

CITY OF DARLINGTON, SOUTH CAROLINA

---

GOVERNMENT-WIDE FINANCIAL STATEMENTS  
AND OTHER FINANCIAL INFORMATION

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YEAR ENDED JUNE 30, 2021

WITH

INDEPENDENT AUDITORS' REPORT

CITY OF DARLINGTON, SOUTH CAROLINA

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GOVERNMENT-WIDE FINANCIAL STATEMENTS  
AND OTHER FINANCIAL INFORMATION

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YEAR ENDEND JUNE 30, 2021

**TABLE OF CONTENTS**

Independent Auditors' Report .....	1
<b>Financial Section – Basic Financial Statements</b>	
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
Statement of Changes in Fiduciary Net Position – Fiduciary Fund.....	16
Notes to Financial Statements.....	17
<b>Required Supplementary Information</b>	
Schedule of Proportionate Share of the South Carolina Retirement Systems Net Pension Liabilities.....	41
Schedule of South Carolina Retirement Systems Contributions .....	42
<b>Other Financial Information</b>	
Schedule of Court Fines, Fees, Assessments, and Surcharges .....	43
<b>Independent Auditors Report on Internal Control</b>	
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

# THE BRITTINGHAM GROUP, L.L.P.

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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, 2021, 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, 2021, 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 December 8, 2021 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

December 8, 2021

CITY OF DARLINGTON, SOUTH CAROLINA

STATEMENT OF NET POSITION

JUNE 30, 2021

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business - Type Activities</b>	<b>Total</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 3,118,512	\$ 1,090,466	\$ 4,208,978
Cash and cash equivalents - restricted	743,581	210,674	954,255
Accounts receivable, net	156,132	314,416	470,548
Property tax receivables, net	61,384	-	61,384
Internal balances	360,240	(360,240)	-
Due from other governments	483,503	-	483,503
Prepaid Insurance	121,959	15,104	137,063
Inventory of supplies at cost	-	17,600	17,600
Capital assets:			
Non-depreciable	1,361,108	1,265,042	2,626,150
Depreciable, net	3,310,694	10,049,169	13,359,863
<b>Total assets</b>	<b>9,717,113</b>	<b>12,602,231</b>	<b>22,319,344</b>
<b>Deferred outflows of resources</b>			
Deferred pension outflows	1,524,838	228,381	1,753,219
<b>Total assets and deferred outflows of resources</b>	<b>11,241,951</b>	<b>12,830,612</b>	<b>24,072,563</b>
<b>Liabilities</b>			
Accounts payable	241,532	96,072	337,604
Accrued payroll and related withholdings	47,538	16,428	63,966
Unearned revenue	60,547	21,983	82,530
Deposits payable	14,280	8,101	22,381
Accrued interest payable	-	61,761	61,761
Retainage payable	-	57,667	57,667
Long-term liabilities:			
Current portion	764,829	366,096	1,130,925
Noncurrent portion	3,128,358	4,051,524	7,179,882
Net pension liability	7,429,601	1,266,547	8,696,148
<b>Total liabilities</b>	<b>11,686,685</b>	<b>5,946,179</b>	<b>17,632,864</b>
<b>Deferred inflows of resources</b>			
Deferred pension inflows	266,737	57,424	324,161
<b>Total liabilities and deferred inflows of resources</b>	<b>11,953,422</b>	<b>6,003,603</b>	<b>17,957,025</b>
<b>Net position</b>			
Net investment in capital assets	1,064,406	6,919,628	7,984,034
Restricted	1,666,677	210,674	1,877,351
Unrestricted - unfunded pension obligation	(6,171,500)	(1,095,590)	(7,267,090)
Unrestricted - other	2,728,946	792,297	3,521,243
<b>Total net position</b>	<b>\$ (711,471)</b>	<b>\$ 6,827,009</b>	<b>\$ 6,115,538</b>

See accompanying notes.

CITY OF DARLINGTON, SOUTH CAROLINA

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2021

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Total
		Charges for Services	Operating Grants & Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	
Primary Government:							
General government	\$ 1,902,409	\$ 20,350	\$ 33,536	\$ -	\$ (1,848,523)	\$ -	\$ (1,848,523)
Public safety	3,918,321	261,698	396,790	53,120	(3,206,713)	-	(3,206,713)
Streets and sanitation	1,911,996	1,329,040	5,515	42,826	(534,615)	-	(534,615)
Culture and recreation	732,376	34,157	2,203	20,000	(676,016)	-	(676,016)
Interest	91,194	-	-	-	(91,194)	-	(91,194)
Non-departmental	86,485	-	-	-	(86,485)	-	(86,485)
Total governmental activities	<u>8,642,781</u>	<u>1,645,245</u>	<u>438,044</u>	<u>115,946</u>	<u>(6,443,546)</u>	<u>-</u>	<u>(6,443,546)</u>
Business-type activities							
Water and sewer charges	2,692,309	2,694,400	-	590,471	-	592,562	592,562
Stormwater services	247,969	216,380	-	-	-	(31,589)	(31,589)
Total business-type activities	<u>2,940,278</u>	<u>2,910,780</u>	<u>-</u>	<u>590,471</u>	<u>-</u>	<u>560,973</u>	<u>560,973</u>
Total primary government	<u>\$ 11,583,059</u>	<u>\$ 4,556,025</u>	<u>\$ 438,044</u>	<u>\$ 706,417</u>	<u>(6,443,546)</u>	<u>560,973</u>	<u>(5,882,573)</u>
General revenues and transfers:							
General revenues:							
					3,180,269	-	3,180,269
					422,476	-	422,476
					17,840	-	17,840
					631,803	-	631,803
					1,505,602	-	1,505,602
					151,964	-	151,964
					45,510	-	45,510
					82,685	26,632	109,317
					3,160	2,346	5,506
					(22,073)	22,073	-
Total general revenues and transfers					<u>6,019,236</u>	<u>51,051</u>	<u>6,070,287</u>
Change in net position					(424,310)	612,024	187,714
Net position, at beginning of year					(287,161)	6,214,985	5,927,824
Net position, end of year					<u>\$ (711,471)</u>	<u>\$ 6,827,009</u>	<u>\$ 6,115,538</u>

See accompanying notes.

CITY OF DARLINGTON, SOUTH CAROLINA

BALANCE SHEET  
GOVERNMENTAL FUNDS

JUNE 30, 2021

	<b>General Fund</b>	<b>Capital Projects Fund</b>	<b>Hospitality Tax Special Revenue Fund</b>	<b>Victim's Assistance Special Revenue Fund</b>	<b>Total Governmental Funds</b>
<b>Assets</b>					
Cash and cash equivalents	\$ 2,242,595	\$ -	\$ 853,724	\$ 22,193	\$ 3,118,512
Cash and cash equivalents - restricted	-	743,581	-	-	743,581
Accounts receivable	116,883	-	39,249	-	156,132
Property tax receivables, net	61,384	-	-	-	61,384
Due from other governments	483,503	-	-	-	483,503
Due from other funds	384,183	-	-	1,750	385,933
Prepaid insurance	121,959	-	-	-	121,959
<b>Total assets</b>	<b>3,410,507</b>	<b>743,581</b>	<b>892,973</b>	<b>23,943</b>	<b>5,071,004</b>
<b>Liabilities, Deferred Inflows and Fund Balances</b>					
<b>Liabilities</b>					
Accounts payable	239,978	-	1,554	-	241,532
Accrued payroll and related withholdings	47,538	-	-	-	47,538
Unearned revenues	60,547	-	-	-	60,547
Due to other funds	1,750	-	-	23,943	25,693
Deposits payable	14,280	-	-	-	14,280
<b>Total liabilities</b>	<b>364,093</b>	<b>-</b>	<b>1,554</b>	<b>23,943</b>	<b>389,590</b>
<b>Deferred Inflow of Resources</b>					
Unavailable revenue - property taxes	14,622	-	-	-	14,622
<b>Total deferred inflow of resources</b>	<b>14,622</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>14,622</b>
<b>Fund Balances</b>					
Restricted	31,677	743,581	891,419	-	1,666,677
Unassigned	3,000,115	-	-	-	3,000,115
<b>Total fund balances</b>	<b>3,031,792</b>	<b>743,581</b>	<b>891,419</b>	<b>-</b>	<b>4,666,792</b>
<b>Total liabilities and fund balances</b>	<b>\$ 3,410,507</b>	<b>\$ 743,581</b>	<b>\$ 892,973</b>	<b>\$ 23,943</b>	<b>\$ 5,071,004</b>

See accompanying notes.

CITY OF DARLINGTON, SOUTH CAROLINA

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

JUNE 30, 2021

Total fund balances - governmental funds		\$ 4,666,792
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	\$ 9,962,831	
Accumulated depreciation	<u>(5,291,029)</u>	4,671,802
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.		14,622
Long-term liabilities are not due and payable in the current period and therefore are not reported in governmental funds.		
Compensated absences	(285,791)	
Capital leases	(712,805)	
Notes payable	(345,607)	
Revenue bonds	(1,461,000)	
General obligation bonds	<u>(1,087,984)</u>	(3,893,187)
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.		(7,429,601)
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	1,524,838	
Deferred inflows of resources related to pensions	<u>(266,737)</u>	1,258,101
Net position of governmental activities		<u>\$ (711,471)</u>

See accompanying notes.

CITY OF DARLINGTON, SOUTH CAROLINA

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

YEAR ENDED JUNE 30, 2021

	General Fund	Capital Projects Fund	Hospitality Tax Special Revenue Fund	Victim's Assistance Special Revenue Fund	Total Governmental Funds
<b>Revenues</b>					
Property and other taxes	\$ 3,230,018	\$ -	\$ 422,476	\$ -	\$ 3,652,494
Licenses and permits	2,137,405	-	-	-	2,137,405
Intergovernmental	456,488	-	-	-	456,488
Charges for services	1,363,047	-	-	-	1,363,047
Grant revenue	92,171	-	-	-	92,171
Fines and forfeitures	345,853	-	-	15,063	360,916
Interest	1,601	743	815	-	3,159
Miscellaneous	123,932	-	-	-	123,932
Rental income	20,500	-	-	-	20,500
Total revenues	<u>7,771,015</u>	<u>743</u>	<u>423,291</u>	<u>15,063</u>	<u>8,210,112</u>
<b>Expenditures</b>					
Current:					
General government	59,384	-	-	-	59,384
Municipal court	366,345	-	-	-	366,345
Legal	55,513	-	-	-	55,513
Community promotions	20,250	-	138,334	-	158,584
Accommodations	425	-	-	-	425
Administration	545,599	-	-	-	545,599
Public buildings	500,205	-	-	-	500,205
Planning and grants	214,110	-	-	-	214,110
Police department	2,544,617	-	-	15,063	2,559,680
Fire department	875,523	-	-	-	875,523
Inspections	94,449	-	-	-	94,449
Street maintenance	757,139	-	-	-	757,139
Sanitation and trash	711,665	-	-	-	711,665
Garage	79,022	-	-	-	79,022
Recreation	370,148	-	-	-	370,148
Parks	9,286	-	-	-	9,286
Registrations	46,759	-	-	-	46,759
Non-departmental	77,095	-	-	-	77,095
Capital outlay	310,190	-	-	-	310,190
Debt service:					
Principal	287,300	-	114,000	-	401,300
Interest and fiscal charges	51,189	-	40,005	-	91,194
Total expenditures	<u>7,976,213</u>	<u>-</u>	<u>292,339</u>	<u>15,063</u>	<u>8,283,615</u>
(Deficit) of revenues (under) expenditures	<u>(205,198)</u>	<u>743</u>	<u>130,952</u>	<u>-</u>	<u>(73,503)</u>
<b>Other Financing Sources</b>					
Proceeds from sale of capital assets	45,510	-	-	-	45,510
Bond issuance	400,000	-	-	-	400,000
Notes payable issuance	135,000	-	-	-	135,000
Total other financing sources	<u>580,510</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>580,510</u>
Net change in fund balance	375,312	743	130,952	-	507,007
Fund balance, beginning of year	2,656,480	742,838	760,467	-	4,159,785
Fund balance, end of year	<u>\$ 3,031,792</u>	<u>\$ 743,581</u>	<u>\$ 891,419</u>	<u>\$ -</u>	<u>\$ 4,666,792</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, 2021

Net change in fund balance - total governmental funds	\$	507,007
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 decreased by this amount.		(31,909)
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	\$ 310,190	
Depreciation	(486,505)	
Net change in capital assets		(176,315)
The net effect of various transactions involving capital assets (i.e., sales and donations) is a decrease in net position.		(5,243)
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:		
Bond Issuance proceeds	(400,000)	
Notes proceeds	(135,000)	
Principal repayments	401,300	(133,700)
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.		(602,291)
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.		18,141
Change in net position of governmental activities	\$	<u>(424,310)</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, 2021

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>Revenue</b>				
Property and other taxes	\$ 2,795,597	\$ 2,795,597	\$ 3,230,018	\$ 434,421
Licenses and permits	2,021,525	2,021,525	2,137,405	115,880
Intergovernmental	488,814	488,814	456,488	(32,326)
Charges for services	1,882,043	1,882,043	1,363,047	(518,996)
Grant revenue	27,000	27,000	92,171	65,171
Fines and forfeitures	188,100	188,100	345,853	157,753
Interest	1,887	1,887	1,601	(286)
Miscellaneous	79,357	79,357	123,932	44,575
Rental income	45,200	45,200	20,500	(24,700)
<b>Total revenue</b>	<u>7,529,523</u>	<u>7,529,523</u>	<u>7,771,015</u>	<u>241,492</u>
<b>Expenditures</b>				
<b>Current</b>				
General government	64,504	64,504	59,384	5,120
Municipal court	155,419	155,419	366,345	(210,926)
Legal	35,000	35,000	55,513	(20,513)
Community promotions	21,350	21,350	20,250	1,100
Accommodations	3,250	3,250	425	2,825
Administration	435,361	435,361	545,599	(110,238)
Public buildings	322,319	322,319	500,205	(177,886)
Planning and grants	225,341	225,341	214,110	11,231
Police department	2,627,832	2,627,832	2,544,617	83,215
Fire department	886,300	886,300	875,523	10,777
Inspections	152,931	152,931	94,449	58,482
Street maintenance	801,959	801,959	757,139	44,820
Sanitation and trash	914,042	914,042	711,665	202,377
Garage	372,728	372,728	79,022	293,706
Recreation	405,070	405,070	370,148	34,922
Parks	12,400	12,400	9,286	3,114
Registrations	50,000	50,000	46,759	3,241
Non-departmental	63,717	63,717	77,095	(13,378)
Capital outlay	-	-	310,190	(310,190)
Debt service	-	-	338,489	(338,489)
<b>Total expenditures</b>	<u>7,549,523</u>	<u>7,549,523</u>	<u>7,976,213</u>	<u>(426,690)</u>
<b>(Deficit) of revenues (under) expenditures</b>	<u>(20,000)</u>	<u>(20,000)</u>	<u>(205,198)</u>	<u>(185,198)</u>
<b>Other financing sources</b>				
Proceeds from sale of capital assets	20,000	20,000	45,510	25,510
Bond issuance	-	-	400,000	400,000
Notes payable issuance	-	-	135,000	135,000
<b>Total other financing sources</b>	<u>20,000</u>	<u>20,000</u>	<u>580,510</u>	<u>560,510</u>
<b>Net change in fund balance</b>	<u>\$ -</u>	<u>\$ -</u>	<u>375,312</u>	<u>\$ 375,312</u>
Fund balance, beginning of year			2,656,480	
Fund balance, end of year			<u>\$ 3,031,792</u>	

See accompanying notes.

CITY OF DARLINGTON, SOUTH CAROLINA

STATEMENT OF NET POSITION  
 PROPRIETARY FUNDS

JUNE 30, 2021

	<u>Water and Sewer Fund</u>	<u>Stormwater Fund</u>	<u>Total</u>
<b>Assets</b>			
Current assets			
Cash and cash equivalents	\$ 1,000,306	\$ 90,160	\$ 1,090,466
Cash and cash equivalents - restricted	210,674	-	210,674
Accounts receivable, net	294,869	19,547	314,416
Due from other funds	-	26,908	26,908
Prepaid insurance	15,104	-	15,104
Inventory of supplies at cost	17,600	-	17,600
Non-current assets			
Capital assets, not being depreciated	1,234,292	30,750	1,265,042
Capital assets, being depreciated, net	7,360,718	2,688,451	10,049,169
Total assets	<u>10,133,563</u>	<u>2,855,816</u>	<u>12,989,379</u>
<b>Deferred outflows of resources</b>			
Deferred pension outflows	228,381	-	228,381
Total assets and deferred outflows of resources	<u>10,361,944</u>	<u>2,855,816</u>	<u>13,217,760</u>
<b>Liabilities</b>			
Current liabilities			
Accounts payable	96,072	-	96,072
Accrued payroll and benefits	16,428	-	16,428
Accrued interest payable	43,838	17,923	61,761
Accrued compensated absences	23,037	-	23,037
Unearned revenue	21,983	-	21,983
Retainage payable	57,667	-	57,667
Due to other funds	387,148	-	387,148
Current portion of long term debt	253,059	90,000	343,059
Non-current liabilities			
Deposits payable	8,101	-	8,101
Net pension liability	1,266,547	-	1,266,547
Obligations under capital leases	287,644	-	287,644
Notes payable	239,171	-	239,171
Revenue bonds payable	1,446,709	2,078,000	3,524,709
Total liabilities	<u>4,147,404</u>	<u>2,185,923</u>	<u>6,333,327</u>
<b>Deferred inflows of resources</b>			
Deferred pension inflows	57,424	-	57,424
Total liabilities and deferred inflows of resources	<u>4,204,828</u>	<u>2,185,923</u>	<u>6,390,751</u>
<b>Net position</b>			
Net investment in capital assets	6,368,427	551,201	6,919,628
Restricted - debt service	210,674	-	210,674
Unrestricted - unfunded pension obligation	(1,095,590)	-	(1,095,590)
Unrestricted - other	673,605	118,692	792,297
Total net position	<u>\$ 6,157,116</u>	<u>\$ 669,893</u>	<u>\$ 6,827,009</u>

See accompanying notes.

CITY OF DARLINGTON, SOUTH CAROLINA

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

YEAR ENDED JUNE 30, 2021

	<u>Water and Sewer Fund</u>	<u>Stormwater Fund</u>	<u>Total</u>
Operating revenue			
Service revenue	\$ 2,694,400	\$ 216,380	\$ 2,910,780
Total operating revenue	<u>2,694,400</u>	<u>216,380</u>	<u>2,910,780</u>
Operating expenses			
Water distribution	1,063,974	-	1,063,974
Sewer maintenance and collection	753,188	-	753,188
Sewer treatment	231,845	-	231,845
Stormwater operations	75	6,298	6,373
Professional services	12,988	-	12,988
Depreciation expense	576,502	150,529	727,031
Total operating expenses	<u>2,638,572</u>	<u>156,827</u>	<u>2,795,399</u>
Operating income	<u>55,828</u>	<u>59,553</u>	<u>115,381</u>
Nonoperating revenue (expenses)			
Interest earnings	2,346	-	2,346
Miscellaneous income	26,632	-	26,632
Interest expense	(53,737)	(91,142)	(144,879)
Total nonoperating revenue (expense)	<u>(24,759)</u>	<u>(91,142)</u>	<u>(115,901)</u>
Income (loss) before capital contributions and transfers	<u>31,069</u>	<u>(31,589)</u>	<u>(520)</u>
Capital grants, contributions and transfers			
Capital grants	500,000	-	500,000
Capital contributions	90,471	-	90,471
Transfers	52,073	(30,000)	22,073
Total capital grants, contributions and transfers	<u>642,544</u>	<u>(30,000)</u>	<u>612,544</u>
Change in net position	673,613	(61,589)	612,024
Total net position, beginning	<u>5,483,503</u>	<u>731,482</u>	<u>6,214,985</u>
Total net position, ending	<u>\$ 6,157,116</u>	<u>\$ 669,893</u>	<u>\$ 6,827,009</u>

See accompanying notes.

CITY OF DARLINGTON, SOUTH CAROLINA

STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS

YEAR ENDED JUNE 30, 2021

	Water and Sewer Fund	Stormwater Fund	Total
<b>Cash flows from operating activities</b>			
Cash received from customers	\$ 2,588,643	\$ 212,334	\$ 2,800,977
Cash paid to employees	(503,116)	-	(503,116)
Cash paid to suppliers	(1,648,878)	(21,870)	(1,670,748)
Net cash provided by operating activities	<u>436,649</u>	<u>190,464</u>	<u>627,113</u>
<b>Cash flows from non-capital financing activities</b>			
Other nonoperating revenues	26,631	-	26,631
Transfers	52,073	(30,000)	22,073
Net cash provided by (used in) noncapital financing activities	<u>78,704</u>	<u>(30,000)</u>	<u>48,704</u>
<b>Cash flows from capital and related financing activities</b>			
Capital grants and contributions	590,471	-	590,471
Purchase of capital assets	(837,276)	-	(837,276)
Issuance of long-term debt	620,000	-	620,000
Principal paid on long-term debt	(206,783)	(86,000)	(292,783)
Interest paid on long-term debt	(48,439)	(95,793)	(144,232)
Net cash provided by (used in) capital and related financing activities	<u>117,973</u>	<u>(181,793)</u>	<u>(63,820)</u>
<b>Cash flows from investing activities</b>			
Interest income	2,346	-	2,346
Net cash provided by investing activities	<u>2,346</u>	<u>-</u>	<u>2,346</u>
Net increase (decrease) in cash and cash equivalents	635,672	(21,329)	614,343
Cash and cash equivalents, beginning	575,308	111,489	686,797
Cash and cash equivalents, ending	<u>\$ 1,210,980</u>	<u>\$ 90,160</u>	<u>1,301,140</u>
Reconciliation of Cash and Cash Equivalents to Statement of Net Position:			
Cash and cash equivalents	\$ 1,000,306	\$ 90,160	\$ 1,090,466
Restricted cash and cash equivalents	210,674	-	210,674
Total cash and cash equivalents	<u>\$ 1,210,980</u>	<u>\$ 90,160</u>	<u>\$ 1,301,140</u>

(CONTINUED)

CITY OF DARLINGTON, SOUTH CAROLINA

STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS

YEAR ENDED JUNE 30, 2021

-CONTINUED-

	<u>Water and Sewer Fund</u>	<u>Stormwater Fund</u>	<u>Total</u>
<b>Reconciliation of operating income to net cash provided by operating activities</b>			
Operating income	\$ 55,828	\$ 59,553	\$ 115,381
Adjustments to reconcile operating income to net cash provided by operating activities			
Depreciation	576,502	150,529	727,031
Changes in assets and liabilities:			
(Increase) decrease in accounts receivables	(105,757)	(4,047)	(109,804)
(Increase) decrease in prepaid insurance	(15,104)	-	(15,104)
(Increase) decrease in inventory	-	-	-
(Increase) decrease in due from other funds	-	(15,571)	(15,571)
(Increase) decrease in deferred pension outflows	(110,953)	-	(110,953)
Increase (decrease) in due to other funds	72,478	-	72,478
Increase (decrease) in accounts payable	(39,024)	-	(39,024)
Increase (decrease) in accrued payroll and benefits	9,012	-	9,012
Increase (decrease) in retainage payable	57,667	-	57,667
Increase (decrease) in deposits payable	(545)	-	(545)
Increase (decrease) in unearned revenue	990	-	990
Increase (decrease) in accrued compensated absences	209	-	209
Increase (decrease) in deferred pension inflows	10,916	-	10,916
Increase (decrease) in net pension liability	(75,570)	-	(75,570)
Net cash provided by operating activities	<u>\$ 436,649</u>	<u>\$ 190,464</u>	<u>\$ 627,113</u>

See accompanying notes.

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

JUNE 30, 2021

	Fireman's Fund
<b>Assets</b>	
Cash and cash equivalents	\$ 38,880
Total assets	<u>38,880</u>
<b>Net Position</b>	
Funds held in trust for individuals, organizations, and other governments	38,880
Total net position	<u><u>\$ 38,880</u></u>

CITY OF DARLINGTON, SOUTH CAROLINA

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - FIDUCIARY FUND

JUNE 30, 2021

	Fireman's Fund
<b>Additions</b>	
Brokers premium tax	\$ 29,352
Interest	46
Total additions	<u>29,398</u>
<b>Deductions</b>	
Membership dues	2,271
Insurance	11,366
Supplies	2,899
Other expenses	5,607
Total deductions	<u>22,143</u>
<b>Change in net position</b>	7,255
Net position, beginning of year	31,625
Net position, end of year	<u><u>\$ 38,880</u></u>

CITY OF DARLINGTON, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

**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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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 \$1,753,219 as of June 30, 2021.

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 \$324,161 as of June 30, 2021.

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, 2021, \$1,877,351 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. As of June 30, 2021, the City reported no assigned fund balances.

Fund balance is reported as restricted fund balance if the fund balance is restricted for use by an outside party. As of June 30, 2021, the City reported \$1,666,677 as restricted fund balances.

Fund balance is reported as committed if amounts have been committed through the appropriations process. As of June 30, 2021, 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 \$241,492. Actual expenditures exceeded budgeted expenditures by \$426,690.

**3. Deposits & Investments**

At June 30, 2021, the carrying amount of the City's unrestricted and restricted deposits totaled \$5,202,113, and the bank balance was \$5,386,050, 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, 2021, consist of the following:

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
Accounts receivable:			
Government revenue	\$ 483,503	\$ -	\$ 483,503
Property taxes	107,594	-	107,594
Utility service billings	116,883	437,236	554,119
Other	39,249	-	39,249
Gross receivables	747,229	437,236	1,184,465
Less, allowance for uncollectibles	(46,210)	(122,820)	(169,030)
Net receivables	<u>\$ 701,019</u>	<u>\$ 314,416</u>	<u>\$ 1,015,435</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	\$ 384,183	\$ 1,750	\$ 385,933
Victim's assistance fund	1,750	23,943	25,693
Water and sewer fund	-	387,148	387,148
Stormwater fund	26,908	-	26,908
Total	<u>\$ 412,841</u>	<u>\$ 412,841</u>	<u>\$ 825,682</u>

**6. Capital Assets**

Capital asset activity for the year ended June 30, 2021, 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	\$ 868,652	\$ -	\$ -	\$ 868,652
Construction in progress	492,456	-	-	492,456
Total capital assets, not being depreciated	<u>1,361,108</u>	<u>-</u>	<u>-</u>	<u>1,361,108</u>
Capital assets, being depreciated				
Infrastructure	1,121,465	-	-	1,121,465
Buildings and Improvements	3,648,570	15,100	(17,525)	3,646,145
Equipment	3,877,213	295,090	(338,190)	3,834,113
Total capital assets, being depreciated	<u>8,647,248</u>	<u>310,190</u>	<u>(355,715)</u>	<u>8,601,723</u>
Less: Accumulated depreciation for:				
Infrastructure	(673,975)	(54,997)	-	(728,972)
Buildings and Improvements	(1,967,027)	(125,010)	17,525	(2,074,512)
Equipment	(2,513,993)	(306,498)	332,946	(2,487,545)
Total accumulated depreciation	<u>(5,154,995)</u>	<u>(486,505)</u>	<u>350,471</u>	<u>(5,291,029)</u>
Total capital assets, being depreciated, net	<u>3,492,253</u>	<u>(176,315)</u>	<u>(5,244)</u>	<u>3,310,694</u>
Governmental activities capital assets, net	<u>\$ 4,853,361</u>	<u>\$ (176,315)</u>	<u>\$ (5,244)</u>	<u>\$ 4,671,802</u>

CITY OF DARLINGTON, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

6. Capital Assets (continued)

Business-type activities

	<b>Beginning Balances</b>	<b>Increase</b>	<b>Decrease</b>	<b>Ending Balances</b>
Capital assets, not being depreciated				
Land and improvements	\$ 227,269	\$ -	\$ -	\$ 227,269
Construction in progress	284,390	753,383	-	1,037,773
Total capital assets, not being depreciated	<u>511,659</u>	<u>753,383</u>	<u>-</u>	<u>1,265,042</u>
Capital assets, being depreciated				
Building and improvements	6,806,698	-	-	6,806,698
Water and sewer lines	15,051,490	-	-	15,051,490
Equipment	1,519,549	83,893	(8,000)	1,595,442
Total capital assets, being depreciated	<u>23,377,737</u>	<u>83,893</u>	<u>(8,000)</u>	<u>23,453,630</u>
Less: Accumulated depreciation for:				
Building and improvements	(5,023,707)	(112,068)	-	(5,135,775)
Water and sewer lines	(6,739,275)	(508,498)	-	(7,247,773)
Equipment	(922,448)	(106,465)	8,000	(1,020,913)
Total accumulated depreciation	<u>(12,685,430)</u>	<u>(727,031)</u>	<u>8,000</u>	<u>(13,404,461)</u>
Total capital assets, being depreciated, net	<u>10,692,307</u>	<u>(643,138)</u>	<u>-</u>	<u>10,049,169</u>
Governmental activities capital assets, net	<u>\$ 11,203,966</u>	<u>\$ 110,245</u>	<u>\$ -</u>	<u>\$ 11,314,211</u>

Depreciation expense was charged to each function as follows:

Governmental activities:	
General government	\$ 156,081
Public safety	175,326
Public works	79,703
Culture and recreation	75,395
Total depreciation - governmental activities	<u>\$ 486,505</u>
Business type activities:	
Water and sewer	\$ 576,502
Stormwater	150,529
Total depreciation - business type activities	<u>\$ 727,031</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 employees of covered employers 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](http://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, 2021, 2020 and 2019 are as follows:

Year Ended June 30,	Employer Contribution Rate			Employer Contributions		
	Base	Incidental Death	Total	Base	Incidental Death	Total
2021	15.41%	0.15%	15.56%	\$ 289,571	\$ 2,819	\$ 292,390
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

***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, protect life and property, detect crimes in the state, 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, 2021, 2020 and 2019 are as follows:

Year Ended June 30,	Employer Contribution Rate			Employer Contributions		
	Base	Incidental Death	Total	Base	Incidental Death	Total
2021	17.84%	0.40%	18.24%	\$ 318,756	\$ 7,146	\$ 325,902
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

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, 2019 for first use in the July 1, 2021 actuarial valuation. Employee and employer contribution rates to SCRS and PORS are actuarially determined.

At June 30, 2021, the City reported \$4,508,173 and \$4,187,976 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, 2019 actuarial valuations, using membership data as of July 1, 2019, projected forward to June 30, 2020, and financial information of the pension trust funds as of June 30, 2020, 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, 2021, the City's SCRS proportion was 0.017643% and its PORS proportion was 0.12629%.

CITY OF DARLINGTON, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

7. Pension Plan (continued)

At June 30, 2021 the state reported deferred outflows of resources and deferred inflows of resources to pensions from the following sources:

<b>Deferred Outflows of Resources</b>	<b>SCRS</b>	<b>PORS</b>
Differences between expected and actual experience	\$ 52,018	\$ 89,003
Assumption Changes	5,523	51,107
Net difference between projected and actual investment earnings	331,614	428,839
Differences between employer contributions and proportionate share	144,879	31,944
Contributions made subsequent to the measurement date	292,390	325,902
<b>Total deferred outflows of resources</b>	<u>826,424</u>	<u>926,795</u>
<b>Deferred Inflows of Resources</b>		
Differences between expected and actual experience	17,046	18,435
Differences between employer contributions and proportionate share	187,350	101,330
<b>Total deferred inflows of resources</b>	<u>204,396</u>	<u>119,765</u>
<b>Net deferred outflows/(inflows)</b>	<u>\$ 622,028</u>	<u>\$ 807,030</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>
2022	\$ (24,799)	\$ (95,955)	\$ (120,754)
2023	(104,812)	(136,253)	(241,065)
2024	(115,406)	(138,157)	(253,563)
2025	(84,621)	(110,763)	(195,384)
	<u>\$ (329,638)</u>	<u>\$ (481,128)</u>	<u>\$ (810,766)</u>

CITY OF DARLINGTON, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

-CONTINUED-

**7. Pension Plan (continued)**

The total pension liabilities in the July 1, 2019 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, 2020, 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 2020 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:

Asset Class	Target Asset Allocation	Expected Arithmetic Real Rate of Return	Long Term Expected Portfolio Real Rate of Return
<b>Global Equity</b>	<b>51.0%</b>		
Global Public Equity	35.0%	7.81%	2.73%
Private Equity	9.0%	8.91%	0.80%
Equity Options Strategies	7.0%	5.09%	0.36%
<b>Real Assets</b>	<b>12.0%</b>		
Real Estate (Private)	8.0%	5.55%	0.44%
Real Estate (REITs)	1.0%	7.78%	0.08%
Infrastructure (Private)	2.0%	4.88%	0.10%
Infrastructure (Public)	1.0%	7.05%	0.07%
<b>Opportunistic</b>	<b>8.0%</b>		
Global Tactical Asset Allocation	7.0%	3.56%	0.25%
Other Opportunistic Strategies	1.0%	4.41%	0.04%
<b>Credit</b>	<b>15.0%</b>		
High Yield Bonds/Bank Loans	4.0%	4.21%	0.17%
Emerging Markets Debt	4.0%	3.44%	0.14%
Private Debt	7.0%	5.79%	0.40%
<b>Rate Sensitive</b>	<b>14.0%</b>		
Core Fixed Income	13.0%	1.60%	0.21%
Cash and Short Duration (Net)	1.0%	0.56%	0.01%
Total Expected Real Return	100%		5.80%
Inflation for Actuarial Purposes			2.25%
Total Expected Nominal Return			8.05%

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.

<b>Plan</b>	<b>1% Decrease 6.25%</b>	<b>Current Rate 7.25%</b>	<b>1% Increase 8.25%</b>
SCRS	5,587,328	4,508,173	3,607,066
PORS	5,544,175	4,187,975	3,099,035

**8. Long-Term Debt**

Changes in long-term liabilities for the year ended June 30, 2021 are as follows:

	<u>July 1, 2020</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2021</u>	<u>Due Within One Year</u>
Governmental activities:					
Notes payable	\$ 305,654	\$ 135,000	\$ (95,047)	\$ 345,607	\$ 85,515
Capital leases	798,802	-	(85,997)	712,805	115,016
General obligation bonds	794,240	400,000	(106,256)	1,087,984	161,507
Revenue bond	1,575,000	-	(114,000)	1,461,000	117,000
Compensated absences	303,932	-	(18,141)	285,791	285,791
	<u>3,777,628</u>	<u>535,000</u>	<u>(419,441)</u>	<u>3,893,187</u>	<u>764,829</u>
Business-Type activities:					
Notes payable	255,618	-	(8,170)	247,448	8,277
Capital leases	366,435	-	(40,196)	326,239	38,595
Revenue bonds	3,445,313	620,000	(244,417)	3,820,896	296,187
Compensated absences	22,828	209	-	23,037	23,037
	<u>4,090,194</u>	<u>620,209</u>	<u>(292,783)</u>	<u>4,417,620</u>	<u>366,096</u>
Total	<u>\$ 7,867,822</u>	<u>\$ 1,155,209</u>	<u>\$ (712,224)</u>	<u>\$ 8,310,807</u>	<u>\$ 1,130,925</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, 2021:

	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%	\$ 197,055
Dixie Federal Credit Union	Vehicle	\$ 36,015	10/11/2022	4.00%	12,648
Dixie Federal Credit Union	Vehicle	\$ 35,967	10/11/2022	4.00%	12,631
Pee Dee Electric	Playground Equipment	\$ 41,163	1/31/2027	1.00%	32,801
Carolina Bank	Fire Truck	\$ 135,000	7/15/2024	2.50%	90,472
					<u>\$ 345,607</u>
Business-Type activities:					
SC Water Quality Revolving Fund Authority	Sewer Lines	\$ 284,491	11/1/2046	1.30%	<u>\$ 247,448</u>

Revenue Bonds

In 2020, the City issued Series 2020 Waterworks and Sewer System Improvement Revenue Bonds in the amount of \$620,000 to finance repairs to the City's water and sewer system. The Series 2020 bond is secured with a lien on the revenue of the City's water and sewer operations.

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, 2021:

	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>1,461,000</u>
Business-Type activities:				
Series 2015 - Water and Sewer Revenue Bond	\$ 1,789,000	12/1/2026	2.38%	\$ 1,032,896
Series 2018 - Stormwater Refunding Revenue Bond	\$ 2,417,000	5/1/2038	4.25%	2,168,000
Series 2020 - Waterworks and Sewer System Improvement Revenue Bond	\$ 620,000	12/1/2032	1.92%	620,000
				<u>\$ 3,820,896</u>

General Obligation Bonds

In 2020, the City issued Series 2020 General Obligation Bonds in the amount of \$400,000 to finance the paving of streets and making associated improvements within the City. The Series 2020 bond is secured by the full faith and credit of the City.

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, 2021:

	Original Amount	Maturity Date	Interest Rate	Outstanding Amount
Governmental activities:				
Series 2017 - Hospitality Fee Revenue Bond	\$ 1,000,000	12/13/2026	2.18%	\$ 687,984
Series 2020 - General Obligation Bond	\$ 400,000	3/1/2028	1.49%	400,000
				<u>\$ 1,087,984</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
2022	\$ 85,515	\$ 5,563	\$ 161,507	\$ 22,961
2023	73,702	4,265	166,666	17,802
2024	56,122	3,493	169,915	14,554
2025	34,019	1,879	173,228	11,240
2026	34,441	1,398	176,609	7,859
Thereafter	61,808	1,352	240,059	5,305
	<u>\$ 345,607</u>	<u>\$ 17,950</u>	<u>\$ 1,087,984</u>	<u>\$ 79,721</u>

Year Ended June 30,	Revenue Bonds		Total Governmental Activities	
	Principal	Interest	Principal	Interest
2022	\$ 117,000	\$ 37,109	\$ 364,022	\$ 65,633
2023	120,000	34,138	360,368	56,205
2024	123,000	31,090	349,037	49,137
2025	126,000	27,965	333,247	41,084
2026	129,000	24,765	340,050	34,022
Thereafter	846,000	76,784	1,147,867	83,441
	<u>\$ 1,461,000</u>	<u>\$ 231,851</u>	<u>\$ 2,894,591</u>	<u>\$ 329,522</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
2022	\$ 8,277	\$ 3,191	\$ 296,187	\$ 131,305	\$ 304,464	\$ 134,496
2023	8,385	3,083	307,048	120,097	315,433	123,180
2024	8,494	2,973	315,999	111,271	324,493	114,244
2025	8,605	2,862	325,045	102,162	333,650	105,024
2026	8,717	2,750	334,188	92,767	342,905	95,517
Thereafter	204,970	29,015	2,242,429	533,633	2,447,399	562,648
	<u>\$ 247,448</u>	<u>\$ 43,874</u>	<u>\$ 3,820,896</u>	<u>\$ 1,091,235</u>	<u>\$ 4,068,344</u>	<u>\$ 1,135,109</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 \$825,625 and accumulated depreciation on these assets at June 30, 2021, was about \$457,261. 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, 2021, was about \$137,773. Amortization of assets acquired under capital leases is included in depreciation expense for the year ended June 30, 2021.

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
2022	\$ 115,016	\$ 24,814	\$ 38,595	\$ 11,961
2023	69,408	22,289	40,007	10,549
2024	71,932	19,765	41,469	9,087
2025	74,546	17,150	42,984	7,572
2026	73,282	14,486	38,592	6,071
Thereafter	308,621	36,480	124,592	9,383
	<u>\$ 712,805</u>	<u>\$ 134,984</u>	<u>\$ 326,239</u>	<u>\$ 54,623</u>

Interest Expense

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

Governmental Activities	\$ 91,194
Business-Type Activities	<u>144,879</u>
	<u>\$ 236,073</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.

**11. Subsequent events**

Subsequent events were evaluated through December 8, 2021, 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\*

	2020	2020	2019	2018	2017	2016	2015	2014
<b>South Carolina Retirement System</b>								
City's proportion of the net pension liability	0.0176%	0.0187%	0.0180%	0.0180%	0.0190%	0.0189%	0.0182%	0.0182%
City's proportionate share of the net pension liability	\$ 4,508,173	\$ 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	\$ 1,968,349	\$ 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	229.03%	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	50.70%	54.40%	54.10%	54.10%	52.91%	57.00%	59.90%	56.39%
<b>South Carolina Police Officers Retirement System</b>								
City's proportion of the net pension liability	0.1263%	0.1295%	0.1278%	0.1278%	0.1292%	0.1209%	0.1147%	0.1147%
City's proportionate share of the net pension liability	\$ 4,187,975	\$ 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	\$ 1,907,763	\$ 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	219.52%	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	58.80%	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 \*

	2021	2020	2019	2018	2017	2016	2015	2014
<b>South Carolina Retirement System</b>								
Contractually required contributions	\$ 289,571	\$ 303,323	\$ 285,150	\$ 250,561	\$ 210,139	\$ 203,781	\$ 193,218	\$ 178,112
Contributions in relation to the contractually required contribution	(289,571)	(303,323)	(285,150)	(250,561)	(210,139)	(203,781)	(193,218)	(178,112)
Contribution deficiency/(excess)	<u>\$ -</u>							
City covered payroll	\$ 1,879,111	\$ 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%	15.41%	14.41%	13.41%	11.41%	11.50%	11.72%	10.74%
<b>South Carolina Police Officers Retirement System</b>								
Contractually required contributions	\$ 318,756	\$ 340,345	\$ 316,340	\$ 279,754	\$ 234,980	\$ 226,392	\$ 200,866	\$ 177,089
Contributions in relation to the contractually required contribution	(318,756)	(340,345)	(316,340)	(279,754)	(234,980)	(226,392)	(200,866)	(177,089)
Contribution deficiency/(excess)	<u>\$ -</u>							
City covered payroll	\$ 1,786,749	\$ 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%	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, 2021

**Total Court Fines and Assessments:**

Court fines and assessments collected	\$ 176,099
Court fines and assessments remitted to State Treasurer	(81,056)
	<hr/>
Total Court fines and assessments retained	<u>\$ 95,043</u>

**Surcharges and Assessments retained for Victim's Services**

Surcharges collected and retained	\$ 4,856
Assessments retained	10,192
	<hr/>
Total surcharges and assessments retained for victims services	<u>\$ 15,048</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	10,192
Victim service surcharges retained by the City	4,856
Interest earned	14
General funds transferred to victim service fund	-
Total funds allocated to victim service fund + beginning balance (A)	<hr/> 15,062

Expenditures for Victim Service Program

Salaries and benefits	15,033
Victime Service Donation	-
Operating expenditures	29
General funds transferred from victim service fund	-
Total expenditures from victim service fund/program (B)	<hr/> 15,062

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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## **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, 2021, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements, and have issued our report thereon dated December 8, 2021.

### **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  
December 8, 2021