	120,662	2,545	-	-	123,207
Infrastructure	14,510,966	837,245	-	-	15,348,211
Machinery and Equipment	2,208,939	357,727	-	-	2,566,666
Splash Pad	640,605	222,206	-	-	862,811
Total Accumulated Depreciation	<u>17,481,172</u>	<u>1,419,723</u>	<u>-</u>	<u>-</u>	<u>18,900,895</u>
Business-Type Activities Capital Assets, Net	<u>\$ 28,741,134</u>	<u>\$ 968,746</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 29,709,880</u>

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

Governmental Activities	
General Government	\$ 412,972
Public Safety	611,235
Public Works	254,033
Culture and Recreation	86,572
Economic Development	104,365
Airport	9,270
Cemetery	<u>16,746</u>
Total Depreciation Expense- Governmental Activities	<u>\$ 1,495,193</u>

CITY OF HARTSVILLE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

Note 6. Capital Assets (continued)

Construction in progress and construction commitments – governmental activities and business-type activities consisted of the following at June 30, 2020:

	<u>Expenditures To Date</u>	<u>Total Contract</u>	<u>Contract Payments Remaining</u>
<i>Governmental Activities:</i>			
Wayfinding Signage	\$ 127,000	\$ 172,000	\$ 45,000
Firing Range	21,554	21,554	-
Multi-County BP Project	3,717,462	3,717,462	-
Canal District	38,402	Unknown	Unknown
Airport	<u>137,969</u>	<u>Unknown</u>	<u>Unknown</u>
Total	<u>\$ 4,042,387</u>	<u>\$ 3,911,016</u>	<u>\$ 45,000</u>
<i>Business-Type Activities:</i>			
Industrial Park	\$ 40,445	\$ 40,445	\$ -
Storm Water	297,727	297,727	-
Generator	21,260	481,700	460,440
South Park Sewer	32,529	882,500	849,971
Drainage	<u>57,459</u>	<u>323,900</u>	<u>266,441</u>
Total	<u>\$ 449,420</u>	<u>\$ 2,026,272</u>	<u>\$ 1,576,852</u>

Note 7. Accounts Payable and Accrued Expenses

The significant components of accounts payable and accrued expenses for governmental activities at June 30, 2020, are as follows:

Accounts Payable	\$ 304,301
Accrued Payroll, Withholdings, Fringe and Benefits	<u>480,579</u>
Total Accounts Payable and Accrued Expenses - Governmental Activities	<u><u>\$ 784,880</u></u>

Note 8. Long-term Debt

Governmental Activities:

As of June 30, 2020, 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%.

CITY OF HARTSVILLE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

Note 8. Long-term Debt (continued)

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
2021	\$ 142,300	\$ 22,301	\$ 164,601
2022	145,400	19,195	164,595
2023	148,500	16,021	164,521
2024	126,800	12,782	139,582
2025	129,900	9,701	139,601
2026-2027	269,300	9,856	279,156
	<u>\$ 962,200</u>	<u>\$ 89,856</u>	<u>\$ 1,052,056</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%.

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
2021	\$ 765,834	\$ 76,244	\$ 842,078
2022	785,947	56,130	842,077
2023	393,436	35,481	428,917
2024	404,924	23,993	428,917
2025	416,746	12,169	428,915
	<u>\$ 2,766,887</u>	<u>\$ 204,017</u>	<u>\$ 2,970,904</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, 2019, the City had an outstanding balance of \$1,200,000. Interest

CITY OF HARTSVILLE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

Note 8. Long-term Debt (continued)

on the note is due quarterly. The line-of-credit matures in 5 years from the original agreement date with principal 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 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 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%.

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%.

On September 10, 2019, 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 \$329,504. The lease is payable in annual installments beginning July 1, 2020, including interest at a rate of 2.008%.

CITY OF HARTSVILLE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

Note 8. Long-term Debt (continued)

The following is a schedule of the future minimum lease payments under capital lease, and the present value of the net minimum lease payments at June 30, 2020.

Year Ending 30-Jun	Governmental Activities
2021	\$ 533,613
2022	533,613
2023	253,612
2024	253,612
2025	253,612
2026-2027	<u>166,857</u>
Total Minimum Lease Payments	1,994,919
Less: Amount Representing Interest	<u>(445,087)</u>
Present Value of Minimum Lease Payments	<u>\$ 1,549,832</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 November 29, 2018, the City issued a Combined System Improvement Revenue Bonds, Series 2018 (second lien) with principal and interest due June 30th and interest only payments due December 1st. The interest rate is 3.00% until 2022 and increases to 4.00% from 2023 – 2038.

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

Year Ending June 30,	Principal	Interest	Total
2021	\$ 700,000	\$ 562,350	\$ 1,262,350
2022	725,000	541,350	1,266,350
2023	880,000	519,600	1,399,600
2024	915,000	488,800	1,403,800
2025	960,000	314,000	1,274,000
2026-2030	4,190,000	1,551,000	5,741,000
2031-2035	3,150,000	989,000	4,139,000
2036-2038	<u>3,836,000</u>	<u>306,200</u>	<u>4,142,200</u>
	<u>\$ 15,356,000</u>	<u>\$ 5,272,300</u>	<u>\$ 20,628,300</u>

CITY OF HARTSVILLE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

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, 2020.

Year Ending 30-Jun	Business-Type Activities
2021	\$ 86,355
2022	60,028
2023	60,028
2024	60,028
2025	60,028
2026-2028	<u>240,112</u>
Total Minimum Lease Payments	566,579
Less: Amount Representing Interest	<u>(10,682)</u>
Present Value of Minimum Lease Payments	<u>\$ 555,897</u>

The following is a summary of changes in long-term obligations of the City as of June 30, 2020:

	<u>Balance July 1, 2019</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2020</u>	<u>Due Within One year</u>
<i>Governmental Activities:</i>					
G.O. Bonds	\$ 1,101,400	\$ -	\$ (139,200)	\$ 962,200	\$ 142,300
Revenue Bond	3,513,127	-	(746,240)	2,766,887	765,834
Capital Lease	1,854,141	196,436	(500,745)	1,549,832	525,193
Note Payable	1,400,000	-	-	1,400,000	-
Compensated Absences	<u>311,336</u>	<u>510,388</u>	<u>(311,336)</u>	<u>510,388</u>	<u>87,575</u>
Totals	<u>\$ 8,180,004</u>	<u>\$ 706,824</u>	<u>\$ (1,697,521)</u>	<u>\$ 7,189,307</u>	<u>\$ 1,520,902</u>
<i>Business-Type Activities:</i>					
Revenue Bonds	\$ 16,031,000	\$ -	\$ (675,000)	\$ 15,356,000	\$ 695,000
Capital Lease	500,971	133,068	(78,142)	555,897	69,950
Compensated Absences	<u>38,825</u>	<u>77,000</u>	<u>(38,825)</u>	<u>77,000</u>	<u>17,100</u>
Totals	<u>\$ 16,570,796</u>	<u>\$ 210,068</u>	<u>\$ (791,967)</u>	<u>\$ 15,988,897</u>	<u>\$ 782,050</u>

CITY OF HARTSVILLE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

Note 9. Debt Limitations

The amount of legal debt margin as of June 30, 2020, is computed as follows:

Total Assessed Value	\$ <u>27,160,400</u>
Debit Limit (8% of Assessed Value)	\$ 2,172,832
Amount of Debt Applicable to Debt Limit	<u>(962,200)</u>
Legal Debt Margin	<u>\$ 1,210,632</u>

Note 10. Employee Retirement Systems

Description of the Entity- The South Carolina Public Employee Benefit Authority (PEBA), created July 1, 2012 and governed by an 11-member Board, is the state agency responsible for the administration and management of the various Retirement Systems and retirement programs of the state of South Carolina, including the State Optional Retirement Program and the SC Deferred Compensation Program, as well as the state’s employee insurance programs. As such, PEBA is responsible for administering the South Carolina Retirement Systems’ five defined benefit pension plans. The Retirement Funding and Administration Act of 2017, which became effective July 1, 2017, increased the employer and employee contribution rates, established a ceiling on the SCRS and PORS employee contribution rates, lowered the assumed rate of return, required a schedule reduction of the funding periods, and addressed various governance issues including the required a scheduled reduction of the funding periods, and addressed various governance issues including the assignment of the PEBA Board as custodian of the retirement trust funds and assignment of the RSIC and PEBA as co-trustees of the assets of the retirement trust funds. By law, the State Fiscal Accountability Authority (SFAA), which consists of five elected officials, also reviews certain PEBA Board decisions regarding the actuary of the Systems.

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 and other benefits for employees of the state, its public school districts, and political subdivisions. SCRS subdivisions of government and individuals newly elected to the South Carolina General Assembly at or after the 2012 general election.

CITY OF HARTSVILLE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

Note 10. Employee Retirement Systems (continued)

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 and other benefits for police officers and firefighters. PORS also covers peace officers, coroners, probate judges and magistrates.

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

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

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

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

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

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

CITY OF HARTSVILLE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

Note 10. Employee Retirement Systems (continued)

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

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

Contributions- Actuarial valuations are performed annually by an external consulting actuary to ensure applicable contribution rates satisfy the funding parameters specified in Title 9 of the South Carolina Code of Laws. Under these provisions, SCRS and PORS contribution requirements must be sufficient to maintain an amortization period for the financing of the unfunded actuarial accrued liability (UAAL) over a period that does not exceed the number of years scheduled in state statute. Legislation in 2017 increased, but also established a ceiling for SCRS and PORS employee contribution rates. Effective July 1, 2017, employee rates were increased to a capped rate of 9.00% for SCRS and 9.75% for PORS. The legislation also increased employer contribution rates beginning July 1, 2017, for both SCRS and PORS by two percentage points and further scheduled employer contribution rates to increase by a minimum of one percentage point each year through July 1, 2022. If the scheduled contributions are not sufficient to meet the funding periods set in state statute, the board shall increase the employer contribution rates as necessary to meet the funding periods set for the applicable year. The maximum funding period of SCRS and PORS is scheduled to be reduced over a ten-year schedule from 30 years beginning fiscal year 2018 to 20 years by fiscal year 2028.

Additionally, the Board is prohibited from decreasing the SCRS and PORS contribution rates until the funded ratio is at least 85%. 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 85%, 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 85%. 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 85%, 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 85%.

CITY OF HARTSVILLE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

Note 10. Employee Retirement Systems (continued)

Required employee contribution rates are as follows:

SCRS	<u>Fiscal Year 2020*</u>	<u>Fiscal Year 2019*</u>
Employee Class Two	9.00%	9.00%
Employee Class Three	9.00%	9.00%
PORS		
Employee Class Two	9.75%	9.75%
Employee Class Three	9.75%	9.75%

*Calculated on earnable compensation as defined in Title 9 of the South Carolina Code of Laws.

Required employer contributions are as follows:

SCRS	<u>Fiscal Year 2020*</u>	<u>Fiscal Year 2019*</u>
Employer Class Two	15.41%	14.41%
Employer Class Three	15.41%	14.41%
Employer Incidental Death Benefit	0.15%	0.15%
PORS		
Employer Class Two	17.84%	16.84%
Employer Class Three	17.84%	16.84%
Employer Incidental Death Benefit	0.20%	0.20%
Employer Accidental Death Program	0.20%	0.20%

*Calculated on earnable compensation as defined in Title 9 of the South Carolina Code of Laws.

Actuarial Assumptions and Methods- Actuarial valuations of the 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 June 30, 2015.

The June 30, 2019, 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, 2018. The total pension liability was rolled-forward from the valuation date to the plans' fiscal year end, June 30, 2019, using generally accepted actuarial principles.

CITY OF HARTSVILLE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

Note 10. Employee Retirement Systems (continued)

The following table provides a summary of the actuarial assumptions and methods used calculate the TPL as of June 30, 2019.

	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%		

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, 2019, 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, 2019, 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	\$ 50,073,060,256	\$ 27,238,916,138	\$ 22,834,144,118	54.4%
PORS	7,681,749,768	4,815,808,554	2,865,941,214	62.7%

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.

CITY OF HARTSVILLE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

Note 10. Employee Retirement Systems (continued)

The expected returns, along with the expected inflation rate, form the basis for the target asset allocation adopted at the beginning of the 2018 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.

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Expected Arithmetic Real Rate of Return</u>	<u>Long Tern Expected Portfolio Real Rate of Return</u>
Global Equity	51%		
Global Public Equity	35%	7.29%	2.55%
Private Equity	9%	7.67%	0.69%
Equity Options Strategies	7%	5.23%	0.37%
Real Assets	12%		
Real Estate (Private)	8%	5.59%	0.45%
Real Estate (REITs)	1%	8.16%	0.08%
Infrastructure (Private)	2%	5.03%	0.10%
Infrastructure (Public)	1%	6.12%	0.06%
Opportunistic	8%		
Global Tactical Asset Allocation	7%	3.09%	0.22%
Other Opportunistic Strategies	1%	3.82%	0.04%
Credit	15%		
High Yield Bonds / Bank Loans	4%	3.14%	0.13%
Emerging Markets Debt	4%	3.31%	0.13%
Private Debt	7%	5.49%	0.38%
Rate Sensitive	14%		
Core Fixed Income	13%	1.62%	0.21%
Cash and Short Duration (Net)	<u>1%</u>	0.31%	<u>0.00%</u>
Total Expected Return	100%		5.41%
Inflation for Actuarial Purposes			<u>2.25%</u>
Total Expected Nominal Return			<u>7.66%</u>

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.

System	1% Decrease <u>6.25%</u>	Discount Rate <u>7.25%</u>	1% Increase <u>8.25%</u>
SCRS	\$ 8,519,537	\$ 6,762,661	\$ 5,296,445
PORS	\$ 6,338,472	\$ 4,677,022	\$ 3,315,873

CITY OF HARTSVILLE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

Note 10. Employee Retirement Systems (continued)

Additional Financial and Actuarial Information – Detailed information regarding the fiduciary net position of the plans administered by PEBA is available in the Systems’ audited financial statements for the fiscal year ended June 30, 2019 (including the unmodified audit opinion on the financial statements). Additional actuarial information is available in the accounting and financial reporting actuarial valuation as of June 30, 2019.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions- At June 30, 2020, the City reported a liability of \$6,762,661 for the SCRS and \$4,677,021 for the PORS for a total of \$11,439,682 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City’s proportion of the net pension liability was based on a projection of the City’s long-term share of contributions to the pension plan relative to the projected contributions of all participating state entities, actuarially determined. At June 30, 2020, the City’s proportion was 0.029616 percent for the SCRS and 0.163193 percent for the PORS measured as of June 30, 2020.

For the year ended June 30, 2020, the City recognized pension expense of \$892,596, 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, \$738,355. At June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 100,819	\$ 83,149
Changes of assumptions	321,744	-
Net difference between projected and actual earnings on pension plan investments	119,174	-
Changes in proportion and differences between District contributions and proportionate share of contributions	338,231	58,458
Town contributions subsequent to measurement date	<u>938,257</u>	<u>-</u>
Total	<u>\$ 1,818,225</u>	<u>\$ 141,607</u>

The City’s contributions subsequent to the measurement date of \$445,363 are reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ended June 30, 2020.

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>
2020	\$ 253,920	\$ 251,574	\$ 505,494
2021	(4,264)	94,686	90,422
2022	72,658	25,861	98,519
2023	<u>24,782</u>	<u>19,138</u>	<u>43,920</u>
Total	<u>\$ 347,096</u>	<u>\$ 391,259</u>	<u>\$ 738,355</u>

CITY OF HARTSVILLE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

Note 10. Employee Retirement Systems (continued)

Payables to the Pension Plan- The City reported a payable to the PEBA as of June 30, 2020, in the amount of \$357,324, representing required employer and employee contributions for the month of June 2020 for the plans. This amount is included in Accrued Expenses on the financial statements and was paid in July 2020.

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, 2019, the valuation date:

	Number
Inactive Employees or Beneficiaries Currently Receiving Benefits	16
Inactive Members Entitled To But Not Yet Receiving Benefits	0
Active Employees	125
Total Membership	141

CITY OF HARTSVILLE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

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

Actuarial assumptions and other inputs – The TOL was determined by an actuarial valuation as of January 1, 2019, 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	4.10%
Measurement Date	2.74%
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	7.25% for 2019 decreasing to an ultimate rate of 4.75% by 2029

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 the anticipated experience and provide margin for future improvements.

CITY OF HARTSVILLE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

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, 2019 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, 2019 valuation were based on a review of recent plan experience done concurrently with the January 1, 2019 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%
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, 2020

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, 2019. In addition to the actuarial methods and assumptions of the January 1, 2019 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	\$ 379,102	\$ 509,883	\$ 664,489

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	\$ 622,714	\$ 509,883	\$ 408,578

CITY OF HARTSVILLE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

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

Change in Net OPEB Liability (NOL)

	Total OPEB Liability (a)	Plan Net Position (b)	Net OPEB Liability (a) – (b)
Balance as of December 31, 2018	\$ 1,216,380	\$ 647,659	\$ 568,721
Changes for the year:			
Service Cost at the end of the year*	46,670	0	46,670
Interest on TOL and Cash Flows	56,062	0	56,062
Change in benefit terms	0	0	0
Difference between expected and actual experience	(49,859)	0	(49,859)
Changes of assumptions or other inputs	61,938	0	61,938
Contributions – employer	0	146,798	(146,798)
Contributions – non-employer	0	0	0
Net investment income	0	31,252	(31,252)
Benefit payments and implicit subsidy credit**	(73,122)	(73,122)	0
Plan administrative expenses***	0	(4,401)	4,401
Other	0	0	0
Net changes	\$ 41,689	\$ 100,527	\$ (58,838)
Balance as of December 31, 2019	\$ 1,258,069	\$ 748,186	\$ 509,883

* The service cost includes interest for the year.

** Benefit payments are net of participant contributions and include a payment of \$23,900 for the implicit subsidy. Benefit payments include \$49,222 paid outside the Trust.

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

CMC has assumed no significant changes, other than the change in the Municipal Bond Index Rate, has occurred between the Valuation Date and the Measurement Date. If a significant change, other than the change in the Municipal Bond Index Rate, has occurred between the Valuation Date and the Measurement Date, an updated valuation may need to be performed.

The TOL is based upon an actuarial valuation performed as of the valuation date, January 1, 2019. An expected TOL is determined as of December 31, 2019 using standard roll forward techniques. The roll forward calculation begins with the TOL, as of the prior measurement date, December 31, 2018, subtracts the expected benefit payments for the year, applies interest at the discount rate for the year, and then adds the annual normal cost (also called the Service Cost).

CITY OF HARTSVILLE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

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

Information regarding changes in benefit terms and changes to assumptions or other inputs should be noted. The following changes have been made since the prior measurement date:

Changes to benefit terms:

- None

Changes to assumptions or other inputs:

- Changes in medical trend

Since certain expense items are recognized over closed periods each year, the deferred portions of these items must be tracked annually. If the amounts will increase OPEB Expense they are labeled Deferred Outflows of Resources. If they serve to reduce OPEB Expense they are labeled Deferred Inflows of Resources. The recognition of these amounts is accomplished on a level dollar basis, with no interest included in the deferred amounts. Experience gains/losses and the impact of changes in actuarial assumptions or other inputs, if any, are recognized over the average expected remaining service lives of the active and inactive Plan members at the beginning of the measurement period.

Deferred Inflows of Resources and Deferred Outflows of Resources

The following table provides a summary of the Deferred Outflows of Resources and Deferred Inflows of Resources as of December 31, 2019:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 4,959	\$ 44,034
Changes of assumptions or other inputs	54,702	0
Net difference between projected and actual earnings on plan investments	<u>16,810</u>	<u>0</u>
Total	<u>\$ 76,471</u>	<u>\$ 44,034</u>

Deferred Outflows and Deferred Inflows of Resources subsequent to the Measurement Date may need to be reported by the employer. CMC will not provide or incorporate these amounts in this report.

Schedule of the Recognition of Deferred (Inflows)/Outflows of Resources in OPEB Expense: Amounts reported as Deferred Outflows of Resources and Deferred Inflows of Resources related to OPEB benefits will be recognized in OPEB Expense as follows:

Measurement Period Ended December 31:	
2020	\$ 8,486
2021	\$ 8,487
2022	\$ 6,295
2023	\$ 2,454
2024	\$ 2,228
Thereafter	\$ 4,487

CITY OF HARTSVILLE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

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, 2019, 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 lives of the entire Plan membership at the beginning of the measurement period. The average expected remaining service lives of active members is the average number of years the active members are expected to remain in covered employment. The average expected remaining service lives of the inactive members is zero. The recognition period is the weighted average of these two amounts (not less than 1 year). The recognition period is 8.56 year.

The last item under changes in TOL is changes in assumptions or other inputs. There was a change in the TOL arising from the change in medical trend. Therefore, the change in TOL resulting from the change in assumptions is to be recognized in the OPEB Expense (OE), beginning in the current measurement period, over a closed period equal to 8.56 year, using the same approach applied to Plan experience as described in the prior paragraph.

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, 2020**

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	\$647,659
c) End of year market value of assets	748,186
d) Expected return on beginning assets for plan year	30,764
e) External cash flow (mid-year payments assumed):	
Contributions – employer	146,798
Contributions – active member	0
Refunds of contributions	0
Benefit payments	(73,122)
Administrative expenses*	(4,401)
Other	<u>0</u>
Total external cash flow	69,275
f) Expected return on external cash flow	1,626
g) Projected earnings for plan year (d + f)	32,390
h) Net investment income (c – b – e)	31,252
i). Investment earnings (gain) loss (g – h)	<u>\$1,138</u>

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

CITY OF HARTSVILLE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

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

The calculation of the OE for the year ended June 30, 2020 is shown in the following table:

OPEB Expense	
For Year Ending June 30, 2020	
Service Cost at end of year*	\$46,670
Interest on the Total OPEB Liability and Cash Flow	56,062
Current-period benefit changes	0
Expensed portion of current-period difference between expected and actual experience in the Total OPEB Liability	(5,825)
Expensed portion of current-period changes of assumptions or other inputs	7,236
Active member contributions	0
Projected earnings on plan investments	(32,390)
Expensed portion of current-period differences between actual and projected earnings on plan investments	228
Administrative Costs**	4,401
Other	0
Recognition of beginning Deferred Outflows of Resources as OPEB Expense	6,847
Recognition of beginning Deferred Inflows of Resources as OPEB Expense	<u>0</u>
OPEB Expense	<u>\$83,229</u>

*The service cost includes interest for the year.

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

Methods and assumptions used in calculations of Actuarially Determined Employer Contributions. The Actuarially Determined Employer Contribution amount in the Schedule of Employer Contributions (Schedule A) is calculated with each biennial actuarial valuation. The actuarial methods and assumptions from the January 1, 2019 actuarial valuation reports were used to determine the most recent contribution amounts. Please refer the January 1, 2019 and prior actuarial valuation reports for details related to the assumptions and methods used.

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, 2020, open contracts and project budgets for construction totaled \$5,937,288, of which \$4,491,807 has been recorded as construction in progress.

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

CITY OF HARTSVILLE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

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 \$359,491 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 \$171,787 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, 2020

Note 16. Inter-fund Transfers

Transfers from (to) other funds for the year ended June 30, 2020, consist of the following:

<i>General Fund</i>		<i>Accommodations Fund</i>	
Transfer from Proprietary Fund	\$ 1,268,269	Transfer to General Fund	\$ (91,500)
Transfer from Hospitality fund	416,340	Transfer to Hospitality Fund	<u>(92,500)</u>
Transfer from Accommodations Fund	<u>91,500</u>		
Net Total Transfer From	<u>\$ 1,776,109</u>	Net Total Transfer To	<u>\$ (184,000)</u>
<i>Hospitality Fund</i>		Water and Sewer Fund	
Transfer to General Fund	\$ (416,340)	Transfer to Storm Water Fund	\$ (96,280)
Transfer from Accommodation Fund	<u>92,500</u>	Transfer to General Fund	<u>(1,268,269)</u>
Net Total Transfer To	<u>\$ (323,840)</u>	Net Total Transfer To	<u>\$ (1,364,549)</u>
<i>Storm Water Fund</i>			
Transfer from Proprietary Fund	<u>\$ 96,280</u>		
Net Total Transfer From	<u>\$ 96,280</u>		
Concessions			
Transfer to General Fund	\$ -		
Net Total Transfer From	<u>\$ -</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, 2020

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 \$28,726 for the fiscal ended June 30, 2020.

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, 2020, totaled \$165,005.

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, 2020

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 \$74,817.

According to Darlington County, capital investment committed to the existing FILOT agreements was \$95,000,000. This investment resulted in FILOT payments of \$29,514 to the City of Hartsville for the tax year 2019.

Note 19. Pending Implementation of GASB Statements

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

Statement No. 84, Fiduciary Activities, will be effective for fiscal year ending June 30, 2021. 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.

Note 20. Subsequent Events

The City of Hartsville has evaluated subsequent events through November 20, 2020, which is the date the financial statements were available to be issued.

The city issued installment purchase revenue bonds in the amount of \$2,900,000 on January 14, 2021. The issuance of bonds was used to restructure debt for the general 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, 2020**

	Budget	Adjusted Budget	Actual	Variance Positive (Negative)
Revenues				
Taxes				
Property Taxes	\$ 2,784,000	\$ 2,784,000	\$ 2,842,743	\$ 58,743
Vehicle Taxes	280,000	280,000	290,487	10,487
PILOT Taxes	90,000	90,000	264,843	174,843
Accommodations Tax	145,000	145,000	121,267	(23,733)
Merchant Inventory Tax	56,000	56,000	28,334	(27,666)
Local Option Sales Tax	<u>1,200,000</u>	<u>1,200,000</u>	<u>1,446,547</u>	<u>246,547</u>
Total Taxes	<u>4,555,000</u>	<u>4,555,000</u>	<u>4,994,221</u>	<u>439,221</u>
Licenses, Fees and Permits				
Franchise Fees	647,000	647,000	761,945	114,945
Business License Fees	1,830,000	1,830,000	1,935,364	105,364
Telecommunications Fees	40,000	40,000	33,207	(6,793)
Permits	154,300	154,300	183,168	28,868
Fire	15,000	15,000	27,841	12,841
Recreation	<u>20,200</u>	<u>20,200</u>	<u>18,896</u>	<u>(1,304)</u>
Total Licenses, Fees and Permits	<u>2,706,500</u>	<u>2,706,500</u>	<u>2,960,421</u>	<u>253,921</u>
Intergovernmental Revenue				
Local Government Funds	<u>185,000</u>	<u>185,000</u>	<u>184,080</u>	<u>(920)</u>
Total Intergovernmental Revenue	<u>185,000</u>	<u>185,000</u>	<u>184,080</u>	<u>(920)</u>
Charges for Services				
Solid Waste	<u>1,372,290</u>	<u>1,372,290</u>	<u>1,376,353</u>	<u>4,063</u>
Total Charges for Services	<u>1,372,290</u>	<u>1,372,290</u>	<u>1,376,353</u>	<u>4,063</u>
Fines and Forfeitures				
Police	122,000	122,000	74,206	(47,794)
Victim's Rights	<u>-</u>	<u>-</u>	<u>(5,968)</u>	<u>(5,968)</u>
Total Fines and Forfeitures	<u>122,000</u>	<u>122,000</u>	<u>68,238</u>	<u>(53,762)</u>
Miscellaneous				
School Resource Officer	273,000	273,000	270,741	(2,259)
Fire Contracts	550,000	550,000	631,609	81,609
Recreation Program Income	2,500	2,500	1,533	(967)
Cemetery	55,000	55,000	80,940	25,940
Rent Income	30,600	30,600	29,406	(1,194)
Contributions and Donations	7,500	7,500	-	(7,500)
Accumulated Surplus	(7,222)	(7,222)	-	7,222
Other	129,200	129,200	139,094	9,894
Grant Income	6,296	6,296	24,646	18,350
Interest Income	<u>-</u>	<u>-</u>	<u>1,036</u>	<u>1,036</u>
Total Miscellaneous	<u>1,046,874</u>	<u>1,046,874</u>	<u>1,179,005</u>	<u>132,131</u>
Total Revenues	<u>9,987,664</u>	<u>9,987,664</u>	<u>10,762,318</u>	<u>774,654</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, 2020
(Continued)**

Expenditures

General Government	<u>Budget</u>	<u>Adjusted Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Advertisement	\$ 4,300	\$ 4,300	\$ 6,025	\$ (1,725)
Banking Fees	50,350	50,350	59,675	(9,325)
Computer Expenses	65,000	65,000	56,221	8,779
Contract Services	448,525	448,525	585,722	(137,197)
Contingency	232,076	232,076	-	232,076
Demolition	40,000	40,000	33,638	6,362
Dues and Subscriptions	16,710	16,710	17,016	(306)
Employee Benefits	168,593	168,593	156,039	12,554
Grant Expenditures	113,255	113,255	127,326	(14,071)
Insurance	384,723	384,723	367,289	17,434
Legal and Professional Fees	130,000	130,000	114,667	15,333
Miscellaneous	186,046	186,046	163,201	22,845
Office Supplies	21,100	21,100	20,782	318
Payroll Taxes	77,429	77,429	77,885	(456)
Postage	5,600	5,600	3,866	1,734
Repairs and Maintenance	55,000	55,000	47,684	7,316
Salaries	1,013,360	1,013,360	1,076,558	(63,198)
Telephone	7,000	7,000	8,781	(1,781)
Training	39,000	39,000	28,275	10,725
Utilities	315,600	315,600	319,720	(4,120)
Vehicle Expense	12,200	12,200	16,087	(3,887)
FEMA Expenditures	-	-	12,824	(12,824)
Travel	500	500	559	(59)
Total General Government	<u>3,386,367</u>	<u>3,386,367</u>	<u>3,299,840</u>	<u>86,527</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, 2020
(Continued)**

Public Safety

Police	<u>Budget</u>	<u>Adjusted Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Boarding Prisoners	\$ 7,000	\$ 7,000	\$ 7,050	\$ (50)
Contracted Services	69,600	69,600	43,421	26,179
Demolition	-	-	-	-
Dues and Subscriptions	3,050	3,050	1,825	1,225
Employee Benefits	340,859	340,859	348,764	(7,905)
Insurance	449,490	449,490	410,556	38,934
Legal and Professional	16,245	16,245	10,370	5,875
Miscellaneous	26,000	26,000	18,876	7,124
Office Supplies	12,000	12,000	10,178	1,822
Payroll Taxes	140,816	140,816	143,188	(2,372)
Postage	1,575	1,575	557	1,018
Repairs and Maintenance	50,500	50,500	61,820	(11,320)
Salaries	1,921,621	1,921,621	1,989,022	(67,401)
Supplies	2,600	2,600	2,584	16
Telephone	20,534	20,534	26,372	(5,838)
Training	33,800	33,800	25,725	8,075
Uniforms	24,251	24,251	14,098	10,153
Utilities	18,000	18,000	18,842	(842)
Vehicle Expense	132,700	132,700	135,911	(3,211)
911 E Contract	<u>76,500</u>	<u>76,500</u>	<u>73,230</u>	<u>3,270</u>
Police Total	<u>3,347,141</u>	<u>3,347,141</u>	<u>3,342,389</u>	<u>4,752</u>
Fire				
Contract Services	73,500	73,500	80,834	(7,334)
Dues and Subscriptions	1,400	1,400	1,181	219
Employee Benefits	123,873	123,873	118,623	5,250
Insurance	149,691	149,691	141,585	8,106
Legal and Professional	10,450	10,450	5,316	5,134
Office Supplies	2,500	2,500	2,109	391
Payroll Taxes	56,433	56,433	60,043	(3,610)
Postage	300	300	278	22
Miscellaneous	5,000	5,000	3,829	1,171
Repairs and Maintenance	50,600	50,600	51,773	(1,173)
Salaries	737,707	737,707	812,959	(75,252)
Supplies	10,550	10,550	10,234	316
Telephone	24,000	24,000	13,559	10,441
Training	16,321	16,321	13,981	2,340
Uniforms	15,800	15,800	16,229	(429)
Utilities	17,000	17,000	21,710	(4,710)
Vehicle Expense	75,000	75,000	116,282	(41,282)
911 E Contract	<u>11,367</u>	<u>11,367</u>	<u>11,367</u>	<u>-</u>
Fire Total	<u>1,381,492</u>	<u>1,381,492</u>	<u>1,481,892</u>	<u>(100,400)</u>
Total Public Safety	<u>4,728,633</u>	<u>4,728,633</u>	<u>4,824,281</u>	<u>(95,648)</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, 2020
(Continued)**

Culture and Recreation	<u>Budget</u>	<u>Adjusted Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Advertisement	\$ 1,000	\$ 1,000	\$ 459	\$ 541
Contract Services	63,000	63,000	56,643	6,357
Dues and Subscriptions	3,000	3,000	368	2,632
Employee Benefits	39,614	39,614	34,648	4,966
Insurance	57,049	57,049	50,475	6,574
Legal and Professional	1,000	1,000	437	563
Miscellaneous	3,000	3,000	1,901	1,099
Office Supplies	2,500	2,500	430	2,070
Payroll Taxes	19,620	19,620	24,473	(4,853)
Postage	200	200	99	101
Repairs and Maintenance	64,000	64,000	91,343	(27,343)
Salaries	246,469	246,469	237,117	9,352
Telephone	8,000	8,000	7,474	526
Training	4,500	4,500	3,289	1,211
Utilities	120,000	120,000	148,023	(28,023)
Vehicle Expense	10,000	10,000	14,127	(4,127)
Supplies	9,400	9,400	6,528	2,872
Uniforms	5,200	5,200	1,947	3,253
Small Tools and Equipment	11,500	11,500	9,563	1,937
Total Culture and Recreation	<u>669,052</u>	<u>669,052</u>	<u>689,344</u>	<u>(20,292)</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, 2020
(Continued)**

Cemetery	<u>Budget</u>	<u>Adjusted Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Building Maintenance	\$ 2,000	\$ 2,000	\$ 4,283	\$ (2,283)
Contract Services	86,400	86,400	98,400	(12,000)
Miscellaneous	15,750	15,750	30,202	(14,452)
Telephone	<u>250</u>	<u>250</u>	<u>242</u>	<u>8</u>
Total Cemetery	<u>104,400</u>	<u>104,400</u>	<u>133,127</u>	<u>(28,727)</u>
 Airport				
Contract Services	55,500	55,500	55,151	349
Insurance	2,250	2,250	2,380	(130)
Repairs and Maintenance	8,000	8,000	10,334	(2,334)
Telephone	600	600	535	65
Utilities	<u>4,400</u>	<u>4,400</u>	<u>5,742</u>	<u>(1,342)</u>
Total Airport	<u>70,750</u>	<u>70,750</u>	<u>74,142</u>	<u>(3,392)</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, 2020
(Continued)**

Public Works	<u>Budget</u>	<u>Adjusted Budget</u>	<u>Actual</u>	Variance Positive (Negative)
Bad Debt Expense	\$ -	\$ -	\$ 25,397	\$ (25,397)
Contract Services	68,500	68,500	204,409	(135,909)
County Tipping Fee	162,000	162,000	108,023	53,977
Dues and Subscriptions	2,500	2,500	799	1,701
Employee Benefits	141,335	141,335	111,166	30,169
Insurance	292,604	292,604	232,369	60,235
Legal and Professional	4,140	4,140	4,279	(139)
Miscellaneous	12,000	12,000	6,211	5,789
Office Supplies	1,100	1,100	3,443	(2,343)
Payroll Taxes	69,997	69,997	56,622	13,375
Postage	200	200	14	186
Repairs and Maintenance	130,300	130,300	140,980	(10,680)
Salaries	914,997	914,997	814,824	100,173
Small Equipment and Tools	20,000	20,000	21,420	(1,420)
Supplies	38,800	38,800	37,023	1,777
Telephone	4,500	4,500	3,300	1,200
Training	5,000	5,000	2,307	2,693
Vehicle Expense	179,200	179,200	243,086	(63,886)
Uniforms	22,850	22,850	25,745	(2,895)
Utilities	14,900	14,900	25,586	(10,686)
Total Public Works	<u>2,084,923</u>	<u>2,084,923</u>	<u>2,067,003</u>	<u>17,920</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, 2020
(Continued)**

	Budget	Adjusted Budget	Actual	Variance Positive (Negative)
Capital Outlay				
General Government	\$ 77,400	\$ 77,400	96,772	\$ (19,372)
Public Safety	184,379	184,379	200,226	(15,847)
Culture and Recreation	-	-	9,844	(9,844)
Airport	20,000	20,000	21,061	(1,061)
Public Works	139,500	139,500	139,340	160
Total Capital Outlay	<u>421,279</u>	<u>421,279</u>	<u>467,243</u>	<u>(45,964)</u>
Debt Service				
Principal	471,019	471,019	501,025	(30,006)
Interest	38,523	38,523	49,358	(10,835)
Total Debt Service	<u>509,542</u>	<u>509,542</u>	<u>550,383</u>	<u>(40,841)</u>
Total Expenditures	<u>11,974,946</u>	<u>11,974,946</u>	<u>12,105,363</u>	<u>(130,417)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(1,987,282)</u>	<u>(1,987,282)</u>	<u>(1,343,045)</u>	<u>905,071</u>
Other Financing Sources (Uses)				
Lease Proceeds	182,000	182,000	183,436	1,436
Sale of Capital Assets	50,000	50,000	1,809	(48,191)
Operating Transfers In	1,755,282	1,755,282	1,860,047	104,765
Operating Transfers Out	-	-	(43,811)	(43,811)
Total Other Financing Sources (Uses)	<u>1,987,282</u>	<u>1,987,282</u>	<u>2,001,481</u>	<u>14,199</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	658,436	<u>\$ 658,436</u>
Fund Balance, Beginning of Year , as restated			<u>656,450</u>	
Fund Balance, End of Year			<u>\$ 1,314,886</u>	

**CITY OF HARTSVILLE, SOUTH CAROLINA
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
For the Fiscal Year Ended June 30, 2020**

	Budgeted Amounts			Variance
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Positive (Negative)
Revenues				
Taxes	\$ 4,555,000	\$ 4,555,000	\$ 4,994,221	\$ 439,221
Licenses, Fees and Permits	2,706,500	2,706,500	2,960,421	253,921
Intergovernmental	185,000	185,000	184,080	(920)
Charges for Services	1,372,290	1,372,290	1,376,353	4,063
Fines and Forfeitures	122,000	122,000	68,238	(53,762)
Miscellaneous	<u>1,046,874</u>	<u>1,046,874</u>	<u>1,179,005</u>	<u>132,131</u>
 Total Revenues	 <u>9,987,664</u>	 <u>9,987,664</u>	 <u>10,762,318</u>	 <u>774,654</u>
Expenditures				
Current:				
General Government	3,386,367	3,386,367	3,299,840	86,527
Public Safety	4,728,633	4,728,633	4,824,281	(95,648)
Culture and Recreation	669,052	669,052	689,344	(20,292)
Cemetery	104,400	104,400	133,127	(28,727)
Airport	70,750	70,750	74,142	(3,392)
Public Works	2,084,923	2,084,923	2,067,003	17,920
Capital Outlay	421,279	421,279	467,243	(45,964)
Debt Service				
Principal	471,019	471,019	501,025	(30,006)
Interest	<u>38,523</u>	<u>38,523</u>	<u>49,358</u>	<u>(10,835)</u>
 Total Expenditures	 <u>11,974,946</u>	 <u>11,974,946</u>	 <u>12,105,363</u>	 <u>(130,417)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(1,987,282)</u>	<u>(1,987,282)</u>	<u>(1,343,045)</u>	<u>644,237</u>
Other Financing Sources (Uses)				
Sale of Capital Assets	50,000	50,000	1,809	(48,191)
Operating Transfers In	1,755,282	1,755,282	1,860,047	104,765
Operating Transfers Out	<u>-</u>	<u>-</u>	<u>(43,811)</u>	<u>(43,811)</u>
 Total Other Financing Sources (Uses)	 <u>1,987,282</u>	 <u>1,987,282</u>	 <u>2,001,481</u>	 <u>14,199</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	658,436	<u>\$ 658,436</u>
Fund Balance, Beginning of Year, as restated			<u>656,450</u>	
Fund Balance, End of Year			<u>\$ 1,314,886</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, 2020

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
SCRS						
City's proportion of the net pension liability (asset)		0.029620%	0.028641%	0.028124%	0.029181%	0.027748%
City's proportionate share of the net pension liability (asset)	\$ 6,762,661	\$ 6,341,508	\$ 6,447,550	\$ 6,007,245	\$ 5,534,317	\$ 4,777,286
City's covered employee payroll	\$ 3,168,542	\$ 2,276,737	\$ 2,182,324	\$ 2,893,086	\$ 2,664,376	\$ 2,744,291
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	46.85%	35.90%	33.85%	48.16%	48.14%	57.44%
Plan fiduciary net position as a percentage of total pension liability	39.06%	38.21%	26.05%	24.27%	20.98%	18.59%
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
PORS						
City's proportion of the net pension liability (asset)		0.163193%	0.158090%	0.153320%	0.158200%	0.159940%
City's proportionate share of the net pension liability (asset)	\$ 4,677,021	\$ 4,627,791	\$ 4,331,026	\$ 3,888,822	\$ 3,448,007	\$ 3,061,916
City's covered employee payroll	\$ 2,762,225	\$ 1,709,266	\$ 1,658,294	\$ 2,125,749	\$ 1,949,412	\$ 1,951,125
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	59.06%	36.93%	38.29%	54.66%	56.54%	63.72%
Plan fiduciary net position as a percentage of total pension liability	27.02%	27.88%	17.50%	15.71%	13.07%	11.91%

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

**CITY OF HARTSVILLE, SOUTH CAROLINA
 REQUIRED SUPPLEMENTAL INFORMATION
 SCHEDULE OF CITY CONTRIBUTIONS
 For the Fiscal Year Ended June 30, 2020**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 938,257	\$ 598,390	\$ 565,230	\$ 637,148	\$ 557,759	\$ 548,864	\$ 500,153
Contributions in relation to contractually required contribution	938,257	598,390	565,230	637,148	557,759	548,864	500,153
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City's covered-employee payroll	\$ 5,930,767	\$ 5,632,729	\$ 5,113,504	\$ 5,018,835	\$ 4,613,788	\$ 4,695,416	\$ 4,420,271
Contributions as a percentage of covered-employee payroll	15.82%	10.62%	11.05%	12.70%	12.09%	11.69%	11.31%

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

**CITY OF HARTSVILLE, SOUTH CAROLINA
REQUIRED SUPPLEMENTAL INFORMATION
SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY
For the Fiscal Year Ended June 30, 2020**

	2019	2018	2017
Total OPEB Liability			
Service Cost at end of year	\$ 46,670	\$ 45,190	\$ 43,756
Interest on the Total OPEB Liability	56,062	54,597	53,098
Changes of benefit terms	-	-	-
Difference between expected and actual experience	(49,859)	3,731	3,242
Changes of assumptions or other inputs	61,938	-	-
Benefit payments*	(73,122)	(72,247)	(64,925)
Net change in Total OPEB Liability	41,689	31,271	35,171
Total OPEB Liability - beginning	\$ 1,216,380	\$ 1,185,109	\$ 1,149,938
Total OPEB Liability - ending (a)	\$ 1,258,069	\$ 1,216,380	\$ 1,185,109
Plan Fiduciary Net Position			
Contributions - employer**	\$ 146,798	\$ 140,933	\$ 131,140
Contributions - non-employer	-	-	-
Contributions - active member	-	-	-
Net investment income	31,252	9,574	14,246
Benefit Payments*	(73,122)	(72,247)	(64,925)
Administrative expense	(4,401)	(4,257)	(9,599)
Other	-	-	-
Net Change in Plan Fiduciary Net Position	\$ 100,527	\$ 74,003	\$ 70,862
Plan Fiduciary Net Position - beginning	\$ 647,659	\$ 573,656	\$ 502,794
Plan Fiduciary Net Position - ending (b)	\$ 748,186	\$ 647,659	\$ 573,656
Net OPEB Liability - ending (a) - (b)	\$ 509,883	\$ 568,721	\$ 611,453

* Benefit payments are net of participant contributions and include an amount for the implicit subsidy, if applicable, as well as benefits paid outside the Trust, if applicable.
** The employer contribution includes amounts for the implicit subsidy, if applicable, and benefit payments amounts paid outside the Trust, if applicable.

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. 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, 2020**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Total OPEB Liability	\$ 1,258,069	\$ 1,216,380	\$ 1,185,109	\$ 1,149,938
Plan Fiduciary Net Position	<u>748,186</u>	<u>647,659</u>	<u>573,656</u>	<u>502,794</u>
Net OPEB Liability	\$ 509,883	\$ 568,721	\$ 611,453	\$ 647,144
Plan Fiduciary Net Position as a percentage of the Total OPEB Liability	59.47%	53.24%	48.41%	43.72%
Covered Payroll*	\$ 4,740,563	\$ 4,369,087	\$ 4,369,087	\$ 4,369,087
Net OPEB Liability as a percentage of covered payroll	10.76%	13.02%	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 complied, 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, 2020**

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Actuarially Determined Employer Contribution (ADEC)	\$ 70,876	\$ 72,661	\$ 68,686
Contributions in relation to the ADEC	<u>146,798</u>	<u>140,933</u>	<u>131,140</u>
Annual contribution deficiency (excess)	\$ (75,922)	\$ (68,272)	\$ (62,454)
Covered Payroll*	\$ 4,740,563	\$ 4,369,087	\$4,369,087
Actual contributions as a percentage of covered payroll	3.10%	3.23%	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, 2020

Note 1. Budgets and Budgetary Accounting

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

Note 2. Legal Compliance – Budgets

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

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

The public safety, culture and recreation, cemetery, airport, and capital outlay have excess expenditures over appropriations in the amount of \$95,648, \$20,292, \$28,727, \$3,392 and \$45,964.

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.

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.

Hartsville Public Development Corporation

The *Hartsville Public Development Corporation Fund*, a non-major fund, is used to provide support for the capital projects of the City.

**CITY OF HARTSVILLE, SOUTH CAROLINA
HOSPITALITY TAX FUND
BALANCE SHEET
June 30, 2020**

Assets

Restricted Cash \$ 448,740

Total Assets **\$ 448,740**

Liabilities and Fund Balance

Fund Balance
Restricted for Culture, Recreation and Tourism \$ 448,740

Total Liabilities and Fund Balance **\$ 448,740**

**CITY OF HARTSVILLE, SOUTH CAROLINA
HOSPITALITY TAX FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
For the Fiscal Year Ended June 30, 2020**

Revenues

Other Taxes	\$ 925,213
Total Revenues	<u>925,213</u>

Expenditures

Economic Development	135,725
Debt Services	
Principal	385,350
Interest	<u>27,811</u>
Total Expenditures	<u>548,886</u>

Excess of Revenues Over Expenditures	<u>376,327</u>
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Other Financing Sources (Uses)

Transfer from Accommodations Fund	92,500
Transfer to General Fund	<u>(416,340)</u>
Total Other Financing Sources (Uses)	<u>(323,840)</u>

Net Change in Fund Balance	52,487
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Restricted Fund Balance, Beginning of Year	<u>396,253</u>
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Restricted Fund Balance, End of Year	<u><u>\$ 448,740</u></u>
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**CITY OF HARTSVILLE, SOUTH CAROLINA
SPECIAL REVENUE FUND
BALANCE SHEET
June 30, 2020**

Assets

Cash	\$ 413,495
Total Assets	<u>\$ 413,495</u>

Liabilities and Fund Balance

Deferred Revenue	\$ 383,091
Total Liabilities	<u>383,091</u>
Fund Balance	
Restricted for Community Development	<u>30,404</u>
Total Liabilities and Fund Balance	<u>\$ 413,495</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, 2020**

Revenues

Grant Proceeds	\$ <u>429,441</u>
Total Revenues	<u>429,441</u>

Expenditures

Capital Outlay	
Public Safety	52,228
Community Development	<u>331,651</u>
Total Expenditures	<u>383,879</u>

Excess (Deficiency) of Revenues Over Expenditures	<u>45,562</u>
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Other Financing Sources (Uses)

Transfer to General Fund	(33,939)
Transfer to Water and Sewer	<u>(111,248)</u>
Total Other Financing Sources	<u>(145,187)</u>

Net Change in Fund Balance	(99,625)
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Restricted Fund Balance, Beginning of Year, Restated	<u>130,029</u>
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Restricted Fund Balance, End of Year	<u><u>\$ 30,404</u></u>
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CITY OF HARTSVILLE, SOUTH CAROLINA
VICTIM'S ASSISTANCE
SCHEDULE OF FINES, ASSESSMENTS AND SURCHARGES
For the Fiscal Year Ended June 30, 2020

COUNTY/MUNICIPAL FUNDS COLLECTED BY CLERK OF COURT	General Sessions	Magistrate Court	Municipal Court	Total
Court Fines and Assessments:				
Court Fines and Assessments Collected	\$ -	\$ -	\$ 106,063	\$ 106,063
Court Fines and Assessments Remitted to State Treasurer	-	-	(41,667)	(41,667)
Total Court Fines and Assessments Retained	-	-	64,396	64,396
Surcharges and Assessments Retained for Victim Services:				
Surcharges Collected and Retained	-	-	28,977	28,977
Assessments Retained	-	-	(4,860)	(4,860)
Total Surcharges and Assessments Retained for Victim Services	-	-	24,117	24,117
FOR THE DEPARTMENT OF CRIME VICTIM COMPENSATION (DCVC)				
VICTIM SERVICE FUNDS COLLECTED		Municipal	County	Total
Carryforward from Previous Year - Beginning Balance		-	-	-
Victim Service Revenue:				
Victim Service Fines Retained by City/County Treasurer		-	-	-
Victim Service Assessments Retained by City/County Treasurer		10,997	-	10,997
Grant Funds Received				
Grant From:		-	-	-
General Funds Transferred to Victim Service Fund				
(1) Town of		-	-	-
(2) Town of		-	-	-
(3) City of Hartsville		31,900	-	31,900
Total Funds Allocated to Victim Service Fund + Beginning Balance (A)		42,897	-	42,897
Expenditures for Victim Service Program:		Municipal	County	Total
Salaries and Benefits		32,613	-	32,613
Operating Expenditures		10,284	-	10,284
Victim Service Contract(s):				
(1) Chester County		-	-	-
(2) Entity's Name		-	-	-
Victim Service Donation(s):				
(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)		42,897	-	42,897
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, 2020**

Assets

Cash	\$ 216,080
Total Assets	<u>\$ 216,080</u>

Liabilities and Fund Balance

Due to Other Funds	<u>\$ -</u>
Total Liabilities	<u>-</u>
Fund Balance	
Restricted for Infrastructure Expenditures	<u>216,080</u>
Total Liabilities and Fund Balance	<u>\$ 216,080</u>

**CITY OF HARTSVILLE, SOUTH CAROLINA
 INFRASTRUCTURE PARK FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 For the Fiscal Year Ended June 30, 2020**

Revenues

Fee in Lieu	\$ 652,937
Miscellaneous Income	<u>6,000</u>
 Total Revenues	 <u>658,937</u>

Expenditures

Economic Development	6,991
Capital Outlay	73,934
Debt Service	
Principal	360,890
Interest	<u>68,027</u>
 Total Expenditures	 <u>509,842</u>

Excess of Revenues Over Expenditures	 <u>149,095</u>
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Net Change in Fund Balance	149,095
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Restricted Fund Balance, Beginning of Year	<u>66,985</u>
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Restricted Fund Balance, End of Year	<u>\$ 216,080</u>
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**CITY OF HARTSVILLE, SOUTH CAROLINA
ACCOMMODATIONS TAX FUND
BALANCE SHEET
June 30, 2020**

Assets

Cash \$ 151,059

Total Assets **\$ 151,059**

Liabilities and Fund Balance

Fund Balance
Restricted for Tourism Expenditures \$ 151,059

Total Liabilities and Fund Balance **\$ 151,059**

**CITY OF HARTSVILLE, SOUTH CAROLINA
 ACCOMMODATIONS TAX FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 For the Fiscal Year Ended June 30, 2020**

Revenues

Other Taxes	\$ <u>162,005</u>
Total Revenues	<u>162,005</u>

Expenditures

Economic Development	<u>6,068</u>
Total Expenditures	<u>6,068</u>

Excess of Revenues Over Expenditures	<u>155,937</u>
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Other Financing Sources (Uses)

Transfer To Hospitality Fund	(92,500)
Transfer To General Fund	<u>(91,500)</u>

Total Other Financing Sources (Uses)	<u>(184,000)</u>
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Net Change in Fund Balance	(28,063)
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Restricted Fund Balance, Beginning of Year	<u>179,122</u>
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Restricted Fund Balance, End of Year	<u><u>\$ 151,059</u></u>
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**CITY OF HARTSVILLE, SOUTH CAROLINA
SPECIAL PROJECTS FUND
BALANCE SHEET
June 30, 2020**

Assets

Cash	\$ <u>523,122</u>
Total Assets	\$ <u>523,122</u>

Liabilities and Fund Balance

Accounts Payable	\$ 25
Due to Other Funds	<u>1,762</u>
Total Liabilities	<u>1,787</u>
Fund Balance	
Restricted for Special Projects	<u>521,335</u>
Total Liabilities and Fund Balance	\$ <u>523,122</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, 2020**

Revenues

Donations	\$ <u>279,038</u>
Total Revenues	<u>279,038</u>

Expenditures

Economic Development	<u>237,441</u>
Total Expenditures	<u>237,441</u>

Excess (Deficiency) of Revenues Over Expenditures	<u>41,597</u>
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Other Financing Sources (Uses)

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

Net Change in Fund Balance	(8,403)
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Restricted Fund Balance, Beginning of Year	<u>529,738</u>
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Restricted Fund Balance, End of Year	<u>\$ 521,335</u>
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**CITY OF HARTSVILLE, SOUTH CAROLINA
NARCOTICS FUND
BALANCE SHEET
June 30, 2020**

Assets

Cash	\$ <u>54,902</u>
Total Assets	\$ <u><u>54,902</u></u>

Liabilities and Fund Balance

Due to Other Funds	\$ <u>-</u>
Total Liabilities	<u>-</u>
Fund Balance	
Restricted for Public Services	<u>54,902</u>
Total Liabilities and Fund Balance	\$ <u><u>54,902</u></u>

**CITY OF HARTSVILLE, SOUTH CAROLINA
NARCOTICS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
For the Fiscal Year Ended June 30, 2020**

Revenues

Miscellaneous Income	<u>\$ 20,325</u>
Total Revenues	<u>20,325</u>

Expenditures

Police Safety	<u>29,878</u>
Total Expenditures	<u>29,878</u>

Excess (Deficiency) of Revenues Over Expenditures	<u>(9,553)</u>
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Net Change in Fund Balance (9,553)

Restricted Fund Balance, Beginning of Year	<u>64,455</u>
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Restricted Fund Balance, End of Year	<u>\$ 54,902</u>
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CITY OF HARTSVILLE, SOUTH CAROLINA
HARTSVILLE PUBLIC DEVELOPMENT CORPORATION FUND
BALANCE SHEET
June 30, 2020

Assets

Cash	\$ <u>33,055</u>
Total Assets	\$ <u><u>33,055</u></u>

Liabilities and Fund Balance

Due to Other Funds	\$ <u>-</u>
Total Liabilities	<u>-</u>
Fund Balance	
Restricted for Capital Projects	<u>33,055</u>
Total Liabilities and Fund Balance	\$ <u><u>33,055</u></u>

**CITY OF HARTSVILLE, SOUTH CAROLINA
HARTSVILLE PUBLIC DEVELOPMENT CORPORATION FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
For the Fiscal Year Ended June 30, 2020**

Revenues

Miscellaneous Income	\$ <u> -</u>
Total Revenues	<u> -</u>

Expenditures

Capital Projects	<u> 60,842</u>
Total Expenditures	<u> 60,842</u>
Excess (Deficiency) of Revenues Over Expenditures	<u> (60,842)</u>

Other Financing Sources (Uses)

Loan Proceeds	<u> -</u>
Total Other Financing Sources (Uses)	<u> -</u>

Net Change in Fund Balance	(60,842)
Restricted Fund Balance, Beginning of Year - Restated	<u> 93,897</u>
Restricted Fund Balance, End of Year	<u><u> \$ 33,055</u></u>

DEBT SERVICE FUND

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

**CITY OF HARTSVILLE, SOUTH CAROLINA
DEBT SERVICE FUND
BALANCE SHEET
For the Fiscal Year Ended June 30, 2020**

Assets

Cash	\$ 17,235
Property Tax Receivable, Net	<u>6,136</u>
Total Assets	<u>\$ 23,371</u>

Liabilities, Deferred Inflows and Fund Balance

Deferred Inflows

Unavailable Revenue - Property Taxes	<u>\$ 3,808</u>
Fund Balance	
Restricted for Debt Service	<u>19,563</u>
Total Liabilities, Deferred Inflows and Fund Balance	<u>\$ 23,371</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, 2020**

Revenues

Property Taxes	\$ <u>152,071</u>
Total Revenues	<u>152,071</u>

Expenditures

Debt Service	
Principal	139,200
Interest	<u>25,372</u>
Total Expenditures	<u>164,572</u>

Net Change in Fund Balance	(12,501)
Restricted Fund Balance, Beginning of Year	<u>32,064</u>
Restricted Fund Balance, End of Year	<u><u>\$ 19,563</u></u>

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.

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, 2020

	<u>Adjusted Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Operating Revenues			
Charges for Services			
Service Charges	\$ 4,722,159	\$ 4,285,435	\$ (436,724)
Taps	10,000	38,795	28,795
Penalties	100,000	90,947	(9,053)
Other Fees and Charges	51,000	39,041	(11,959)
Water Park	1,626,100	1,058,415	(567,685)
Splash Pad	65,000	42,825	(22,175)
Miscellaneous	428,849	16,923	(411,926)
Tower Leases	125,000	165,005	40,005
	<u>7,128,108</u>	<u>5,737,386</u>	<u>(1,390,722)</u>
Operating Expenses			
Advertising	80,000	67,898	12,102
Bad Debt Recovery	-	(55,197)	55,197
Contract Services	1,037,104	1,020,224	16,880
Depreciation	686,681	1,419,723	(733,042)
Dues and Subscriptions	3,000	2,643	357
Employee Benefits	152,198	187,063	(34,865)
Equipment	133,068	500	132,568
Food	103,000	122,207	(19,207)
Grant Match	243,892	32,529	211,363
Insurance	256,726	246,471	10,255
Legal and Professional	219,000	224,666	(5,666)
Miscellaneous	3,000	9,139	(6,139)
Office Supplies	10,000	15,146	(5,146)
Payroll Taxes	92,228	81,269	10,959
Postage	16,450	18,302	(1,852)
Repairs and Maintenance	361,781	144,399	217,382
Salaries	768,362	758,906	9,456
Supplies	254,750	225,230	29,520
System Repairs and Maintenance	315,000	238,946	76,054
Telephone	12,900	15,606	(2,706)
Training	12,000	14,737	(2,737)
Uniforms	25,800	14,297	11,503
Utilities	70,000	85,213	(15,213)
Vehicle Expense	61,000	50,749	10,251
Water Testing Fees	30,000	20,773	9,227
	<u>4,947,940</u>	<u>4,961,439</u>	<u>(13,499)</u>
Operating Income (Loss)	<u>2,180,168</u>	<u>775,947</u>	<u>(1,404,221)</u>
Non-Operating Income (Expense)			
Investment Income	27,000	22,403	(4,597)
Interest Expense	(659,611)	(608,897)	50,714
	<u>(632,611)</u>	<u>(586,494)</u>	<u>46,117</u>
Income (Loss) Before Contributions and Transfers	<u>1,547,557</u>	<u>189,453</u>	<u>(1,358,104)</u>
Operating Transfers In	122,354	251,339	128,985
Operating Transfers (Out)	(1,359,018)	(1,364,549)	(5,531)
Capital Contributions	<u>-</u>	<u>1,637,570</u>	<u>1,637,570</u>
Change in Net Position	310,893	713,813	402,920
Net Position, Beginning of Year	<u>16,597,740</u>	<u>16,597,740</u>	<u>-</u>
Net Position, End of Year	<u>\$ 16,908,633</u>	<u>\$ 17,311,553</u>	<u>\$ 402,920</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, 2020**

	<u>Balance</u> <u>June 30, 2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2020</u>
Parking and Beautification Commission				
Cash	\$ 119,581	\$ 40,015	(71,093)	\$ 88,503
Accounts Receivable	1,563	2,304	-	3,867
Capital Assets, Net of Accumulated Depreciation	<u>116,256</u>	<u>24,500</u>	<u>(4,550)</u>	<u>136,206</u>
 Total Assets	 <u>\$ 237,400</u>	 <u>\$ 66,819</u>	 <u>\$ (75,643)</u>	 <u>\$ 228,576</u>
 Due to General Fund	 \$ 496	 \$ -	 \$ (496)	 \$ -
Due to Agency Recipient	<u>237,400</u>	<u>66,819</u>	<u>(75,643)</u>	<u>228,576</u>
 Total Liabilities	 <u>\$ 237,896</u>	 <u>\$ 66,819</u>	 <u>\$ (76,139)</u>	 <u>\$ 228,576</u>

COMPLIANCE SECTION

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January 14, 2021

**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, 2020, 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 14, 2021.

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