CITY OF DARLINGTON, SOUTH CAROLINA

GOVERNMENT-WIDE FINANCIAL STATEMENTS
AND OTHER FINANCIAL INFORMATION

YEAR ENDED JUNE 30, 2018

WITH

INDEPENDENT AUDITORS' REPORT

CITY OF DARLINGTON, SOUTH CAROLINA

GOVERNMENT-WIDE FINANCIAL STATEMENTS
AND OTHER FINANCIAL INFORMATION

YEAR ENDEND JUNE 30, 2018

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THE BRITTINGHAM GROUP, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS
501 STATE STREET
POST OFFICE BOX 5949
WEST COLUMBIA, SOUTH CAROLINA 29171

PHONE: (803) 739-3090
FAX: (803) 791-0834

INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Members
Of City Council
City of Darlington, South Carolina
400 Pearl Street
Darlington, South Carolina 29532

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Darlington, South Carolina (the "City") as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion 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 the *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.

Opinions

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, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund 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 Schedule of Proportionate Share of the South Carolina Retirement Systems Net Pension Liabilities on page 41 and the Schedule of South Carolina Retirement Systems Contributions on page 42 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.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the *Government Accounting Standards* 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. Our opinion on the basic financial statements is not affected by the missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The Schedule of Court Fines, Fees, Assessments and Surcharges are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Court Fines, Fees, Assessments and Surcharges 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 Schedule of Court Fines, Fees, Assessments and Surcharges 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 August___, 2019 on our consideration of the City'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's internal control over financial reporting and compliance.

West Columbia, South Carolina
August 26, 2019

CITY OF DARLINGTON, SOUTH CAROLINA

STATEMENT OF NET POSITION

JUNE 30, 2018

	Primary Government		
	Governmental Activities	Business - Type Activities	Total
Assets			
Cash and cash equivalents	$ 2,985,415	$ 1,417,737	$ 4,403,152
Cash and cash equivalents - restricted	1,606,131	2,280,143	3,886,274
Accounts receivable, net	33,481	404,205	437,686
Property tax receivables, net	96,142	-	96,142
Due from other funds	345,457	15,600	361,057
Due from other governments	944,635	69,139	1,013,774
Loans receivable	2,851	-	2,851
Inventory of supplies at cost	-	18,874	18,874
Capital assets:			
Non-depreciable	1,238,131	610,785	1,848,916
Depreciable, net	3,198,346	8,437,990	11,636,336
Total assets	10,450,589	13,254,473	23,705,062
Deferred outflows of resources			
Deferred pension outflows	853,282	136,171	989,453
Total assets and deferred outflows of resources	11,303,871	13,390,644	24,694,515
Liabilities			
Accounts payable	211,142	382,762	593,904
Accrued payroll and related withholdings	103,380	3,732	107,112
Unearned revenue	2,600	16,218	18,818
Due to other funds	-	361,057	361,057
Deposits payable	7,727	9,517	17,244
Retainage payable	12,817	21,201	34,018
Accrued interest payable	-	48,169	48,169
Long-term liabilities:			
Current portion	649,564	290,683	940,247
Noncurrent portion	3,772,475	3,996,727	7,769,202
Net pension liability	6,408,589	1,246,712	7,655,301
Total liabilities	11,168,294	6,376,778	17,545,072
Deferred inflows of resources			
Deferred pension inflows	261,606	77,408	339,014
Total liabilities and deferred inflows of resources	11,429,900	6,454,186	17,884,086
Net position			
Net investment in capital assets	288,871	4,795,493	5,084,364
Restricted	1,606,131	2,280,143	3,886,274
Unrestricted - unfunded pension obligation	(5,816,913)	(1,187,948)	(7,004,861)
Unrestricted - other	3,795,882	1,048,770	4,844,652
Total net position	$ (126,029)	$ 6,936,458	$ 6,810,429

See accompanying notes.

CITY OF DARLINGTON, SOUTH CAROLINA

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2018

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants & Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities	Net (Expense) Revenue and Changes in Net Position: Business-Type Activities	Net (Expense) Revenue and Changes in Net Position: Total
Primary Government:							
General government	$ 1,437,816	$ 33,995	$ 506,627	$ 1,705	$ (895,489)	$ -	$ (895,489)
Public safety	4,658,929	389,158	682,131	-	(3,587,640)	-	(3,587,640)
Streets and sanitation	1,663,528	931,193	-	50,000	(682,335)	-	(682,335)
Culture and recreation	620,595	78,789	59,423	-	(482,383)	-	(482,383)
Interest	71,283	-	-	-	(71,283)	-	(71,283)
Non-departmental	118,743	-	-	-	(118,743)	-	(118,743)
Total governmental activities	8,570,894	1,433,135	1,248,181	51,705	(5,837,873)	-	(5,837,873)
Business-type activities							
Water and sewer charges	2,391,203	1,879,878	-	92,393		(418,932)	(418,932)
Stormwater services	247,629	118,045	-	190,818		61,234	61,234
Total business-type activities	2,638,832	1,997,923	-	283,211		(357,698)	(357,698)
Total primary government	$ 11,209,726	$ 3,431,058	$ 1,248,181	$ 334,916		(357,698)	(6,195,571)
General revenues and transfers:							
General revenues:							
Property taxes					2,772,003	-	2,772,003
Hospitality taxes					383,779	-	383,779
Accommodations taxes					16,820	-	16,820
Utility franchise fees					637,048	-	637,048
Business license fees					1,247,779	-	1,247,779
State aid to subdivisions					138,497	-	138,497
Miscellaneous					98,593	3,409	102,002
Unrestricted investment earnings					27,252	9,484	36,736
Transfers					(29,571)	29,571	-
Total general revenues and transfers					5,292,200	42,464	5,334,664
Change in net position					(545,673)	(315,234)	(860,907)
Net position, at beginning of year, restated					419,644	7,251,692	7,671,336
Net position, end of year					$ (126,029)	$ 6,936,458	$ 6,810,429

See accompanying notes.

CITY OF DARLINGTON, SOUTH CAROLINA

BALANCE SHEET
GOVERNMENTAL FUNDS

JUNE 30, 2018

	General Fund	Capital Projects Fund	Hospitality Tax Special Revenue Fund	Victim's Assistance Special Revenue Fund	Total Governmental Funds
Assets					
Cash and cash equivalents	$ 2,337,211	$ -	$ 602,374	$ 45,830	$ 2,985,415
Cash and cash equivalents - restricted	-	1,606,131	-	-	1,606,131
Accounts receivable	-	-	33,481	-	33,481
Property tax receivables, net	96,142	-	-	-	96,142
Due from other governments	944,635	-	-	-	944,635
Due from other funds	373,756	-	31,923	3,027	408,706
Loans receivable	2,851	-	-	-	2,851
Total assets	3,754,595	1,606,131	667,778	48,857	6,077,361
Liabilities, Deferred Inflows and Fund Balances					
Liabilities					
Accounts payable	176,230	-	34,912	-	211,142
Accrued payroll and related withholdings	103,380	-	-	-	103,380
Unearned revenues	2,600	-	-	-	2,600
Due to other funds	34,950	-	-	28,299	63,249
Retainage payable	-	-	12,817	-	12,817
Deposits payable	7,727	-	-	-	7,727
Total liabilities	324,887	-	47,729	28,299	400,915
Deferred Inflow of Resources					
Unearned revenue - property taxes	86,714	-	-	-	86,714
Total deferred inflow of resources	86,714	-	-	-	86,714
Fund Balances					
Committed	-	-	-	-	-
Assigned	-	1,606,131	620,049	20,558	2,246,738
Unassigned	3,342,994	-	-	-	3,342,994
Total fund balances	3,342,994	1,606,131	620,049	20,558	5,589,732
Total liabilities and fund balances	$ 3,754,595	$ 1,606,131	$ 667,778	$ 48,857	$ 6,077,361

See accompanying notes.

CITY OF DARLINGTON, SOUTH CAROLINA

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO STATEMENT OF NET POSITION

JUNE 30, 2018

Total fund balances - governmental funds		$ 5,589,732
Amounts reported for governmental activities in the Statement of Net Position are different due to the following:		
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds.		
Capital assets, cost	$ 9,016,802	
Accumulated depreciation	(4,580,325)	
		4,436,477
Some of the City's taxes will be collected after year end, but are not available soon enough to pay for the current period expenditures, and therefore, are reported as deferred inflow in the funds.		86,714
Long-term liabilities are not due and payable in the current period and therefore are not reported in governmental funds.		
Compensated absences	(274,433)	
Capital leases	(1,002,885)	
Notes payable	(350,721)	
Revenue bonds	(1,794,000)	
General obligation bonds	(1,000,000)	
		(4,422,039)
Net pension obligations are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds balance sheet.		(6,408,589)
Deferred outflows and inflows of resources related to pensions are applicable to future periods and therefore, are not reported in the governmental funds.		
Deferred outflows of resources related to pensions	853,282	
Deferred inflows of resources related to pensions	(261,606)	
		591,676
Net position of governmental activities		$ (126,029)

See accompanying notes.

CITY OF DARLINGTON, SOUTH CAROLINA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2018

	General Fund	Capital Projects Fund	Hospitality Tax Special Revenue Fund	Victim's Assistance Special Revenue Fund	Total Governmental Funds
Revenues					
Property and other taxes	$ 2,702,109	$ -	$ 383,779	$ -	$ 3,085,888
Licenses and permits	1,884,827	-	-	-	1,884,827
Intergovernmental	527,655	-	-	-	527,655
Charges for services	1,009,983	-	-	-	1,009,983
Grant revenue	627,372	-	-	-	627,372
Fines and forfeitures	570,313	-	-	21,583	591,896
Interest	10,081	9,652	7,295	223	27,251
Miscellaneous	176,207	-	-	-	176,207
Rental income	33,995	-	-	-	33,995
Total revenues	7,542,542	9,652	391,074	21,806	7,965,074
Expenditures					
Current:					
General government	97,219	-	-	-	97,219
Municipal court	479,142	-	-	-	479,142
Legal	51,005	-	-	-	51,005
Community promotions	23,130	-	45,266	-	68,396
Accommodations	2,000	-	-	-	2,000
Administration	420,051	-	-	-	420,051
Public buildings	258,485	-	-	-	258,485
Planning and grants	185,312	-	-	-	185,312
Police department	2,546,621	-	-	35,048	2,581,669
Fire department	789,480	-	-	-	789,480
Inspections	130,136	-	-	-	130,136
Street maintenance	608,100	-	-	-	608,100
Sanitation and trash	696,281	-	-	-	696,281
Garage	77,270	-	-	-	77,270
Recreation	407,056	-	-	-	407,056
Parks	16,819	-	-	-	16,819
Registrations	42,420	-	-	-	42,420
Non-departmental	113,508	-	-	-	113,508
Capital outlay	701,973	263,695	477,015	-	1,442,683
Debt service:					
Principal	109,148	-	106,000	-	215,148
Interest and fiscal charges	8,479	14,544	48,260	-	71,283
Total expenditures	7,763,635	278,239	676,541	35,048	8,753,463
(Deficit) of revenues (under) expenditures	(221,093)	(268,587)	(285,467)	(13,242)	(788,389)
Other Financing Sources					
Proceeds from sale of capital assets	19,049	-	-	-	19,049
Notes payable issuance	5,000	-	-	-	5,000
Capital lease issuance	348,095	-	-	-	348,095
Total other financing sources	372,144	-	-	-	372,144
Net change in fund balance	151,051	(268,587)	(285,467)	(13,242)	(416,245)
Fund balance, beginning of year, restated	3,191,943	1,874,718	905,516	33,800	6,005,977
Fund balance, end of year	$ 3,342,994	$ 1,606,131	$ 620,049	$ 20,558	$ 5,589,732

See accompanying notes.

CITY OF DARLINGTON, SOUTH CAROLINA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2018

Net change in fund balance - total governmental funds		$ (416,245)
Amounts reported for governmental activities in the Statement of Activities are different due to the following:		
Some property taxes will not be collected for several months after the City's fiscal year end. They are not considered "available" revenue and are deferred in the governmental funds. Grant revenue and tax revenues increased by this amount.		86,714
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the Statement of Net Position and allocated over the estimated useful lives as annual depreciation expenses in the statement of activities. This is the amount by which depreciation exceeded capital outlays in the period.		
Acquisition of capital assets	$ 1,442,683	
Depreciation	(429,671)	
Net change in capital assets		1,013,012
The net effect of various transactions involving capital assets (i.e., sales and donations) is a decrease in net assets.		(45,616)
The issuance of long-term debt (e.g., bonds, leases, notes) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. The net effect of these differences in the treatment of debt and related items is as follows:		
Debt issued or incurred:		
Capital lease financing	(348,095)	
Notes proceeds	(5,000)	
Principal repayments	215,148	
		(137,947)
Pension expense which is not "due and payable" at year end is not recorded as an expense in the governmental funds. However, all pension expense accrued at year end no matter when it may be due and payable is recorded in the government wide statements.		(1,045,925)
In the Statement of Activities, compensated absences are reported by the amounts earned during the year. In the governmental funds, however, expenditures are measured by the amount of financial resources used.		334
Change in net position of governmental activities		$ (545,673)

See accompanying notes.

CITY OF DARLINGTON, SOUTH CAROLINA

STATEMENT OF GENERAL FUND REVENUES, EXPENDITURES AND CHANGES IN GENERAL FUND BALANCE - BUDGET TO ACTUAL

YEAR ENDED JUNE 30, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenue				
Property and other taxes	$ 2,598,044	$ 2,513,400	$ 2,702,109	$ 188,709
Licenses and permits	1,858,076	1,811,000	1,884,827	73,827
Intergovernmental	460,599	441,550	527,655	86,105
Charges for services	1,121,052	1,095,654	1,009,983	(85,671)
Grant revenue	91,673	-	627,372	627,372
Fines and forfeitures	244,014	398,200	570,313	172,113
Interest	125	425	10,081	9,656
Miscellaneous	99,400	16,300	176,207	159,907
Rental income	36,570	25,200	33,995	8,795
Total revenue	6,509,553	6,301,729	7,542,542	1,240,813
Expenditures				
Current				
General government	73,053	58,459	97,219	(38,760)
Municipal court	99,940	129,483	479,142	(349,659)
Legal	52,300	29,000	51,005	(22,005)
Community promotions	22,600	26,800	23,130	3,670
Accommodations	2,000	2,000	2,000	-
Administration	400,459	402,595	420,051	(17,456)
Public buildings	146,936	154,033	258,485	(104,452)
Planning and grants	193,521	210,212	185,312	24,900
Police department	2,561,983	2,345,138	2,546,621	(201,483)
Fire department	845,572	799,221	789,480	9,741
Inspections	145,461	167,424	130,136	37,288
Street maintenance	605,763	718,101	608,100	110,001
Sanitation and trash	754,000	719,386	696,281	23,105
Garage	71,242	92,795	77,270	15,525
Recreation	394,745	348,269	407,056	(58,787)
Parks	1,500	12,900	16,819	(3,919)
Registrations	24,494	50,000	42,420	7,580
Non-departmental	77,198	67,542	113,508	(45,966)
Capital outlay	332,953	460,602	701,973	(241,371)
Debt service	-	-	117,627	(117,627)
Total expenditures	6,805,720	6,793,960	7,763,635	(969,675)
(Deficit) of revenues (under) expenditures	(296,167)	(492,231)	(221,093)	271,138
Other financing sources				
Proceeds from sale of capital assets	19,049	5,000	19,049	(14,049)
Notes payable issuance	-	-	5,000	(5,000)
Capital lease issuance	-	-	348,095	(348,095)
Total other financing sources	19,049	5,000	372,144	(367,144)
Net change in fund balance	$ (277,118)	$ (487,231)	151,051	$ 638,282
Fund balance, beginning of year, restated			3,191,943	
Fund balance, end of year			$ 3,342,994	

See accompanying notes.

CITY OF DARLINGTON, SOUTH CAROLINA

STATEMENT OF NET POSITION
PROPRIETARY FUNDS

JUNE 30, 2018

	Water and Sewer Fund	Stormwater Fund	Total
Assets			
Current assets			
Cash and cash equivalents	$ 1,191,627	$ 226,110	$ 1,417,737
Cash and cash equivalents - restricted	190,571	2,089,572	2,280,143
Accounts receivable, net	404,205	-	404,205
Due from other governments	-	69,139	69,139
Due from other funds	-	15,600	15,600
Inventory of supplies at cost	18,874	-	18,874
Non-current assets			
Capital assets, not being depreciated	196,519	414,266	610,785
Capital assets, being depreciated, net	8,128,829	309,161	8,437,990
Total assets	10,130,625	3,123,848	13,254,473
Deferred outflows of resources			
Deferred pension outflows	136,171	-	136,171
Total assets and deferred outflows of resources	10,266,796	3,123,848	13,390,644
Liabilities			
Current liabilities			
Accounts payable	310,986	71,776	382,762
Accrued payroll and benefits	3,732	-	3,732
Accrued interest payable	33,388	14,781	48,169
Accrued compensated absences	34,128	-	34,128
Unearned revenue	16,218	-	16,218
Retainage payable	-	21,201	21,201
Due to other funds	361,057	-	361,057
Current portion of long term debt	175,555	81,000	256,555
Non-current liabilities			
Deposits payable	9,517	-	9,517
Net pension liability	1,246,712	-	1,246,712
Obligations under capital leases	49,384	-	49,384
Notes payable	265,296	-	265,296
Revenue bonds payable	1,346,047	2,336,000	3,682,047
Total liabilities	3,852,020	2,524,758	6,376,778
Deferred inflows of resources			
Deferred pension inflows	77,408	-	77,408
Total liabilities and deferred inflows of resources	3,929,428	2,524,758	6,454,186
Net position			
Net investment in capital assets	6,489,066	(1,693,573)	4,795,493
Restricted - debt service	190,571	-	190,571
Restricted - capital outlay	-	2,089,572	2,089,572
Unrestricted - unfunded pension obligation	(1,187,948)	-	(1,187,948)
Unrestricted - other	845,679	203,091	1,048,770
Total net position	$ 6,337,368	$ 599,090	$ 6,936,458

See accompanying notes.

CITY OF DARLINGTON, SOUTH CAROLINA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
NET POSITION OF PROPRIETARY FUNDS

YEAR ENDED JUNE 30, 2018

	Water and Sewer Fund	Stormwater Fund	Total
Operating revenue			
Service revenue	$ 1,879,880	$ 118,044	$ 1,997,924
Total operating revenue	1,879,880	118,044	1,997,924
Operating expenses			
Water distribution	1,091,491	-	1,091,491
Sewer maintenance and collection	456,943	-	456,943
Sewer treatment	279,303	-	279,303
Stormwater operations	-	61	61
Professional services	2,383	116,970	119,353
Depreciation expense	520,564	16,788	537,352
Total operating expenses	2,350,684	133,819	2,484,503
Operating loss	(470,804)	(15,775)	(486,579)
Nonoperating revenue (expenses)			
Interest eanrings	2,242	7,241	9,483
Miscellaneous income	3,412	-	3,412
Bond issuance costs	-	(66,838)	(66,838)
Interest expense	(40,522)	(46,972)	(87,494)
Total nonoperating revenue (expense)	(34,868)	(106,569)	(141,437)
Loss before capital contributions and transfers	(505,672)	(122,344)	(628,016)
Capital contributions and transfers			
Capital grants	-	190,818	190,818
Capital contributions	92,393	-	92,393
Transfers	(115,330)	144,901	29,571
Total capital contributions and transfers	(22,937)	335,719	312,782
Change in net position	(528,609)	213,375	(315,234)
Total net position, beginning (restated)	6,865,977	385,715	7,251,692
Total net position, ending	$ 6,337,368	$ 599,090	$ 6,936,458

See accompanying notes.

CITY OF DARLINGTON, SOUTH CAROLINA

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

YEAR ENDED JUNE 30, 2018

	Water and Sewer Fund	Stormwater Fund	Total
Cash flows from operating activities			
Cash received from customers	$ 1,874,396	$ 118,044	$ 1,992,440
Cash paid to employees	(511,287)	-	(511,287)
Cash paid to suppliers	(900,278)	(52,401)	(952,679)
Net cash provided by operating activities	462,831	65,643	528,474
Cash flows from non-capital financing activities			
Other nonoperating revenues	3,412	-	3,412
Transfers	(13,041)	42,612	29,571
Net cash provided by (used in) noncapital financing activities	(9,629)	42,612	32,983
Cash flows from capital and related financing activities			
Capital grants and contributions	92,393	190,818	283,211
Purchase of capital assets	(193,992)	(311,977)	(505,969)
Issuance of long-term debt	-	2,417,000	2,417,000
Principal paid on long-term debt	(185,849)	(1,350,000)	(1,535,849)
Interest paid on long-term debt	(43,820)	(37,350)	(81,170)
Debt issuance costs	-	(66,838)	(66,838)
Net cash provided by (used in) capital and related financing activities	(331,268)	841,653	510,385
Cash flows from investing activities			
Interest income	2,242	7,241	9,483
Net cash provided by investing activities	2,242	7,241	9,483
Net increase in cash and cash equivalents	124,176	957,149	1,081,325
Cash and cash equivalents, beginning	1,258,022	1,358,533	2,616,555
Cash and cash equivalents, ending	$ 1,382,198	$ 2,315,682	3,697,880
Reconcilation of Cash and Cash Equivalents to Statement of Net Position:			
Cash and cash equivalents	$ 1,191,627	$ 226,110	$ 1,417,737
Restricted cash and cash equivalents	190,571	2,089,572	2,280,143
Total cash and cash equivalents	$ 1,382,198	$ 2,315,682	$ 3,697,880

(CONTINUED)

CITY OF DARLINGTON, SOUTH CAROLINA

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

YEAR ENDED JUNE 30, 2018

-CONTINUED-

	Water and Sewer Fund	Stormwater Fund	Total
Reconciliation of operating income to net cash provided by operating activities			
Operating loss	$ (470,804)	$ (15,775)	$ (486,579)
Adjustments to reconcile operating income to net cash provided by operating activities			
Depreciation	520,564	16,788	537,352
Changes in assets and liabilities:			
(Increase) decrease in receivables	(5,484)	-	(5,484)
(Increase) decrease in due from other governments	-	(69,139)	(69,139)
(Increase) decrease in due from other funds	-	40,792	40,792
(Increase) decrease in deferred pension outflows	69,985	-	69,985
Increase (decrease) in due to other funds	14,104	-	14,104
Increase (decrease) in accounts payable	230,483	71,775	302,258
Increase (decrease) in accrued payroll and benefits	(9,218)	-	(9,218)
Increase (decrease) in retainage payable	-	21,202	21,202
Increase (decrease) in deposits payable	(483)	-	(483)
Increase (decrease) in unearned revenue	16,219	-	16,219
Increase (decrease) in accrued compensated absences	5,192	-	5,192
Increase (decrease) in deferred pension inflows	76,072	-	76,072
Increase (decrease) in net pension liability	16,201	-	16,201
Net cash provided by operating activities	$ 462,831	$ 65,643	$ 528,474
Schedule of non-cash capital and related financing activities:			
Contributions of capital assets from other funds	$ -	$ 102,289	$ 102,289

See accompanying notes.

CITY OF DARLINGTON, SOUTH CAROLINA

STATEMENT OF NET POSITION - FIDUCIARY FUND

JUNE 30, 2018

	Fireman's Fund
Assets	
Cash and cash equivalents	$ 27,014
Total assets	$ 27,014
Net Position	
Funds held in trust for individuals, organizations, and other governments	$ 27,014
Total net position	$ 27,014

1. Summary of Significant Accounting Policies

The City of Darlington, South Carolina (the "City") was founded in 1835 and chartered by the South Carolina General Assembly the same year. The City operates under a Council-Manager form of government and provides the following services as authorized by its charter: public safety (police, fire, and code enforcement), parks and recreation, streets and sanitation, planning and development, water and sewer, and general administrative services.

The financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

Basis of Presentation

Government-wide Financial Statements

The statement of net position and the statement of activities report information about all activities of the primary government. These statements distinguish between the City's *governmental* and *business-type activities.* Taxes and other non-exchange transactions primarily finance the governmental activities whereas fees charged to external parties' finance, in whole or in part, the business-type activities. All of the City's governmental funds are reported in the government-wide financial statements as governmental activities and all of its enterprise funds are reported as business-type activities. (See the *Fund Financial Statements* subsection which follows for more information about fund types.)

Statement of Activities

The statement of activities presents a comparison between direct expenses and program revenues for the 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.

Program revenues include fees, fines, and charges paid by the recipients of goods, services, or privileges offered by the programs. The City classifies as *general revenues* all revenues that are not program revenues, including all taxes and business license fees.

Fund Financial Statements

The fund financial statements provide information about the City's funds, including its governmental funds and proprietary fund. The City presents separate statements for each fund category-governmental and proprietary.

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1. Summary of Significant Accounting Policies (continued)

Operating and Non-Operating Revenues and Expenses in Proprietary Fund Financial Statements

Enterprise funds distinguish *operating* revenues and expenses from *non-operating* revenues and expenses. Operating revenues and expenses generally are limited to items resulting from the provision of services and goods in connection with the fund's principal ongoing operations. The City generally classifies revenues and expenses as operating only if the related cash flows appear in the operating section on the statement of cash flows. Accordingly, grants are reportable as operating revenues only if they are essentially the same as contracts for services (i.e., exchange transactions) and they finance programs that the proprietary fund would not otherwise undertake (i.e., the activity of the grant is inherently part of the operations of the grantor). Conversely, the City classifies non-exchange transactions as non-operating. This includes all grant revenues except those reportable as operating revenue as described above and those restricted by the grantor for use exclusively for capital purposes. The City reports as operating most expenses it pays from operating revenues but usually reports interest expense as non-operating.

Fund Accounting

Fund Accounting is the procedure by which resources for various purposes are classified for accounting and reporting purposes into funds that are in accordance with specified activities or objectives in accordance with limitations and restrictions imposed by sources outside the entity and in accordance with directives issued by the governing board.

The City's funds are classified into three categories – governmental, proprietary, and fiduciary.

Governmental Funds

General Fund - The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

Capital Projects Fund - The Capital Projects Fund accounts for all capital improvements, except those accounted for in Proprietary Funds, financed by the City's general obligation and revenue bond issues, certain federal grants, and other specific receipts.

Hospitality Tax Fund - The Hospitality Tax Fund accounts for the local 2% gross sales tax on prepared food and beverages sold in food and beverage establishments located in the City. Expenditures from this fund must be used to promote tourism.

Victim's Assistance Fund - The Victim's Assistance Fund accounts for funds collected under Section 14 of the South Carolina Code of Laws. The funds must be used for the purpose of providing services to victims of crimes.

1. Summary of Significant Accounting Policies (continued)

Proprietary Funds

Enterprise Funds - Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Fiduciary Funds

Agency Funds – Agency funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations and/or other governmental units. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The City's agency funds consist of the Firemen's Fund. The Firemen's Fund is used to account for monies received from a specific source and can only be used to pay for non-budgeted, non-capital expenditures at the discretion of the Fire department head's discretion.

Accrual Basis

The City uses the accrual basis of accounting in reporting its government-wide financial statements, as well as its proprietary fund financial statements. Under the accrual basis, the City generally records revenues when earned and reasonably measurable and records expenses when a liability is incurred, regardless of the timing of related cash flows. Significant non-exchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include taxes, grants, and donations. The City recognizes grants, donations and similar items as revenue as soon as it meets all eligibility requirements.

Modified Accrual Basis

The City uses the modified accrual basis of accounting to report its governmental funds. Under the modified accrual basis, revenues, net of estimated uncollectible amounts, are recognized in the fiscal year when they become susceptible to accrual-that is, as soon as they become both measurable and available to finance current operations or to liquidate liabilities existing at fiscal year-end. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. Principal revenue sources considered susceptible to accrual include taxes, grants, charges for goods and services, and interest earnings.

Under the modified accrual basis, expenditures generally are recorded when a liability is incurred, as under accrual accounting. An exception, however, is that principal and interest on general long-term debt, claims and judgments, and compensated absences, are recognized as expenditures only to the extent they have matured. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources. General capital asset acquisitions are reported as expenditures (rather than as assets) in governmental funds.

1. Summary of Significant Accounting Policies (continued)

The accounting policies of the City conform to generally accepted accounting principles (GAAP) applicable to its activities as prescribed by the Governmental Accounting Standards Board (GASB), the recognized standard-setting body for GAAP for all state governmental entities. Proprietary fund activities are reported using the accrual basis method of accounting. If measurable, revenue is recognized when earned and expenses when incurred.

Transfers of financial resources among funds are recognized in all affected funds in the period in which the related interfund receivables and payables arise.

Budgets

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. An annual appropriated budget is adopted for the General Fund. All annual appropriations lapse at fiscal year-end.

Cash and Cash Equivalents

Cash includes amounts held in demand deposits. For the purpose of the statement of cash flows, the City considers all savings and short-term investments purchased with maturities of three months or less to be cash equivalents.

Investments

The City is authorized by state statutes to invest in obligations of the United States and agencies thereof, general obligations of the state of South Carolina or any of its political units, savings and loan associations to the extent insured by an agency of the federal government, certificates of deposit, repurchase agreements insured by the federal government or collaterally secured as provided by statutes, and no-load open-end or closed-end management type investment companies or investment trusts as described within the relevant statutes. The City may also invest in the South Carolina Pooled Investment Fund as provided by law.

The City has not adopted formal investment policies that supplement or limit those prescribed by state statutes, nor has the City specifically addresses deposits or credit risks to which it might be exposed if it invested in the allowed instruments. The City does not invest funds except in simple interest depository accounts and insured certificates of deposit.

Accounts Receivable

Property tax receivables are shown net of an allowance for uncollectible. The City establishes an allowance for all property taxes that did not arise from the latest tax levy year. For collection purposes, taxes receivable are written off at the end of 10 years in accordance with South Carolina law.

1. Summary of Significant Accounting Policies (continued)

All other levies are recognized as revenue on the government-wide financial statements, while all those not collected within 60 days are recorded as deferred inflows on the governmental fund statements.

Enterprise fund receivables arise from billed and unbilled services. They are shown net of amounts estimated to be uncollectible. The allowance is estimated on the basis of the average receipts over the prior 12 months.

Loans receivable in the government funds consist of economic development loans that are generally not expected or scheduled to be collected in the subsequent year. City management has determined an allowance is not needed.

Short-Term Interfund Receivables/Payables

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 their respective financial statements. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

Inventory

Inventory in the water and sewer fund consists of parts and other supplies consumed in the maintenance of water and sewer lines and facilities. Inventories are recorded as an expenditure/expense when consumed rather than when purchased. Inventories are valued at cost, which approximate market, using the first-in, first-out method.

Capital Assets and Depreciation

Capital assets, which include property and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Assets purchased or acquired with an original cost of $5,000 or more or reported at historical cost or estimated historical cost based on replacement costs. Donated assets received prior to June 15, 2015 are recorded at their estimated fair value at the date of donation. Donated assets received after June 15, 2015 are recorded at acquisition value. Additions, improvements, and other capital outlays that significantly extend the useful life of an assets are also capitalized.

1. Summary of Significant Accounting Policies (continued)

Depreciation of exhaustible capital assets has been provided using the straight-line method over the estimated useful lives as follows:

Infrastructure	20-50 years
Buildings	15-40 years
Improvements	5-40 years
Equipment	3-15 years

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Compensated Absences

The City permits employees to accumulate earned but unused vacation, up to 30 days, and sick pay benefits, up to 180 days. Sick leave does not vest and is not a liability of the City when employees separate from service ore retire. All accumulated vacation pay is accrued when incurred in the government wide and proprietary fund financial statements. A liability for those amounts is reported in governmental funds only if they have matured and are currently payable.

Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources, and deferred inflows of resources related to pension and pension expense, information about the South Carolina Retirement System (SCRS) and the Police Officers Retirement System (PORS), and additions to/deductions from SCRS and PORSs fiduciary net position have been determined on the same basis as they are reported by SCRS and PORS. For this purpose, plan member contributions are recognized in the periods in which the contributions are due. The City's employer contributions are recognized when due and there is a legal requirement to provide the contribution. Benefits and refunds are recognized when due and payable in accordance with the terms of SCRS and PORS.

1. Summary of Significant Accounting Policies (continued)

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City currently reports deferred outflows of resources in the amount of $989,453 as of June 30, 2018.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City currently reports deferred inflows of resources in the amount of $339,014 as of June 30, 2018.

Net Position/Fund Balances

Net position is classified and presented in three components in the government-wide financial statements:

Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and amortization, and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

The City reports a portion of its net position or fund balance in its government-wide and fund financial statements as restricted net position - spendable. Net position or fund balance for governmental funds is reported as restricted when constraints placed on resource use are either (a) externally imposed by creditors (such as debt covenants), grantors, contributors, laws or regulation of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

Enabling legislation authorizes the City to assess, levy, charge, or otherwise mandate payments of resources (from resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. A legally enforceable requirement is one that an outside party (such as citizens, public interest groups, or the judiciary) can compel the government to honor. At June 30, 2018, $3,886,274 was reported as restricted net position.

Unrestricted net position - All other net position that do not meet the definition of "restricted," or "invested in capital assets."

1. Summary of Significant Accounting Policies (continued)

Fund balance is reported as assigned if the fund balance is constrained by the government's intent to use the funds for a specific purpose. The City reports amounts as assigned if constrained through appropriations actions of the legislature. The removal of constraints for assigned funds occurs through the budgetary process.

Fund balance is reported as restricted fund balance if the fund balance is restricted for use by an outside party. As of June 30, 2018, the City reported no assigned fund balances.

Fund balance is reported as committed if amounts have been committed through the appropriations process. As of June 30, 2018, the City reported no committed fund balances.

Unassigned fund balance – All other fund balances that do not meet the definition of "restricted," "assigned," or "committed".

The City's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position or fund balances are available. Within the unrestricted fund balance, committed resources would be first applied, when available, followed by assigned resources before unassigned resources are used.

Revenues and Expenditures/Expenses

Program revenues – Amounts reported as program revenues include: 1) charges to customers and applicants for goods, services, or privileges provided by a given function or segment; and 2) operating and capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

Property taxes – Property taxes on real and personal property, other than licenses motor vehicles, are levied on July 1 based on the assessed value of property lists on the previous January 1. Periodic revaluation of all real property is made in accordance with state statues. The last revaluation date was December 31, 2014. Property taxes are due January 15 after which time penalties accrue. At March 15, delinquent costs accrue, and uncollected taxes are assigned into execution for collection.

Sales taxes – By referendum, the City has adopted the provisions of state statues which allow the collection of a 1% sales tax on essentially all consumer goods sold at retail within the City. The state collects the revenue and distributes it monthly to the City. By ordinance, the City has decreed that all monies received will be used to reduce *ad valorem* taxes. Revenue received in excess of property tax reductions is recorded as a deferred inflow.

1. Summary of Significant Accounting Policies (continued)

Proprietary funds operating and nonoperating revenues and expenses – Proprietary funds distinguish operating revenues and expenses from nonoperating items. Proprietary fund operating revenue includes "exchange" and "exchange-like" transactions. Exchange transactions are those in which each party receives and gives up essentially equal values. In an exchange-like transaction, the values exchanged may not be equal or the direct benefits may not be exclusively for the parties to the transaction.

The City's Water and Sewer and Stormwater funds consider exchange transactions (fees for services) to be operating revenue. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. Nonoperating revenue includes grants, investment earnings, and other non-exchange transactions.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Estimates are used to determine depreciation expense, and the allowance for doubtful accounts among other accounts. Actual results could differ from those estimates.

2. Legal Compliance - Budgets

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Formal budgetary integration is employed as a management control device during the year for the General Fund and the Combined Utilities Fund.

2. The combined statement of revenues, expenditures and changes in fund balance-budget and actual for the General Fund presents comparisons of the legally adopted budget with actual data on a GAAP basis.

3. Unused appropriations lapse at the end of the year.

4. The budget amounts shown in the financial statements are the final authorized amounts as revised during the year.

5. Expenditures should not exceed budgeted appropriations at the fund level.

2. Legal Compliance - Budgets (continued)

Expenditures approved by Council shall automatically carry amendments to fund appropriations where necessary. Budget amounts reported are as originally adopted, or as amended by the City Council.

Actual revenues exceeded budgeted revenues by $1,240,813. Actual expenditures exceeded budgeted expenditures by $969,675.

3. Deposits & Investments

At June 30, 2018, the carrying amount of the City's unrestricted and restricted deposits totaled $8,289,426, and the bank balance was $8,429,038, of which all, is covered by either federal depository insurance, or is properly collateralized in accordance with State law.

The City's investments are in U.S. Government Securities and total $15,060 as of June 30, 2018.

4. Receivables

Receivables at June 30, 2018, consist of the following:

	Governmental Activities	Business-type Activities	Total
Accounts receivable:			
Government revenue	$ 944,635	$ 69,139	$ 1,013,774
Proprety taxes	313,544	-	313,544
Utility service billings	-	506,781	506,781
Other	36,332	-	36,332
Gross receivables	1,294,511	575,920	1,870,431
Less, allowance for uncollectibles	(217,402)	(102,576)	(319,978)
Net receivables	$ 1,077,109	$ 473,344	$ 1,550,453

5. Interfund Receivables and Payables

	Receivables	Payables	Total
General fund	$ 373,756	$ 34,950	$ 408,706
Hospitality tax fund	31,923	-	31,923
Victim's assistance fund	3,027	28,299	31,326
Water and sewer fund	-	361,057	361,057
Stormwater fund	15,600	-	15,600
Total	$ 424,306	$ 424,306	$ 833,012

6. Capital Assets

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

Governmental activities

	Beginning Balances	Increase	Decrease	Ending Balances
Capital assets, not being depreciated				
Land and improvements	$ 156,092	$ 262,545	$ (4,310)	$ 414,327
Construction in progress	488,776	543,396	(208,368)	823,804
Total capital assets, not bing depreciated	644,868	805,941	(212,678)	1,238,131
Capital assets, being depreciated				
Infrastructure	1,010,650	110,815	-	1,121,465
Buildings and Improvements	2,892,196	226,367	(41,805)	3,076,758
Equipment	3,787,671	507,927	(715,149)	3,580,449
Total capital assets, being depreciated	7,690,517	845,109	(756,954)	7,778,672
Less: Accumulated depreciation for:				
Infrastructure	(513,139)	(50,842)	-	(563,981)
Buildings and Improvements	(1,639,444)	(106,837)	9,056	(1,737,225)
Equipment	(2,713,724)	(271,992)	706,596	(2,279,120)
Total accumulated depreciation	(4,866,307)	(429,671)	715,652	(4,580,326)
Total capital assets, being depreciated, net	2,824,210	415,438	(41,302)	3,198,346
Governmental activites capital assets, net	$ 3,469,078	$ 1,221,379	$ (253,980)	$ 4,436,477

6. Capital Assets (continued)

Business-type activities

	Beginning Balances	Increase	Decrease	Ending Balances
Capital assets, not being depreciated				
Land and improvements	$ 196,519	$ 30,750	$ -	$ 227,269
Construction in progress	102,289	281,227	-	383,516
Total capital assets, not bing depreciated	298,808	311,977	-	610,785
Capital assets, being depreciated				
Building and improvements	6,347,417	-	-	6,347,417
Water and sewer lines	12,336,913	1,293,196	-	13,630,109
Equipment	1,143,908	6,912	(1,257,718)	(106,898)
Total capital assets, being depreciated	19,828,238	1,300,108	(1,257,718)	19,870,628
Less: Accumulated depreciation for:				
Building and improvements	(4,878,063)	(16,788)	-	(4,894,851)
Water and sewer lines	(5,251,925)	(520,564)	-	(5,772,489)
Equipment	(917,693)	-	152,395	(765,298)
Total accumulated depreciation	(11,047,681)	(537,352)	152,395	(11,432,638)
Total capital assets, being depreciated, net	8,780,557	762,756	(1,105,323)	8,437,990
Governmental activites capital assets, net	$ 9,079,365	$ 1,074,733	$ (1,105,323)	$ 9,048,775

Depreciation expense was charged to each function as follows:

Governmental activities:	
General government	$ 118,779
Public safety	151,911
Public works	121,983
Culture and recreation	36,998
Total depreciation - governmental activities	$ 429,671
Business type activities:	
Water and sewer	$ 520,564
Stormwater	16,788
Total depreciation - business type activities	$ 537,352

7. Pension Plan

South Carolina Retirement System

The majority of employees of the City are covered by a retirement plan through the South Carolina Retirement System (SCRS), a cost-sharing multiple-employer defined benefit pension plan administered by the Retirement Division of the South Carolina Public Employee Benefit Authority (PEBA), a public employee retirement system. Generally, all full-time or part-time equivalent State employees in a permanent position are required to participate in and contribute to the SCRS as a condition of employment unless exempted by law as provided in Section 9-1-480 of the South Carolina Code of Laws, as amended, or are eligible and elect to participate in the State Optional Retirement Program (ORP). The SCRS plan provides a life-time monthly retirement annuity benefits to members as well as disability, survivor options, annual benefit adjustments, death benefits, and incidental benefits to eligible employees and retired members.

The Retirement Division maintains five independent defined benefit plans and issues its own publicly available Comprehensive Annual Financial Report (CAFR) which includes financial statements and required supplementary information. A copy of the separately issued CAFR may be obtained by writing to the South Carolina Public Employee Benefit Authority, P.O. Box 11960, Columbia, South Carolina 29211-1960. Furthermore, the Division and the five pension plans are included in the State of South Carolina's CAFR.

Under the SCRS, Class II members are eligible for a full-service retirement annuity upon reaching age 65 or completion of 28 years of credited service regardless of age. Employees who first became members of the System after June 30, 2012 are considered Class III members and are eligible for a full service retirement annuity upon reaching age 65 or upon meeting the rule of 90 requirement (i.e., the members age plus the years of service add up to a total of at least 90). The benefit formula for full benefits effective since July 1, 1989 for the SCRS is 1.82 percent of an employee's average final compensation (AFC) multiplied by the number of years of credited service. For Class II members, AFC is the average annual earnable compensation during 12 consecutive quarters and includes an amount for up to 45 days termination pay at retirement for unused annual leave.

For Class III members, AFC is the average annual earnable compensation during 20 consecutive quarters and termination pay for unused annual leave at retirement is not included. Early retirement options with reduced benefits are available as early as age 55 for Class II members and age 60 for Class III members. Class II members are vested for a deferred annuity after five years of earned service. Class III members are vested for a deferred annuity after eight years of earned service. Members qualify for a survivor's benefit upon completion of 15 years of credited service (five years effective January 1, 2002).

7. Pension Plan (continued)

Disability annuity benefits are payable to Class II members if they have permanent incapacity to perform regular duties of the member's job and they have at least 5 years of earned service (this requirement does not apply if the disability is a result of a job-related injury). Class III members qualify for disability annuity benefits provided they have a minimum of eight years of credited service. An incidental death benefit equal to an employee's annual rate of compensation is payable upon the death of an active employee with a minimum of one year of credited service or to a working retired contributing member. There is no service requirement for death resulting from actual performance of duties for an active member.

For eligible retired members, a lump-sum payment is made to the retiree's beneficiary of up to $6,000 based on years of service at retirement. TERI participants and retired contributing members are eligible for the increased death benefit equal to their annual salary in lieu of the standard retired member benefit.

Effective July 1, 2017, employees participating in the SCRS were required to contribute 9.00% of all earnable compensation. The employer contribution rate for SCRS was 13.56%. Included in the total SCRS employer contribution rate is a base retirement contribution of 13.41% and 0.15% contribution rate for the incidental death program. The City's contributions for the years ended June 30, 2018, 2017 and 2016 are as follows:

	Employer Contribution Rate			Employer Contributions		
Year Ended		Incidental			Incidental	
June 30,	Base	Death	Total	Base	Death	Total
2018	13.41%	0.15%	13.56%	$ 250,561	$ 2,803	$ 253,364
2017	11.41%	0.15%	11.56%	$ 207,411	$ 2,727	$ 210,138
2016	10.91%	0.15%	11.06%	$ 201,016	$ 2,765	$ 203,781

Police Officers Retirement System

The South Carolina Police Officers Retirement System (PORS) is a cost-sharing multiple employer defined benefit public employee retirement system. Generally, all full-time employees whose principal duties are the preservation of public order or the protection or prevention and control of property destruction by fire are required to participate in and contribute to PORS as a condition of employment. This plan provides lifetime monthly annuity benefits as well as disability, survivor benefits and incidental benefits to eligible employees and retirees. In addition, participating employers in the PORS contribute to the accidental death fund which provides annuity benefits to beneficiaries of police officers and firemen killed in the actual performance of their duties. These benefits are independent of any other retirement benefits available to the beneficiary.

7. Pension Plan (continued)

Under the PORS, Class II members are eligible for a full-service retirement annuity upon reaching age 55 or completion of 25 years of credited service regardless of age. Class III members are eligible for a full-service retirement annuity upon reaching age 55 or 27 years of credited service. The benefit formula for full benefits effective since July 1, 1989 for the SCRS is 2.14 percent of an employee's average final compensation (AFC) multiplied by the number of years of credited service. Members qualify for a survivor's benefit upon completion of 15 years of credited service (five years effective January 1, 2002).

For Class II members, AFC is the average annual compensation during 12 consecutive quarters and includes an amount for up to 45 days termination pay for unused annual leave. For Class III members, AFC is the average annual earnable compensation during 20 consecutive quarters and termination pay for unused annual leave at retirement is not included. PORS does not have an early retirement option. Class II members are vested for a deferred annuity after five years of earned service. Class III members are vested for a deferred annuity after eight years of earned. Effective July 1, 2017, employees participating in the PORS were required to contribute 9.75% of all earnable compensation. The employer contribution rate for PORS was 16.24%. Included in the total PORS employer contribution rate is a base retirement contribution of 15.84% and .20% for the incidental death program and .20% for the accidental death program.

The City's contributions for the years ended June 30, 2018, 2017 and 2016 are as follows:

	Employer Contribution Rate			Employer Contributions		
Year Ended		Incidental			Incidental	
June 30,	Base	Death	Total	Base	Death	Total
2018	15.84%	0.40%	16.24%	$ 279,754	$ 7,064	$ 286,818
2017	13.84%	0.40%	14.24%	$ 228,377	$ 6,600	$ 234,977
2016	13.34%	0.40%	13.74%	$ 219,802	$ 6,591	$ 226,393

The amounts paid by the City for pension, incidental death benefit program, and accidental death program contributions are reported as employer contribution expenditures within the applicable functional expenditure categories to which the related salaries are charged.

Article X, Section 16, of the South Carolina Constitution requires that all State-operated retirement systems be funded on a sound actuarial basis. Title 9 of the South Carolina Code of Laws of 1976, as amended, prescribes requirements relating to membership, benefit, and employee/employer contributions for each retirement system. Employee and employer contribution rates to SCRS and PORS are actuarially determined.

7. Pension Plan (continued)

At June 30, 2018, the City reported $4,035,213 and $3,620,088 for its proportionate share of the net pension liabilities of SCRS and PORS, respectively. The net pension liability of the SCRS defined benefit pension plan was determined based on the July 1, 2018 actuarial valuations, using membership data as of July 1, 2018, projected forward to June 30, 2019, and financial information of the pension trust funds as of June 30, 2018, using generally accepted actuarial procedures. The City's portion of the net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2018, the City's SCRS proportion was 0.018009% and its PORS proportion was 0.127758%.

At June 30, 2018 the state reported deferred outflows of resources and deferred inflows of resources to pensions from the following sources:

Deferred Outflows of Resources	**SCRS**	**PORS**
Differences between expected and actual experience	$ 7,284	$ 111,541
Assumption Changes	160,095	238,690
Net difference between projected and actual investment earnings	64,100	72,393
Differences between employer contributions and proportionate share	209,265	126,085
Total deferred outflows of resources	440,744	548,709
Deferred Inflows of Resources		
Differences between expected and actual experience	23,746	-
Differences between employer contributions and proportionate share	226,798	88,470
Total deferred inflows of resources	250,544	88,470
Net deferred outflows/(inflows)	$ 190,200	$ 460,239

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

Year Ended June 30,	**SCRS**	**PORS**	**Net**
2019	$ 123,361	$ 323,187	$ 446,548
2020	57,092	133,924	191,016
2021	11,287	7,662	18,949
2022	(1,540)	(4,534)	(6,074)
	$ 190,200	$ 460,239	$ 650,439

7. Pension Plan (continued)

The total pension liabilities in the July 1, 2018 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement:

	SCRS	PORS
Actuarial Cost Method	Entry Age	Entry Age
Actuarial Assumptions:		
Investment Rate or Return	7.25%	7.25%
Projected Salary Increases	3.0% to 12.5%	3.5% to 9.5%
Inflation Rate	2.25%	2.25%
Benefit Adjustments	Lesser of 1% or $500	Lesser of 1% or $500

The post-retiree mortality assumption is dependent upon the member's job category and gender. The base mortality assumptions, the 2017 Public Retirees of South Carolina Mortality table (2017 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 2017. Assumption used in the determination of the June 30, 2018, SCRS and PORS valuations 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, Firefighters	2016 PRSC Males Multiplied by 125%	2016 PRSC Females Multiplied by 111%

The long-term expected rate of return on pension plan investments for actuarial purposes is based upon the 30-year capital market assumptions. The long-term expected rate of returns represented assumptions developed using an arithmetic building block approach primarily based on consensus expectations and market-based inputs. Expected returns are net of investment fees.

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

7. Pension Plan (continued)

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Asset Allocation	Expected Arithmetic Real Rate of Return	Lont Term Expected Portfolio Real Rate of Return
Global Equity	**47.0%**		
Global Public Equity	33.0%	6.99%	2.31%
Private Equity	9.0%	8.73%	0.79%
Equity Options Strategies	5.0%	5.52%	0.28%
Real Assets	**10.0%**		
Real Estate (Private)	6.0%	3.54%	0.21%
Real Estate (REITs)	2.0%	5.46%	0.11%
Infrastructure	2.0%	5.09%	0.10%
Opportunistic	**13.0%**		
GTAA/Risk Parity	8.0%	3.75%	0.30%
Hedge Funds (non-PA)	2.0%	3.45%	0.07%
Other Opportunistic Strategies	3.0%	3.75%	0.11%
Diversified Credit	**18.0%**		
Mixed Credit	6.0%	3.05%	0.18%
Emerging Markets Debt	5.0%	3.94%	0.20%
Private Debt	7.0%	3.89%	0.27%
Conservative Fixed Income	**12.0%**		
Core Fixed Income	10.0%	0.94%	0.09%
Cash and Short Duration (Net)	2.0%	0.34%	0.01%
Total Expected Return	100%		5.03%
Inflation for Actuarial Purposes			2.25%
Total Expected Nominal Rate			7.28%

The discount rate used to measure the total pension liability (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 Systems' 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.

7. Pension Plan (continued)

The following table represents the City's proportionate share of the net SCRS and PORS pension liabilities calculated using the discount rate of 7.25 percent, as well as what the City's respective net pension liabilities would be if it were calculated using a discount rate of 1.00 percent lower (6.25 percent) or 1.00 percent higher (8.25 percent) than the current rate.

Plan	1% Decrease 6.25%	Current Rate 7.25%	1% Increase 8.25%
SCRS	5,156,253	4,035,213	3,233,777
PORS	4,880,332	3,620,088	2,587,843

8. Long-Term Debt

Changes in long-term liabilities for the year ended June 30, 2018 are as follows:

	July 1, 2017	Additions	Reductions	June 30, 2018	Due Within One Year
Governmental activities:					
Notes payable	$ 420,870	$ -	$ (70,149)	$ 350,721	$ 66,759
Capital leases	688,789	348,095	(33,999)	1,002,885	98,602
General obligation bond	1,000,000	-	-	1,000,000	101,770
Revenue bond	1,900,000	-	(106,000)	1,794,000	108,000
Compensated abscences	274,767	-	(334)	274,433	274,433
	4,284,426	348,095	(210,482)	4,422,039	649,564
Business-Type activities:					
Notes payable	278,320	-	(6,763)	271,557	6,261
Capital leases	99,003	-	(31,462)	67,541	18,157
Revenue bond	2,994,808	2,417,000	(1,497,624)	3,914,184	232,137
Compensated abscences	28,936	5,192	-	34,128	34,128
	3,401,067	2,422,192	(1,535,849)	4,287,410	290,683
Total	$ 7,685,493	$ 2,770,287	$ (1,746,331)	$ 8,709,449	$ 940,247

Payments on all governmental activity debt are made from either the general fund or the hospitality tax fund. All proprietary fund debt payments are made from the water and sewer fund. Compensated absences are liquidated by the funds paying employee compensation which include the general fund, victim's assistance fund, and the water and sewer fund.

8. Long-Term Debt (continued)

Notes Payable

Notes payable outstanding at June 30, 2018:

	Collateral	Original Amount	Maturity Date	Interest Rate	Outstanding Amount
Governmental activities:					
Carolina Bank and Trust	Fire Truck	$ 69,500	5/20/2018	3.25%	$ 18,187
SC Office of Regulatory Staff	LED Lighting	$ 275,420	9/1/2027	1.50%	275,420
Dixie Federal Credit Union	Police Cars	$ 137,116	9/19/2020	-	57,114
					350,721
Business-Type activities:					
SC Water Quality Revolving Fund Authority	Sewer Lines	284,491	11/1/2046	1.30%	$ 271,557

Revenue Bonds

In 2018, the City issued Series 2018 Stormwater Revenue Refunding Bonds in the amount of $2,417,000 to refinance Series 2017 Stormwater Revenue Bonds to finance the construction of certain stormwater infrastructure. The Series 2018 bond is secured with a lien on the revenue of the City's stormwater operations.

In 2017, the City issued Series 2017 Revenue Bonds in the amount of $1,900,000 to renovated and build recreation sites in the City. The Series 2017 bond is secured with a lien on the revenue of the City's Hospitality Tax Fund.

In 2016, the City issued Series 2015 Water and Sewer Revenue Bonds in the amount of $1,789,000 to refund the Series 2010 Water and Sewer Revenue Bonds that were issued to finance the construction of certain water and sewer service facilities. The Series 2015 bond is secured with a lien on the revenue of the City's water and sewer operations.

8. Long-Term Debt (continued)

Revenue bonds outstanding at June 30, 2018:

	Original Amount	Maturity Date	Interest Rate	Outstanding Amount
Governmental activities:				
Series 2017 - Hospitality Fee Revenue Bond	$ 1,900,000	6/15/2032	2.54%	$ 1,794,000
Business-Type activities:				
Series 2015 - Water and Sewer Revenue Bond	$ 1,789,000	12/1/2026	2.38%	$ 1,497,184
Series 2018 - Stormwater Refunding Revenue Bond	$ 2,417,000	5/1/2038	4.25%	2,417,000
				$ 3,914,184

General Obligation Bonds

In 2017, the City issued Series 2016 General Obligation Bonds in the amount of $1,000,000 to finance the renovation of certain City owned buildings. The Series 2016 bond is secured by the full faith and credit of the City.

General obligation bonds outstanding at June 30, 2018:

	Original Amount	Maturity Date	Interest Rate	Outstanding Amount
Governmental activities:				
Series 2017 - Hospitality Fee Revenue Bond	$ 1,000,000	12/13/2026	2.18%	$ 1,000,000

8. Long-Term Debt (continued)

Debt Service Requirements

Annual debt service requirements to maturity for the City's debt are as follows:

Governmental activities:

Year Ended	Notes payable		General Obligation Bonds	
June 30,	Principal	Interest	Principal	Interest
2019	$ 66,759	$ 4,722	$ 101,770	$ 21,800
2020	60,399	3,745	103,989	19,581
2021	26,511	3,354	106,256	17,314
2022	26,909	2,956	108,572	14,998
2023	27,313	2,552	110,939	12,631
Thereafter	142,830	6,491	468,474	25,807
	$ 350,721	$ 23,820	$ 1,000,000	$ 112,131

Year Ended	Revenue Bonds		Total Governmental Activities	
June 30,	Principal	Interest	Principal	Interest
2019	$ 108,000	$ 45,568	$ 276,529	$ 72,090
2020	111,000	42,824	275,388	66,150
2021	114,000	40,005	246,767	60,673
2022	117,000	37,109	252,481	55,063
2023	120,000	34,138	258,252	49,321
Thereafter	1,224,000	160,604	1,835,304	192,902
	$ 1,794,000	$ 360,248	$ 3,144,721	$ 496,199

8. Long-Term Debt (continued)

Business-type activities:

Year Ended	Notes payable		Revenue Bonds		Total Business-Type Activities	
June 30,	Principal	Interest	Principal	Interest	Principal	Interest
2019	$ 6,261	$ 3,593	$ 232,137	$ 136,358	$ 238,398	$ 139,951
2020	8,064	3,403	236,734	131,316	244,798	134,719
2021	8,170	3,298	244,417	124,148	252,587	127,446
2022	8,277	3,191	252,187	116,723	260,464	119,914
2023	8,385	3,083	259,048	109,038	267,433	112,121
Thereafter	232,400	37,602	2,689,661	782,559	2,922,061	820,161
	$ 271,557	$ 54,170	$ 3,914,184	$ 1,400,142	$ 4,185,741	$ 1,454,312

Capital Lease Obligations

The City enters into lease agreements to finance the purchase of machinery and equipment. These lease agreements qualify as capital lease for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of inception date. These capital leases are financed from the general fund and the water and sewer fund.

The cost of leased machinery and equipment acquired under capital leases for governmental activities amounted to about $1,085,085 and accumulated depreciation on these assets at June 30, 2018, was about $269,615. The cost of leased machinery and equipment acquired under capital leases for business type activities amounted to about $69,291 and accumulated depreciation on these assets at June 30, 2018, was about $15,322. Amortization of assets acquired under capital leases is included in depreciation expense for the year ended June 30, 2018. The future minimum obligations under capital leases are as follows:

8. Long-Term Debt (continued)

Year Ended June 30,	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2019	$ 98,603	$ 36,863	$ 18,157	$ 1,746
2020	103,418	33,024	18,596	1,308
2021	86,192	29,556	8,697	859
2022	127,832	25,237	22,091	59
2023	65,835	21,933	-	-
Thereafter	521,005	87,397	-	-
	$ 1,002,885	$ 234,010	$ 67,541	$ 3,972

Interest Expense

Total interest expense incurred on long-term liabilities during the year:

Governmental Activities	$ 71,283
Business-Type Activities	87,494
	$ 158,777

9. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; error and omissions; injuries to employees; and natural disasters. The City maintains commercial insurance coverage on each risk. Management believes such coverage is sufficient to preclude any significant uninsured losses to the City.

10. Commitments and Contingencies

The City is occasionally party to civil lawsuits and legal actions. In the opinion of the City's outside legal counsel and management, the ultimate outcome of such legal matters is not expected to have a significant impact on the City's financial position.

11. Restatement

During the audit, it was discovered that the deferred revenue for Local Options Sales Taxes was incorrectly recorded in the prior year. The discovery required the City to restate the beginning General Fund balance.

11. Restatement (continued)

Additionally, it was discovered that the Victim's Assistance Fund bank balance was incorrectly recorded in the General Fund. This discovery required the City to restate the beginning Victim's Assistance Fund and General Fund balances.

Additionally, it was discovered that several account balances were in correctly stated in the prior year. Those account balances include amounts due to the federal government, capital assets, and reserved seized funds. This discovery required the City to restate the beginning of the General Fund and Water and Sewer Fund balances.

Additionally, it was discovered that the transfer of capital assets between the Water and Sewer Fund and the Stormwater Fund was incorrectly recorded. This discovery required the City to restate the beginning balances of both proprietary funds.

The balances that were affected are as followed:

	General Fund	Victim's Assistance Fund
Audited fund balance as of June 30, 2017	$ 2,431,212	$ 3,167
Difference due to deferred revenue	791,364	-
Difference due to reclass to Victim's Fund bank balance	(30,633)	30,633
Restated fund balance as of June 30, 2017	$ 3,191,943	$ 33,800

	Governmental Activities	Business-Type Activities
Audited fund balance as of June 30, 2017	$ (371,720)	$ 7,213,347
Difference due to deferred revenue	791,364	-
Difference due to amount due to federal government	-	38,345
Restated fund balance as of June 30, 2017	$ 419,644	$ 7,251,692

12. Subsequent events

Subsequent events were evaluated through August 26, 2019, which is the date the financial statements were available for issue. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be required.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF DARLINGTON, SOUTH CAROLINA

SCHEDULE OF PROPORTIONATE SHARE OF THE SOUTH CAROLINA RETIREMENT SYSTEMS NET PENSION LIABILITIES

LAST TEN FISCAL YEARS*

	2018	2017	2016	2015	2014
South Carolina Retirement System					
City's proportion of the net pension liability	0.0180%	0.0190%	0.0189%	0.0182%	0.0182%
City's proportionate share of the net pension liability	$ 4,035,213	$ 4,064,139	$ 3,585,614	$ 3,127,411	$ 3,258,153
City's covered payroll	$ 1,731,075	$ 1,842,494	$ 1,772,638	$ 1,649,184	$ 1,658,801
City's proportionate share of the net pension liability as a percentage of its covered payroll	233.10%	220.58%	202.28%	189.63%	196.42%
Plan fiduciary net position as a percentage of the total pension liability	54.10%	52.91%	57.00%	59.90%	56.39%
South Carolina Police Officers Retirement System					
City's proportion of the net pension liability	0.1278%	0.1292%	0.1209%	0.1147%	0.1147%
City's proportionate share of the net pension liability	$ 3,620,088	$ 3,278,249	$ 2,635,185	$ 2,195,293	$ 2,377,098
City's covered payroll	$ 1,961,443	$ 1,647,695	$ 1,497,884	$ 1,379,200	$ 1,323,305
City's proportionate share of the net pension liability as a percentage of its covered payroll	184.56%	198.96%	175.93%	159.17%	179.63%
Plan fiduciary net position as a percentage of the total pension liability	61.73%	60.44%	64.60%	64.60%	67.55%

* - The amounts presented for each fiscal year were determined as of July 1 of four years prior, using membership data as of the day, projected forward to June 30 of the previous year. Additionally, the City implemented GASB 68 during fiscal year 2015. As such, only the last five years of information is available.

CITY OF DARLINGTON, SOUTH CAROLINA

SCHEDULE OF SOUTH CAROLINA RETIREMENT SYSTEMS CONTRIBUTIONS

LAST TEN FISCAL YEARS *

	2018	2017	2016	2015	2014
South Carolina Retirement System					
Contractually required contributions	$ 232,137	$ 210,139	$ 203,781	$ 193,218	$ 178,112
Contributions in relation to the contractually required contribution	(232,137)	(210,139)	(203,781)	(193,218)	(178,112)
Contribution deficiency/(excess)	$ -	$ -	$ -	$ -	$ -
City covered payroll	$ 1,731,075	$ 1,842,494	$ 1,772,638	$ 1,649,184	$ 1,658,801
Contributions as a percentage of covered payroll	13.41%	11.41%	11.50%	11.72%	10.74%
South Carolina Police Officers Retirement System					
Contractually required contributions	$ 310,693	$ 234,980	$ 226,392	$ 200,866	$ 177,089
Contributions in relation to the contractually required contribution	(310,693)	(234,980)	(226,392)	(200,866)	(177,089)
Contribution deficiency/(excess)	$ -	$ -	$ -	$ -	$ -
City covered payroll	$ 1,961,443	$ 1,647,695	$ 1,497,884	$ 1,379,200	$ 1,323,305
Contributions as a percentage of covered payroll	15.84%	14.26%	15.11%	14.56%	13.38%

* - The amounts presented for each fiscal year were determined as of July 1 of four years prior, using membership data as of the day, projected forward to June 30 of the previous year. Additionally, the City implemented GASB 68 during fiscal year 2015. As such, only the last five years of information is available.

OTHER FINANCIAL INFORMATION

CITY OF DARLINGTON, SOUTH CAROLINA

SCHEDULE OF COURT FINES, FEES, ASSESSMENTS AND SURCHARGES

FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Beginning Balance	For the Month of: July	August	September	October	November	December	January	February	March	April	May	June	Total	Ending Balance
Court Fines															
Court fines collected		$ 15,361	$ 9,849	$ 12,729	$ 13,733	$ 10,721	$ 6,546	$ 6,253	$ 11,481	$ 12,844	$ 8,310	$ 5,399	$ 5,593	$ 118,819	
Court fines retained		15,361	9,849	12,729	13,733	10,721	6,546	6,253	11,481	12,844	8,310	5,399	5,593	118,819	
Court fines remitted to State Treasurer		-	-	-	-	-	-	-	-	-	-	-	-	-	
Court Assessments															
Court assessments collected		16,474	10,588	13,576	14,763	11,418	7,037	6,717	12,209	13,711	8,911	5,804	5,990	127,198	
Court assessments retained by City		1,843	1,182	1,515	1,648	1,274	785	750	1,365	1,541	997	648	670	14,218	
Court assessments remitted to State Treasurer		14,631	9,406	12,061	13,115	10,144	6,252	5,967	10,844	12,170	7,914	5,156	5,320	112,980	
Court Surcharges															
Court surcharges collected		6,910	3,700	5,306	5,520	4,896	3,192	2,664	3,848	4,228	2,719	2,147	2,098	47,228	
Court surcharges retained by City		300	125	400	625	300	112	190	341	305	150	160	250	3,258	
Court surcharges remitted to State Treasurer		6,610	3,575	4,906	4,895	4,596	3,080	2,474	3,507	3,923	2,569	1,987	1,848	43,970	
Victim Services															
Court assessments allocated to Victim Services		1,843	1,182	1,515	1,648	1,274	785	750	1,365	1,541	997	648	670	14,218	
Court surcharges allocated to Victim Services		300	125	400	625	300	112	190	341	305	150	160	250	3,258	
Funds allocated to Victim Services		2,143	1,307	1,915	2,273	1,574	897	940	1,706	1,846	1,147	808	920	17,476	
Funds allocated to Victim Services	$ 37,908	2,143	1,307	1,915	2,273	1,574	897	940	1,706	1,846	1,147	808	920	17,476	
Victim Services interest income		26	15	15	17	17	17	20	17	17	19	19	24	223	
Victim Services expenditures		(439)	(3,211)	(2,595)	(2,818)	(2,594)	(2,474)	(8,281)	(2,355)	(2,630)	(2,788)	(2,410)	(2,454)	(35,049)	$ 20,558
Available funds in excess of expenditures		$ 1,730	$ (1,889)	$ (665)	$ (528)	$ (1,003)	$ (1,560)	$ (7,321)	$ (632)	$ (767)	$ (1,622)	$ (1,583)	$ (1,510)	$ (17,350)	

THE BRITTINGHAM GROUP, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS
501 STATE STREET
POST OFFICE BOX 5949
WEST COLUMBIA, SOUTH CAROLINA 29171

PHONE: (803) 739-3090
FAX: (803) 791-0834

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 Mayor and Members
Of City Council
City of Darlington, South Carolina
400 Pearl Street
Darlington, South Carolina 29532

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, business-type activities, each major fund, and the aggregate remaining fund information of the City of Darlington, South Carolina (the "City"), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated August 26, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City'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 an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City'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 a 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. 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's financial statements are free from 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.

West Columbia, South Carolina
August 26, 2019