

CITY OF DARLINGTON, SOUTH CAROLINA

GOVERNMENT-WIDE FINANCIAL STATEMENTS
AND OTHER FINANCIAL INFORMATION

YEAR ENDED JUNE 30, 2020

WITH

INDEPENDENT AUDITORS' REPORT

CITY OF DARLINGTON, SOUTH CAROLINA

GOVERNMENT-WIDE FINANCIAL STATEMENTS
AND OTHER FINANCIAL INFORMATION

YEAR ENDEND JUNE 30, 2020

TABLE OF CONTENTS

Independent Auditors’ Report	1
Financial Section – Basic Financial Statements	
Statement of Net Position	4
Statement of Activities.....	5
Balance Sheet – Governmental Funds	6
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position.....	7
Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds.....	8
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities.....	9
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget to Actual – General Fund	10
Statement of Net Position – Proprietary Funds.....	11
Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds.....	12
Statement of Cash Flows – Proprietary Funds.....	13
Statement of Net Position – Fiduciary Fund.....	15
Notes to Financial Statements.....	16
Required Supplementary Information	
Schedule of Proportionate Share of the South Carolina Retirement Systems Net Pension Liabilities.....	41
Schedule of South Carolina Retirement Systems Contributions	42
Other Financial Information	
Schedule of Court Fines, Fees, Assessments, and Surcharges	43
Independent Auditors Report on Internal Control	
Independent Auditors’ Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	44

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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, 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 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, 2020, 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 November 20, 2020 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.

The Brittingham Group LLP

West Columbia, South Carolina

November 20, 2020

CITY OF DARLINGTON, SOUTH CAROLINA

STATEMENT OF NET POSITION

JUNE 30, 2020

	Primary Government		
	Governmental Activities	Business - Type Activities	Total
Assets			
Cash and cash equivalents	\$ 2,710,967	\$ 491,864	\$ 3,202,831
Cash and cash equivalents - restricted	742,838	194,933	937,771
Accounts receivable, net	151,563	204,612	356,175
Property tax receivables, net	100,111	-	100,111
Internal balances	303,333	(303,333)	-
Due from other governments	509,162	-	509,162
Inventory of supplies at cost	-	17,600	17,600
Capital assets:			
Non-depreciable	1,361,108	511,659	1,872,767
Depreciable, net	3,492,253	10,692,307	14,184,560
Total assets	9,371,335	11,809,642	21,180,977
Deferred outflows of resources			
Deferred pension outflows	1,265,025	117,428	1,382,453
Total assets and deferred outflows of resources	10,636,360	11,927,070	22,563,430
Liabilities			
Accounts payable	242,414	135,096	377,510
Accrued payroll and related withholdings	28,706	7,415	36,121
Unearned revenue	34,202	20,993	55,195
Deposits payable	6,336	8,646	14,982
Accrued interest payable	-	61,114	61,114
Long-term liabilities:			
Current portion	660,823	316,262	977,085
Noncurrent portion	3,116,805	3,773,932	6,890,737
Net pension liability	6,643,174	1,342,118	7,985,292
Total liabilities	10,732,460	5,665,576	16,398,036
Deferred inflows of resources			
Deferred pension inflows	191,061	46,509	237,570
Total liabilities and deferred inflows of resources	10,923,521	5,712,085	16,635,606
Net position			
Net investment in capital assets	1,379,665	7,136,600	8,516,265
Restricted	742,838	194,933	937,771
Unrestricted - unfunded pension obligation	(5,569,210)	(1,271,199)	(6,840,409)
Unrestricted - other	3,159,546	154,651	3,314,197
Total net position	\$ (287,161)	\$ 6,214,985	\$ 5,927,824

See accompanying notes.

CITY OF DARLINGTON, SOUTH CAROLINA

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2020

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants & Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary Government:							
General government	\$ 1,283,342	\$ 17,825	\$ 35,261	\$ -	\$ (1,230,256)	\$ -	\$ (1,230,256)
Public safety	4,335,696	342,470	379,474	86,283	(3,527,469)	-	(3,527,469)
Streets and sanitation	1,654,586	1,153,619	-	-	(500,967)	-	(500,967)
Culture and recreation	704,495	46,555	8,709	1,425	(647,806)	-	(647,806)
Interest	118,611	-	-	-	(118,611)	-	(118,611)
Non-departmental	90,937	-	-	-	(90,937)	-	(90,937)
Total governmental activities	8,187,667	1,560,469	423,444	87,708	(6,116,046)	-	(6,116,046)
Business-type activities							
Water and sewer charges	2,517,568	1,895,474	-	89,448	-	(532,646)	(532,646)
Stormwater services	303,600	141,352	-	-	-	(162,248)	(162,248)
Total business-type activities	2,821,168	2,036,826	-	89,448	-	(694,894)	(694,894)
Total primary government	\$ 11,008,835	\$ 3,597,295	\$ 423,444	\$ 177,156	(6,116,046)	(694,894)	(6,810,940)
General revenues and transfers:							
General revenues:							
					2,953,461	-	2,953,461
					382,064	-	382,064
					14,142	-	14,142
					678,432	-	678,432
					1,260,527	-	1,260,527
					149,106	-	149,106
					103,441	5,550	108,991
					14,526	1,709	16,235
					5,555,699	7,259	5,562,958
					(560,347)	(687,635)	(1,247,982)
					273,186	6,902,620	7,175,806
					\$ (287,161)	\$ 6,214,985	\$ 5,927,824

See accompanying notes.

CITY OF DARLINGTON, SOUTH CAROLINA

BALANCE SHEET
GOVERNMENTAL FUNDS

JUNE 30, 2020

	General Fund	Capital Projects Fund	Hospitality Tax Special Revenue Fund	Victim's Assistance Special Revenue Fund	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ 2,010,403	\$ -	\$ 692,438	\$ 8,126	\$ 2,710,967
Cash and cash equivalents - restricted	-	742,838	-	-	742,838
Accounts receivable	109,667	-	41,896	-	151,563
Property tax receivables, net	100,111	-	-	-	100,111
Due from other governments	509,162	-	-	-	509,162
Due from other funds	312,243	-	31,923	784	344,950
Total assets	<u>3,041,586</u>	<u>742,838</u>	<u>766,257</u>	<u>8,910</u>	<u>4,559,591</u>
Liabilities, Deferred Inflows and Fund Balances					
Liabilities					
Accounts payable	236,624	-	5,790	-	242,414
Accrued payroll and related withholdings	28,706	-	-	-	28,706
Unearned revenues	34,202	-	-	-	34,202
Due to other funds	32,707	-	-	8,910	41,617
Deposits payable	6,336	-	-	-	6,336
Total liabilities	<u>338,575</u>	<u>-</u>	<u>5,790</u>	<u>8,910</u>	<u>353,275</u>
Deferred Inflow of Resources					
Unavailable revenue - property taxes	46,531	-	-	-	46,531
Total deferred inflow of resources	<u>46,531</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>46,531</u>
Fund Balances					
Restricted	31,677	-	-	-	31,677
Assigned	-	742,838	760,467	-	1,503,305
Unassigned	2,624,803	-	-	-	2,624,803
Total fund balances	<u>2,656,480</u>	<u>742,838</u>	<u>760,467</u>	<u>-</u>	<u>4,159,785</u>
Total liabilities and fund balances	<u>\$ 3,041,586</u>	<u>\$ 742,838</u>	<u>\$ 766,257</u>	<u>\$ 8,910</u>	<u>\$ 4,559,591</u>

See accompanying notes.

CITY OF DARLINGTON, SOUTH CAROLINA

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

JUNE 30, 2020

Total fund balances - governmental funds		\$ 4,159,785
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	\$ 10,008,356	
Accumulated depreciation	<u>(5,154,995)</u>	
		4,853,361
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.		
		46,531
Long-term liabilities are not due and payable in the current period and therefore are not reported in governmental funds.		
Compensated absences	(303,932)	
Capital leases	(798,802)	
Notes payable	(305,654)	
Revenue bonds	(1,575,000)	
General obligation bonds	<u>(794,240)</u>	
		(3,777,628)
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.		
		(6,643,174)
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	1,265,025	
Deferred inflows of resources related to pensions	<u>(191,061)</u>	
		1,073,964
Net position of governmental activities		<u><u>\$ (287,161)</u></u>

See accompanying notes.

CITY OF DARLINGTON, SOUTH CAROLINA

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

YEAR ENDED JUNE 30, 2020

	General Fund	Capital Projects Fund	Hospitality Tax Special Revenue Fund	Victim's Assistance Special Revenue Fund	Total Governmental Funds
Revenues					
Property and other taxes	\$ 2,973,534	\$ -	\$ 382,064	\$ -	\$ 3,355,598
Licenses and permits	1,938,959	-	-	-	1,938,959
Intergovernmental	491,576	-	-	-	491,576
Charges for services	1,200,174	-	-	-	1,200,174
Grant revenue	121,543	-	-	-	121,543
Fines and forfeitures	330,044	-	-	11,456	341,500
Interest	6,608	5,156	2,706	56	14,526
Miscellaneous	121,812	-	2,708	-	124,520
Rental income	17,825	-	-	-	17,825
Total revenues	<u>7,202,075</u>	<u>5,156</u>	<u>387,478</u>	<u>11,512</u>	<u>7,606,221</u>
Expenditures					
Current:					
General government	68,647	-	-	-	68,647
Municipal court	383,909	-	-	-	383,909
Legal	52,023	-	-	-	52,023
Community promotions	51,109	-	124,765	-	175,874
Accommodations	1,650	-	-	-	1,650
Administration	452,052	-	-	-	452,052
Public buildings	124,038	-	-	-	124,038
Planning and grants	218,375	-	-	-	218,375
Police department	2,723,451	-	-	11,512	2,734,963
Fire department	877,985	-	-	-	877,985
Inspections	169,874	-	-	-	169,874
Street maintenance	663,812	-	-	-	663,812
Sanitation and trash	781,775	-	-	-	781,775
Garage	83,280	-	-	-	83,280
Recreation	369,864	-	-	-	369,864
Parks	14,948	-	-	-	14,948
Registrations	54,949	-	-	-	54,949
Non-departmental	76,810	-	-	-	76,810
Capital outlay	236,609	607,300	20,186	-	864,095
Debt service:					
Principal	271,000	-	111,000	-	382,000
Interest and fiscal charges	63,123	12,664	42,824	-	118,611
Total expenditures	<u>7,739,283</u>	<u>619,964</u>	<u>298,775</u>	<u>11,512</u>	<u>8,669,534</u>
(Deficit) of revenues (under) expenditures	<u>(537,208)</u>	<u>(614,808)</u>	<u>88,703</u>	<u>-</u>	<u>(1,063,313)</u>
Other Financing Sources					
Proceeds from sale of capital assets	22,549	167,025	-	-	189,574
Notes payable issuance	101,929	-	-	-	101,929
Total other financing sources	<u>124,478</u>	<u>167,025</u>	<u>-</u>	<u>-</u>	<u>291,503</u>
Net change in fund balance	(412,730)	(447,783)	88,703	-	(771,810)
Fund balance, beginning of year	3,069,210	1,190,621	671,764	-	4,931,595
Fund balance, end of year	<u>\$ 2,656,480</u>	<u>\$ 742,838</u>	<u>\$ 760,467</u>	<u>\$ -</u>	<u>\$ 4,159,785</u>

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, 2020

Net change in fund balance - total governmental funds		\$ (771,810)
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.		(5,930)
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	\$ 864,095	
Depreciation	(462,310)	
Net change in capital assets		401,785
The net effect of various transactions involving capital assets (i.e., sales and donations) is a decrease in net assets.		(162,545)
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:		
Notes proceeds	(101,929)	
Principal repayments	382,000	
		280,071
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.		(270,562)
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.		(31,356)
Change in net position of governmental activities		<u>\$ (560,347)</u>

See accompanying notes.

CITY OF DARLINGTON, SOUTH CAROLINA

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

YEAR ENDED JUNE 30, 2020

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenue				
Property and other taxes	\$ 2,781,453	\$ 2,781,453	\$ 2,973,534	\$ 192,081
Licenses and permits	1,990,000	1,990,000	1,938,959	(51,041)
Intergovernmental	479,646	479,646	491,576	11,930
Charges for services	1,169,350	1,169,350	1,200,174	30,824
Grant revenue	-	-	121,543	121,543
Fines and forfeitures	268,200	268,200	330,044	61,844
Interest	2,800	2,800	6,608	3,808
Miscellaneous	59,822	59,822	121,812	61,990
Rental income	45,200	45,200	17,825	(27,375)
Total revenue	<u>6,796,471</u>	<u>6,796,471</u>	<u>7,202,075</u>	<u>405,604</u>
Expenditures				
Current				
General government	72,494	72,494	68,647	3,847
Municipal court	151,123	151,123	383,909	(232,786)
Legal	35,000	35,000	52,023	(17,023)
Community promotions	25,450	25,450	51,109	(25,659)
Accommodations	2,000	2,000	1,650	350.00
Administration	419,989	419,989	452,052	(32,063)
Public buildings	225,832	225,832	124,038	101,794
Planning and grants	224,266	224,266	218,375	5,891
Police department	2,531,238	2,531,238	2,723,451	(192,213)
Fire department	777,907	777,907	877,985	(100,078)
Inspections	199,807	199,807	169,874	29,933
Street maintenance	614,181	614,181	663,812	(49,631)
Sanitation and trash	686,411	686,411	781,775	(95,364)
Garage	68,109	68,109	83,280	(15,171)
Recreation	372,773	372,773	369,864	2,909
Parks	12,900	12,900	14,948	(2,048)
Registrations	48,700	48,700	54,949	(6,249)
Non-departmental	65,870	65,870	76,810	(10,940)
Capital outlay	387,421	387,421	236,609	150,812
Debt service	-	-	334,123	(334,123)
Total expenditures	<u>6,921,471</u>	<u>6,921,471</u>	<u>7,739,283</u>	<u>(817,812)</u>
(Deficit) of revenues (under) expenditures	<u>(125,000)</u>	<u>(125,000)</u>	<u>(537,208)</u>	<u>(412,208)</u>
Other financing sources				
Proceeds from sale of capital assets	125,000	125,000	22,549	(102,451)
Notes payable issuance	-	-	101,929	101,929
Total other financing sources	<u>125,000</u>	<u>125,000</u>	<u>124,478</u>	<u>(522)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>(412,730)</u>	<u>\$ (412,730)</u>
Fund balance, beginning of year			<u>3,069,210</u>	
Fund balance, end of year			<u>\$ 2,656,480</u>	

See accompanying notes.

CITY OF DARLINGTON, SOUTH CAROLINA

STATEMENT OF NET POSITION
 PROPRIETARY FUNDS

JUNE 30, 2020

	Water and Sewer Fund	Stormwater Fund	Total
Assets			
Current assets			
Cash and cash equivalents	\$ 380,375	\$ 111,489	\$ 491,864
Cash and cash equivalents - restricted	194,933	-	194,933
Accounts receivable, net	189,112	15,500	204,612
Due from other funds	-	11,337	11,337
Inventory of supplies at cost	17,600	-	17,600
Non-current assets			
Capital assets, not being depreciated	480,909	30,750	511,659
Capital assets, being depreciated, net	7,853,327	2,838,980	10,692,307
Total assets	<u>9,116,256</u>	<u>3,008,056</u>	<u>12,124,312</u>
Deferred outflows of resources			
Deferred pension outflows	117,428	-	117,428
Total assets and deferred outflows of resources	<u>9,233,684</u>	<u>3,008,056</u>	<u>12,241,740</u>
Liabilities			
Current liabilities			
Accounts payable	135,096	-	135,096
Accrued payroll and benefits	7,415	-	7,415
Accrued interest payable	38,540	22,574	61,114
Accrued compensated absences	22,828	-	22,828
Unearned revenue	20,993	-	20,993
Due to other funds	314,670	-	314,670
Current portion of long term debt	207,434	86,000	293,434
Non-current liabilities			
Deposits payable	8,646	-	8,646
Net pension liability	1,342,118	-	1,342,118
Obligations under capital leases	325,588	-	325,588
Notes payable	247,448	-	247,448
Revenue bonds payable	1,032,896	2,168,000	3,200,896
Total liabilities	<u>3,703,672</u>	<u>2,276,574</u>	<u>5,980,246</u>
Deferred inflows of resources			
Deferred pension inflows	46,509	-	46,509
Total liabilities and deferred inflows of resources	<u>3,750,181</u>	<u>2,276,574</u>	<u>6,026,755</u>
Net position			
Net investment in capital assets	6,520,870	615,730	7,136,600
Restricted - debt service	194,933	-	194,933
Unrestricted - unfunded pension obligation	(1,271,199)	-	(1,271,199)
Unrestricted - other	38,899	115,752	154,651
Total net position	<u>\$ 5,483,503</u>	<u>\$ 731,482</u>	<u>\$ 6,214,985</u>

See accompanying notes.

CITY OF DARLINGTON, SOUTH CAROLINA

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

YEAR ENDED JUNE 30, 2020

	Water and Sewer Fund	Stormwater Fund	Total
Operating revenue			
Service revenue	\$ 1,895,474	\$ 141,352	\$ 2,036,826
Total operating revenue	<u>1,895,474</u>	<u>141,352</u>	<u>2,036,826</u>
Operating expenses			
Water distribution	1,139,407	-	1,139,407
Sewer maintenance and collection	518,655	-	518,655
Sewer treatment	278,064	-	278,064
Stormwater operations	-	1,531	1,531
Professional services	5,228	12,326	17,554
Depreciation expense	576,214	128,239	704,453
Total operating expenses	<u>2,517,568</u>	<u>142,096</u>	<u>2,659,664</u>
Operating loss	<u>(622,094)</u>	<u>(744)</u>	<u>(622,838)</u>
Nonoperating revenue (expenses)			
Interest earnings	468	1,241	1,709
Miscellaneous income	5,550	-	5,550
Interest expense	(59,504)	(102,000)	(161,504)
Total nonoperating revenue (expense)	<u>(53,486)</u>	<u>(100,759)</u>	<u>(154,245)</u>
Loss before capital contributions and transfers	<u>(675,580)</u>	<u>(101,503)</u>	<u>(777,083)</u>
Capital contributions and transfers			
Capital contributions	89,448	-	89,448
Total capital contributions and transfers	<u>89,448</u>	<u>-</u>	<u>89,448</u>
Change in net position	(586,132)	(101,503)	(687,635)
Total net position, beginning	6,069,635	832,985	6,902,620
Total net position, ending	<u>\$ 5,483,503</u>	<u>\$ 731,482</u>	<u>\$ 6,214,985</u>

See accompanying notes.

CITY OF DARLINGTON, SOUTH CAROLINA

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS

YEAR ENDED JUNE 30, 2020

	Water and Sewer Fund	Stormwater Fund	Total
Cash flows from operating activities			
Cash received from customers	\$ 1,988,848	\$ 140,700	\$ 2,129,548
Cash paid to employees	(566,263)	-	(566,263)
Cash paid to suppliers	(1,498,607)	(519,983)	(2,018,590)
Net cash used in operating activities	<u>(76,022)</u>	<u>(379,283)</u>	<u>(455,305)</u>
Cash flows from non-capital financing activities			
Other nonoperating revenues	5,551	-	5,551
Net cash provided by noncapital financing activities	<u>5,551</u>	<u>-</u>	<u>5,551</u>
Cash flows from capital and related financing activities			
Capital grants and contributions	89,448	-	89,448
Purchase of capital assets	(386,896)	(368,088)	(754,984)
Principal paid on long-term debt	(213,107)	(82,000)	(295,107)
Interest paid on long-term debt	(50,981)	(99,280)	(150,261)
Net cash used in capital and related financing activities	<u>(561,536)</u>	<u>(549,368)</u>	<u>(1,110,904)</u>
Cash flows from investing activities			
Interest income	468	1,241	1,709
Net cash provided by investing activities	<u>468</u>	<u>1,241</u>	<u>1,709</u>
Net decrease in cash and cash equivalents	(631,539)	(927,410)	(1,558,949)
Cash and cash equivalents, beginning	1,206,847	1,038,899	2,245,746
Cash and cash equivalents, ending	<u>\$ 575,308</u>	<u>\$ 111,489</u>	<u>\$ 686,797</u>
Reconciliation of Cash and Cash Equivalents to Statement of Net Position:			
Cash and cash equivalents	\$ 380,375	\$ 111,489	\$ 491,864
Restricted cash and cash equivalents	194,933	-	194,933
Total cash and cash equivalents	<u>\$ 575,308</u>	<u>\$ 111,489</u>	<u>\$ 686,797</u>

(CONTINUED)

CITY OF DARLINGTON, SOUTH CAROLINA

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS

YEAR ENDED JUNE 30, 2020

-CONTINUED-

	<u>Water and Sewer Fund</u>	<u>Stormwater Fund</u>	<u>Total</u>
Reconciliation of operating income to net cash provided by operating activities			
Operating loss	\$ (622,094)	\$ (744)	\$ (622,838)
Adjustments to reconcile operating income to net cash provided by operating activities			
Depreciation	576,214	128,239	704,453
Changes in assets and liabilities:			
(Increase) decrease in receivables	93,374	(652)	92,722
(Increase) decrease in inventory	(1,165)	-	(1,165)
(Increase) decrease in due from other funds	-	(5,950)	(5,950)
(Increase) decrease in deferred pension outflows	112,450	-	112,450
Increase (decrease) in due to other funds	43,271	-	43,271
Increase (decrease) in accounts payable	(348,892)	(294,297)	(643,189)
Increase (decrease) in accrued payroll and benefits	2,873	-	2,873
Increase (decrease) in retainage payable	-	(205,879)	(205,879)
Increase (decrease) in deposits payable	(326)	-	(326)
Increase (decrease) in unearned revenue	7,155	-	7,155
Increase (decrease) in accrued compensated absences	(3,389)	-	(3,389)
Increase (decrease) in deferred pension inflows	(30,899)	-	(30,899)
Increase (decrease) in net pension liability	95,406	-	95,406
Net cash provided by operating activities	<u>\$ (76,022)</u>	<u>\$ (379,283)</u>	<u>\$ (455,305)</u>

See accompanying notes.

CITY OF DARLINGTON, SOUTH CAROLINA
STATEMENT OF NET POSITION - FIDUCIARY FUND

JUNE 30, 2020

	Fireman's Fund
Assets	
Cash and cash equivalents	\$ 31,625
Total assets	<u>31,625</u>
Net Position	
Funds held in trust for individuals, organizations, and other governments	31,625
Total net position	<u><u>\$ 31,625</u></u>

CITY OF DARLINGTON, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

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.

-CONTINUED-

CITY OF DARLINGTON, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

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.

CITY OF DARLINGTON, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

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.

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.

CITY OF DARLINGTON, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

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.

CITY OF DARLINGTON, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

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.

CITY OF DARLINGTON, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

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 or 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 the SCRS and PORS 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.

CITY OF DARLINGTON, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

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 \$1,382,453 as of June 30, 2020.

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 \$237,570 as of June 30, 2020.

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, 2020, \$937,771 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."

CITY OF DARLINGTON, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

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, 2020, 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, 2020, 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 statutes. The last revaluation date was December 31, 2019. 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 statutes 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.

CITY OF DARLINGTON, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

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.

CITY OF DARLINGTON, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

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 \$405,604. Actual expenditures exceeded budgeted expenditures by \$817,812.

3. Deposits & Investments

At June 30, 2020, the carrying amount of the City's unrestricted and restricted deposits totaled \$4,140,602, and the bank balance was \$4,335,929, of which all, is covered by either federal depository insurance, or is properly collateralized in accordance with State law.

4. Receivables

Receivables at June 30, 2020, consist of the following:

	Governmental Activities	Business-type Activities	Total
Accounts receivable:			
Government revenue	\$ 509,162	\$ -	\$ 509,162
Property taxes	281,032	-	281,032
Utility service billings	109,667	284,428	394,095
Other	41,895	-	41,895
Gross receivables	941,756	284,428	1,226,184
Less, allowance for uncollectibles	(180,920)	(79,816)	(260,736)
Net receivables	<u>\$ 760,836</u>	<u>\$ 204,612</u>	<u>\$ 965,448</u>

CITY OF DARLINGTON, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

5. Interfund Receivables and Payables

	<u>Receivables</u>	<u>Payables</u>	<u>Total</u>
General fund	\$ 312,243	\$ 32,707	\$ 344,950
Hospitality tax fund	31,923	-	31,923
Victim's assistance fund	784	8,910	9,694
Water and sewer fund	-	314,670	314,670
Stormwater fund	11,337	-	11,337
Total	<u>\$ 356,287</u>	<u>\$ 356,287</u>	<u>\$ 712,574</u>

6. Capital Assets

Capital asset activity for the year ended June 30, 2020, was as follows:

Governmental activities

	<u>Beginning Balances</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balances</u>
Capital assets, not being depreciated				
Land and improvements	\$ 431,197	\$ 600,000	\$ (162,545)	\$ 868,652
Construction in progress	563,705	-	(71,249)	492,456
Total capital assets, not being depreciated	<u>994,902</u>	<u>600,000</u>	<u>(233,794)</u>	<u>1,361,108</u>
Capital assets, being depreciated				
Infrastructure	1,121,465	-	-	1,121,465
Buildings and Improvements	3,577,321	71,249	-	3,648,570
Equipment	3,774,404	264,097	(161,288)	3,877,213
Total capital assets, being depreciated	<u>8,473,190</u>	<u>335,346</u>	<u>(161,288)</u>	<u>8,647,248</u>
Less: Accumulated depreciation for:				
Infrastructure	(618,978)	(54,997)	-	(673,975)
Buildings and Improvements	(1,842,220)	(124,807)	-	(1,967,027)
Equipment	(2,392,775)	(282,506)	161,288	(2,513,993)
Total accumulated depreciation	<u>(4,853,973)</u>	<u>(462,310)</u>	<u>161,288</u>	<u>(5,154,995)</u>
Total capital assets, being depreciated, net	<u>3,619,217</u>	<u>(126,964)</u>	<u>-</u>	<u>3,492,253</u>
Governmental activities capital assets, net	<u>\$ 4,614,119</u>	<u>\$ 473,036</u>	<u>\$ (233,794)</u>	<u>\$ 4,853,361</u>

CITY OF DARLINGTON, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

6. Capital Assets (continued)

Business-type activities

	<u>Beginning Balances</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balances</u>
Capital assets, not being depreciated				
Land and improvements	\$ 227,269	\$ -	\$ -	\$ 227,269
Construction in progress	2,306,757	652,478	(2,674,845)	284,390
Total capital assets, not being depreciated	<u>2,534,026</u>	<u>652,478</u>	<u>(2,674,845)</u>	<u>511,659</u>
Capital assets, being depreciated				
Building and improvements	6,806,698	-	-	6,806,698
Water and sewer lines	12,314,885	2,736,605	-	15,051,490
Equipment	1,498,303	40,746	(19,500)	1,519,549
Total capital assets, being depreciated	<u>20,619,886</u>	<u>2,777,351</u>	<u>(19,500)</u>	<u>23,377,737</u>
Less: Accumulated depreciation for:				
Building and improvements	(4,911,639)	(112,068)	-	(5,023,707)
Water and sewer lines	(6,251,649)	(487,626)	-	(6,739,275)
Equipment	(837,189)	(104,759)	19,500	(922,448)
Total accumulated depreciation	<u>(12,000,477)</u>	<u>(704,453)</u>	<u>19,500</u>	<u>(12,685,430)</u>
Total capital assets, being depreciated, net	<u>8,619,409</u>	<u>2,072,898</u>	<u>-</u>	<u>10,692,307</u>
Governmental activities capital assets, net	<u>\$ 11,153,435</u>	<u>\$ 2,725,376</u>	<u>\$ (2,674,845)</u>	<u>\$ 11,203,966</u>

Depreciation expense was charged to each function as follows:

Governmental activities:	
General government	\$ 159,554
Public safety	139,494
Public works	86,602
Culture and recreation	76,660
Total depreciation - governmental activities	<u>\$ 462,310</u>
Business type activities:	
Water and sewer	\$ 576,214
Stormwater	128,239
Total depreciation - business type activities	<u>\$ 704,453</u>

CITY OF DARLINGTON, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

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 six 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 is publicly available through the Retirement Benefit's link on PEBA's website at www.peba.sc.gov, or may be obtained by writing to PEBA, 202 Arbor Lake Drive, Columbia, South Carolina 29223. PEBA is considered a division of the primary government of the state of South Carolina and therefore, the retirement fund financial information is also included in the comprehensive annual financial report of the state.

Under the 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 DARLINGTON, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

7. Pension Plan (continued)

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 15.56%. Included in the total SCRS employer contribution rate is a base retirement contribution of 15.41% and 0.15% contribution rate for the incidental death program. The City's contributions for the years ended June 30, 2020, 2019 and 2018 are as follows:

Year Ended June 30,	Employer Contribution Rate			Employer Contributions		
	Base	Incidental Death	Total	Base	Incidental Death	Total
2020	15.41%	0.15%	15.56%	\$ 303,323	\$ 2,953	\$ 306,276
2019	14.41%	0.15%	14.56%	\$ 285,150	\$ 2,968	\$ 288,118
2018	13.41%	0.15%	13.56%	\$ 250,561	\$ 2,803	\$ 253,364

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.

Under the 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.

CITY OF DARLINGTON, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

7. Pension Plan (continued)

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.

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 18.24%. Included in the total PORS employer contribution rate is a base retirement contribution of 17.84% and .20% for the incidental death program and .20% for the accidental death program.

The City's contributions for the years ended June 30, 2020, 2019 and 2018 are as follows:

Year Ended June 30,	Employer Contribution Rate			Employer Contributions		
	Base	Incidental Death	Total	Base	Incidental Death	Total
2020	17.84%	0.40%	18.24%	\$ 340,345	\$ 7,632	\$ 347,977
2019	16.84%	0.40%	17.24%	\$ 316,340	\$ 7,514	\$ 323,854
2018	15.84%	0.40%	16.24%	\$ 279,754	\$ 7,064	\$ 286,818

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. 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 for the period ending June 30, 2015. Employee and employer contribution rates to SCRS and PORS are actuarially determined.

At June 30, 2020, the City reported \$4,273,584 and \$3,711,708 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, 2019, 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, 2020, the City's SCRS proportion was 0.018716% and its PORS proportion was 0.129511%.

CITY OF DARLINGTON, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

7. Pension Plan (continued)

At June 30, 2020 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	\$ 2,938	\$ 76,320
Assumption Changes	86,119	147,188
Net difference between projected and actual investment earnings	37,835	47,062
Differences between employer contributions and proportionate share	247,024	83,716
Contributions made subsequent to the measurement date	306,275	347,976
Total deferred outflows of resources	<u>680,191</u>	<u>702,262</u>
Deferred Inflows of Resources		
Differences between expected and actual experience	30,701	27,432
Differences between employer contributions and proportionate share	117,392	62,045
Total deferred inflows of resources	<u>148,093</u>	<u>89,477</u>
Net deferred outflows/(inflows)	<u>\$ 532,098</u>	<u>\$ 612,785</u>

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

<u>Year Ended June 30,</u>	<u>SCRS</u>	<u>PORS</u>	<u>Net</u>
2021	\$ (245,152)	\$ (192,878)	\$ (438,030)
2022	36,837	(43,213)	(6,376)
2023	(2,987)	(13,383)	(16,370)
2024	(14,521)	(15,335)	(29,856)
	<u>\$ (225,823)</u>	<u>\$ (264,809)</u>	<u>\$ (490,632)</u>

CITY OF DARLINGTON, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

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:

	<u>SCRS</u>	<u>PORS</u>
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 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. Assumption used in the determination of the June 30, 2019, SCRS and PORS valuations are as follows:

<u>Former Job Class</u>	<u>Males</u>	<u>Females</u>
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 20-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 2019 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.

CITY OF DARLINGTON, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

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:

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Expected Arithmetic Real Rate of Return</u>	<u>Long Term Expected Portfolio Real Rate of Return</u>
Global Equity	51.0%		
Global Public Equity	35.0%	7.29%	2.55%
Private Equity	9.0%	7.67%	0.69%
Equity Options Strategies	7.0%	5.23%	0.37%
Real Assets	12.0%		
Real Estate (Private)	8.0%	5.59%	0.45%
Real Estate (REITs)	1.0%	8.16%	0.08%
Infrastructure (Private)	2.0%	5.03%	0.10%
Infrastructure (Public)	1.0%	6.12%	0.06%
Opportunistic	8.0%		
Global Tactical Asset Allocation	7.0%	3.09%	0.22%
Other Opportunistic Strategies	1.0%	3.82%	0.04%
Credit	15.0%		
High Yield Bonds/Bank Loans	4.0%	3.14%	0.13%
Emerging Markets Debt	4.0%	3.31%	0.13%
Private Debt	7.0%	5.49%	0.38%
Rate Sensitive	14.0%		
Core Fixed Income	13.0%	1.62%	0.21%
Cash and Short Duration (Net)	1.0%	31.00%	0.00%
Total Expected Real Return	100%		5.41%
Inflation for Actuarial Purposes			2.25%
Total Expected Nominal Return			7.66%

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.

CITY OF DARLINGTON, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

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	5,383,821	4,273,584	3,347,026
PORS	5,030,245	3,711,708	2,631,494

8. Long-Term Debt

Changes in long-term liabilities for the year ended June 30, 2020 are as follows:

	<u>July 1, 2019</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2020</u>	<u>Due Within One Year</u>
Governmental activities:					
Notes payable	\$ 266,800	\$ 101,929	\$ (63,075)	\$ 305,654	\$ 50,488
Capital leases	902,738	-	(103,936)	798,802	86,147
General obligation bond	898,229	-	(103,989)	794,240	106,256
Revenue bond	1,686,000	-	(111,000)	1,575,000	114,000
Compensated absences	272,576	31,356	-	303,932	303,932
	<u>4,026,343</u>	<u>133,285</u>	<u>(382,000)</u>	<u>3,777,628</u>	<u>660,823</u>
Business-Type activities:					
Notes payable	263,682	-	(8,064)	255,618	8,170
Capital leases	416,744	-	(50,309)	366,435	40,847
Revenue bond	3,682,047	-	(236,734)	3,445,313	244,417
Compensated absences	26,217	-	(3,389)	22,828	22,828
	<u>4,388,690</u>	<u>-</u>	<u>(298,496)</u>	<u>4,090,194</u>	<u>316,262</u>
Total	<u>\$ 8,415,033</u>	<u>\$ 133,285</u>	<u>\$ (680,496)</u>	<u>\$ 7,867,822</u>	<u>\$ 977,085</u>

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.

CITY OF DARLINGTON, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

8. Long-Term Debt (continued)

Notes Payable

Notes payable outstanding at June 30, 2020:

	Collateral	Original Amount	Maturity Date	Interest Rate	Outstanding Amount
Governmental activities:					
SC Office of Regulatory Staff	LED Lighting	\$ 275,420	9/1/2027	1.50%	\$ 223,565
Dixie Federal Credit Union	Vehicle	\$ 36,015	10/11/2022	4.00%	21,703
Dixie Federal Credit Union	Vehicle	\$ 35,967	10/11/2022	4.00%	21,674
Pee Dee Electric	Playground Equipment	\$ 41,163	1/31/2027	1.00%	38,712
					<u>\$ 305,654</u>
Business-Type activities:					
SC Water Quality Revolving Fund Authority	Sewer Lines	\$ 284,491	11/1/2046	1.30%	<u>\$ 255,618</u>

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 renovate 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.

CITY OF DARLINGTON, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

8. Long-Term Debt (continued)

Revenue bonds outstanding at June 30, 2020:

	Original Amount	Maturity Date	Interest Rate	Outstanding Amount
Governmental activities:				
Series 2017 - Hospitality Fee Revenue Bond	\$ 1,900,000	6/15/2032	2.54%	\$ <u>1,575,000</u>
Business-Type activities:				
Series 2015 - Water and Sewer Revenue Bond	\$ 1,789,000	12/1/2026	2.38%	\$ 1,191,313
Series 2018 - Stormwater Refunding Revenue Bond	\$ 2,417,000	5/1/2038	4.25%	2,254,000
				<u>\$ 3,445,313</u>

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, 2020:

	Original Amount	Maturity Date	Interest Rate	Outstanding Amount
Governmental activities:				
Series 2017 - Hospitality Fee Revenue Bond	\$ 1,000,000	12/13/2026	2.18%	\$ <u>794,240</u>

CITY OF DARLINGTON, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

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 June 30,	Notes payable		General Obligation Bonds	
	Principal	Interest	Principal	Interest
2021	\$ 50,488	\$ 5,144	\$ 106,256	\$ 17,314
2022	51,624	3,977	108,572	14,998
2023	39,640	2,851	110,939	12,631
2024	33,603	2,353	113,358	10,213
2025	34,019	1,879	115,829	7,742
Thereafter	96,280	2,750	239,286	7,853
	<u>\$ 305,654</u>	<u>\$ 18,954</u>	<u>\$ 794,240</u>	<u>\$ 70,751</u>

Year Ended June 30,	Revenue Bonds		Total Governmental Activities	
	Principal	Interest	Principal	Interest
2021	\$ 114,000	\$ 40,005	\$ 270,744	\$ 62,463
2022	117,000	37,109	277,196	56,084
2023	120,000	34,138	270,579	49,620
2024	123,000	31,090	269,961	43,656
2025	126,000	27,965	275,848	37,586
Thereafter	975,000	101,549	1,310,566	112,152
	<u>\$ 1,575,000</u>	<u>\$ 271,856</u>	<u>\$ 2,674,894</u>	<u>\$ 361,561</u>

CITY OF DARLINGTON, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

8. Long-Term Debt (continued)

Business-type activities:

Year Ended June 30,	Notes payable		Revenue Bonds		Total Business-Type Activities	
	Principal	Interest	Principal	Interest	Principal	Interest
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
2024	8,494	2,973	266,999	101,134	275,493	104,107
2025	8,605	2,862	275,045	92,965	283,650	95,827
Thereafter	213,687	31,764	2,147,617	588,461	2,361,304	620,225
	<u>\$ 255,618</u>	<u>\$ 47,171</u>	<u>\$ 3,445,313</u>	<u>\$ 1,132,469</u>	<u>\$ 3,700,931</u>	<u>\$ 1,179,640</u>

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 \$976,031 and accumulated depreciation on these assets at June 30, 2020, was about \$394,396. The cost of leased machinery and equipment acquired under capital leases for business type activities amounted to about \$429,651 and accumulated depreciation on these assets at June 30, 2020, was about \$94,808. Amortization of assets acquired under capital leases is included in depreciation expense for the year ended June 30, 2020.

CITY OF DARLINGTON, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

8. Long-Term Debt (continued)

The future minimum obligations under capital leases are as follows:

Year Ended June 30,	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2021	\$ 86,147	\$ 29,556	\$ 40,847	\$ 13,372
2022	127,832	25,237	55,438	11,376
2023	65,835	21,933	34,587	10,076
2024	68,239	19,530	35,873	8,790
2025	70,730	17,038	37,208	7,455
Thereafter	380,019	50,829	162,482	15,454
	<u>\$ 798,802</u>	<u>\$ 164,123</u>	<u>\$ 366,435</u>	<u>\$ 66,523</u>

Interest Expense

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

Governmental Activities	\$ 118,611
Business-Type Activities	161,504
	<u>\$ 280,115</u>

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.

CITY OF DARLINGTON, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

11. Subsequent events

Subsequent events were evaluated through November 20, 2020, which is the date the financial statements were available for issue. In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) originated in Wuhan, China and has since spread to other countries, including the U.S. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, multiple jurisdictions in the U.S. have declared a state of emergency. It is anticipated that these impacts will continue for some time. There has been no immediate impact to the City's operations. Future potential impacts may include a decline in revenue from property taxes, business licenses, and permits as a result of the economic conditions caused by COVID-19. The future effects of these issues are unknown.

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*

	2020	2019	2018	2017	2016	2015	2014
South Carolina Retirement System							
City's proportion of the net pension liability	0.0187%	0.0180%	0.0180%	0.0190%	0.0189%	0.0182%	0.0182%
City's proportionate share of the net pension liability	\$ 4,273,584	\$ 4,035,213	\$ 4,035,213	\$ 4,064,139	\$ 3,585,614	\$ 3,127,411	\$ 3,258,153
City's covered payroll	\$ 1,978,834	\$ 1,868,464	\$ 1,842,494	\$ 1,772,638	\$ 1,649,184	\$ 1,658,801	\$ 1,658,801
City's proportionate share of the net pension liability as a percentage of its covered payroll	215.96%	215.96%	219.01%	229.27%	217.42%	188.53%	196.42%
Plan fiduciary net position as a percentage of the total pension liability	54.40%	54.10%	54.10%	52.91%	57.00%	59.90%	56.39%
South Carolina Police Officers Retirement System							
City's proportion of the net pension liability	0.1295%	0.1278%	0.1278%	0.1292%	0.1209%	0.1147%	0.1147%
City's proportionate share of the net pension liability	\$ 3,711,708	\$ 3,620,088	\$ 3,620,088	\$ 3,278,249	\$ 2,635,185	\$ 2,195,293	\$ 2,377,098
City's covered payroll	\$ 1,878,503	\$ 1,766,123	\$ 1,647,695	\$ 1,497,884	\$ 1,379,200	\$ 1,323,305	\$ 1,323,305
City's proportionate share of the net pension liability as a percentage of its covered payroll	197.59%	204.97%	219.71%	218.86%	191.07%	165.89%	179.63%
Plan fiduciary net position as a percentage of the total pension liability	62.70%	61.73%	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 seven years of information is available.

CITY OF DARLINGTON, SOUTH CAROLINA

SCHEDULE OF SOUTH CAROLINA RETIREMENT SYSTEMS CONTRIBUTIONS

LAST TEN FISCAL YEARS *

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
South Carolina Retirement System							
Contractually required contributions	\$ 303,323	\$ 285,150	\$ 250,561	\$ 210,139	\$ 203,781	\$ 193,218	\$ 178,112
Contributions in relation to the contractually required contribution	(303,323)	(285,150)	(250,561)	(210,139)	(203,781)	(193,218)	(178,112)
Contribution deficiency/(excess)	<u>\$ -</u>						
City covered payroll	\$ 1,968,349	\$ 1,978,834	\$ 1,868,464	\$ 1,842,494	\$ 1,772,638	\$ 1,649,184	\$ 1,658,801
Contributions as a percentage of covered payroll	15.41%	14.41%	13.41%	11.41%	11.50%	11.72%	10.74%
South Carolina Police Officers Retirement System							
Contractually required contributions	\$ 340,345	\$ 316,340	\$ 279,754	\$ 234,980	\$ 226,392	\$ 200,866	\$ 177,089
Contributions in relation to the contractually required contribution	(340,345)	(316,340)	(279,754)	(234,980)	(226,392)	(200,866)	(177,089)
Contribution deficiency/(excess)	<u>\$ -</u>						
City covered payroll	\$ 1,907,763	\$ 1,878,503	\$ 1,766,123	\$ 1,647,695	\$ 1,497,884	\$ 1,379,200	\$ 1,323,305
Contributions as a percentage of covered payroll	17.84%	16.84%	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 seven years of information is available.

OTHER FINANCIAL INFORMATION

CITY OF DARLINGTON, SOUTH CAROLINA

SCHEDULE OF COURT FINES, FEES, ASSESSMENTS, AND SURCHARGES

JUNE 30, 2020

Total Court Fines and Assessments:

Court fines and assessments collected	\$ 144,117
Court fines and assessments remitted to State Treasurer	(66,307)
	<hr/>
Total Court fines and assessments retained	<u>\$ 77,810</u>

Surcharges and Assessments retained for Victim's Services

Surcharges collected and retained	\$ 3,117
Assessments retained	8,339
	<hr/>
Total surcharges and assessments retained for victims services	<u>\$ 11,456</u>

Victim Services Collected

Carryforward from previous year - beginning balance	\$ -
Victim Service Revenue	
Victim service fines retained by the City	-
Victim service assessments retained by the City	8,339
Victim service surcharges retained by the City	3,117
Interest earned	56
General funds transferred to victim service fund	-
Total funds allocated to victim service fund + beginning balance (A)	<hr/> 11,512

Expenditures for Victim Service Program

Salaries and benefits	8,910
Victime Service Donation	-
Operating expenditures	2,602
General funds transferred from victim service fund	-
Total expenditures from victim service fund/program (B)	<hr/> 11,512

Total victim service funds retained by the City (A-B)	<hr/> -
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Carryforward funds - end of year	<u>\$ -</u>
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THE BRITTINGHAM GROUP, L.L.P.

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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, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 20, 2020.

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.

The image shows a handwritten signature in black ink that reads "The Brittingham Group LLP". The signature is written in a cursive, flowing style. It is contained within a thin black rectangular border.

West Columbia, South Carolina
November 20, 2020