



**CITY OF HARDEEVILLE, SOUTH CAROLINA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FOR THE YEAR ENDED JUNE 30, 2013**

**PREPARED BY: FINANCE DEPARTMENT**

**CITY OF HARDEEVILLE, SOUTH CAROLINA  
 COMPREHENSIVE ANNUAL FINANCIAL REPORT  
 FOR THE YEAR ENDED JUNE 30, 2013**

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## INTRODUCTORY SECTION



December 10, 2013

The Honorable Members of City Council and the Citizens of City of Hardeeville, South Carolina

State law requires that all general-purpose local governments publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted accounting standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of City of Hardeeville of the fiscal year ended June 2013.

The report consists of management's representations concerning the finances of the City. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations management of the City has established a comprehensive internal control framework, that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with GAAP. Because the costs of internal controls should not outweigh their benefits, City of Hardeeville's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City's financial statements have been audited by Newsome and Company, P.C., a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of the fiscal year ended June 30, 2013 are free of material misstatement. The independent audit involves examining on a test basis, evidence supporting the amounts and disclosures in the financial statement presentation; assessing the accounting principles used and significant estimates made by management and evaluating the overall financial statement presentation. The independent auditor concluded based upon the audit that there was a reasonable basis for rendering an unqualified opinion that the City's financial statements for the fiscal year ended June 30, 2013 are fairly presented in conformity with GAAP. The independent auditors report is presented as the first component of the financial section of this report.

GAAP requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of management's discussion and analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. City of Hardeeville's MD&A can be found immediately following the report of the independent auditors.

SETTLED 1732

36 East Main Street  
Post Office Box 609  
Hardeeville, SC 29927



INCORP. 1911

Phone (843) 784-2231  
Fax (843) 784-6384  
CityofHardeeville.com

## **Profile of the Government**

The City of Hardeeville was founded in 1911 and is located in the southern Lowcountry region of South Carolina, just north of Savannah, Georgia. The City currently occupies a land area of approximately 55 square miles and has a population of roughly 4,000 (2013 estimate). The City is empowered to levy a property tax on both real and personal properties located within its boundaries.

The City operates under the Council-Manager form of government. Policy-making and legislative authority are vested in a governing council consisting of five members. The governing council is responsible, among other things for passing ordinances, adopting the budget, appointing committees, and hiring both the government's manager and attorney. The government's manager is responsible for carrying out policies and ordinances of the governing council, for overseeing the day-to-day operations of the government, and for appointing the heads of various departments. The four Council members and mayor are each elected to four-year staggered terms, with three council members elected every two years. Municipal elections occur in the spring of even-numbered years.

The City provides a full range of services including: police and fire protection, the maintenance of streets, recreational infrastructure, recreational activities, cultural events, court services, planning & development services, and economic development.

The annual budget serves as the foundation for the City's financial planning and control. All departments of City of Hardeeville are required to submit requests for appropriations to the manager on or before the last day in March each year. The City Manager uses these requests as the starting point for developing a proposed budget. The City Manager then presents this proposed budget to the council for review prior to May 15th. The council is required to hold public hearings on the proposed budget and to adopt a final budget by no later than June 30th, the close of the City's fiscal year. The appropriated budget is prepared by fund and department. Budgetary control (that is the level at which expenditures cannot legally exceed the appropriated amount) is maintained by the manager at the fund level and may be amended as necessary during the fiscal year. Budget-to-actual comparisons are provided in the report for each individual governmental fund for which an appropriated annual budget has been adopted. For the general fund, this comparison is presented on page 44 as part of the required supplementary information for governmental funds. The special revenue fund budgets are presented on pages 50-53 as part of the supplementary information.

## **Factors Affecting Financial Condition**

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City operates.

### **Local Economy**

The City's fiscal year 2013 assessable base is \$18,304,198, up 22% from the assessable base of \$14,323,161 in fiscal year 2012. As reported by the 2010 Census, per capita income for the City was \$15,566 compared to \$17,997 for Jasper County as a whole and \$23,443 for South Carolina. Median household income in the City was \$33,088 compared to \$37,393 for Jasper County as a whole and \$51,914 for South Carolina. The City expects these figures to rise due to the increase in population of higher-income earners who are moving to the City.

The U.S. Census Bureau reported the 2010 population for the City of Hardeeville to be 2,952. For 2013, City Staff estimates the population to have increased to 4,000 based on new residential construction since the Census was undertaken. Future growth in population is expected to continue, primarily in master-planned communities. To date, there are approximately 1,800 homes in the City of Hardeeville. Upwards of 49,000 additional housing units could be built by 2035 under development agreements that the City has enacted with development companies.

The City of Hardeeville is strategically located near the Hilton Head Island, Savannah and Beaufort/Port Royal tourism markets. Two major interchanges along Interstate 95, Exit 5 and Exit 8, are within the City limits and provide primary access to these destinations. Two major arterials, US Highway 278 (running east/west) and SC Highway 170 (running north/south) accommodate a majority of the traffic in both Jasper and Beaufort Counties. Much of Hardeeville's large-scale residential and commercial growth is occurring along these corridors. The City continuously works with other local agencies and the South Carolina Department of Transportation (SCDOT) to review traffic management plans.

The City of Hardeeville in recent years has been proactive in accommodating rapid growth that has been forecasted in the area. Growth management efforts have led to the creation of Planned Development Districts (PDDs), in which the City comes to terms with respective real estate developers for the proper allocation of land uses within the district. Currently, Hardeeville has fifteen (15) active PDDs which constitute the great majority of the incorporated areas of the City. Five (5) of these PDDs are in active construction phases, with nearly 700 new residential units constructed in the past five years. The City has also experienced construction activity in non-PDD areas as well, with nearly 400 new housing units being built in the last five years. In considering both PDD and non-PDD areas, the City has effectively doubled its housing inventory in the past decade.

Non-residential development has also occurred in Hardeeville, with commercial and industrial uses locating or expanding operations in the City. Downtown Hardeeville continues to see new investment and revitalization of older structures. New businesses have also located in other areas of the City, taking advantage of increasing population and excellent road connectivity. The long-standing Hardeeville Industrial Park has recruited new tenants and has effectively utilized its rail spur connection with the main CSX railway. Additional industrial development will be facilitated by enhancing the connections with the existing Port of Savannah facilities in Garden City, Georgia as well as the future Jasper Ocean Terminal facility to the south of the City.

Civic uses have also increased in recent years. Just beyond the City limits, the University of South Carolina - Beaufort (USCB) constructed a four-year university campus (Gateway Campus) along US Highway 278. The Technical College of the Lowcountry (TCL) has also constructed a "New River Campus" along US Highway 278 to complement its existing facility in Beaufort. The Coastal Carolina Hospital facility opened in 2006 and is regionally affiliated with the Hilton Head Hospital and Tenet Healthcare. The Sergeant Jasper County Park facility was upgraded by Jasper County in recent years and remains a popular destination for City residents and visitors alike. In 2014, construction will

begin on a new K-12 Charter School facility in downtown Hardeeville that will serve up to 700 students.

Economic development remains the chief driver of the City's efforts at improving the quality of life for residents. A major cornerstone of this effort is the construction of a proposed Exit 3 off Interstate 95. This interchange would provide an additional route for freight traffic to existing and future port terminals, US Highway 17, and US Highway 321. Anticipated investment related to would also provide direct access to the RiverPort Planned Development District, which the City envisions as being a major site for commercial and industrial uses. Exit 3 currently sits on SCDOT's state transportation improvement project list, on the Lowcounty Council of Governments (LCOG) priority plan, and has received \$500,000 in funding from Congress for the environmental impact study and interchange justification report. The economic impact will be considerable; in five years the project is expected to create over 6,000 permanent jobs, with the first phase of the project expected to generate over \$3.1 million or 50% increase in annual revenues for the City of Hardeeville. At build-out (in 30 years) these combined investments are expected to create over 28,000 permanent jobs—eclipsing the BMW plant in Spartanburg in terms of economic impact.

### **Long-term Financial Planning**

The City of Hardeeville has spent much time and effort in the past decade in understanding and managing the growth it is experiencing and the future growth that is anticipated. One of the City's primary concerns is that the necessary planning and growth management tools are implemented to assure that the future cost of providing City services does not exceed the revenues received from the new growth. To that end, the City has developed a growth strategy that has encouraged a vast majority of all of the residential and commercial development to take place within the corporate boundaries of either the City of Hardeeville or the Town of Ridgeland.

This growth strategy is significantly governed by fiscal models to ensure the City maintains an adequate financial situation. A Clemson University study in 2006 showed that additional revenue from the growth will cover the growth-related capital and operating expenditures of City of Hardeeville under every scenario analyzed.

With most of the planned residential and commercial development, City of Hardeeville along with Jasper County and the Town of Ridgeland have been involved in jointly negotiating development agreements with developer fees that offset the initial cost of providing additional government services beyond property tax revenue generated from the development. Fees are assessed to assist the entities with providing school, library, police, fire and parks & recreation infrastructure and services. When and if the residential and commercial development proceeds as proposed, the City and its municipalities will receive approximately \$300 million in voluntary developer fees.

### **Significant Accounting Policies**

The City has entered into development agreements with several developers. A City Development Fund has been established to account for the developments. The agreements contain special assessments and impact fees to reimburse the City for costs associated with the developments.

## Awards and Acknowledgments

The Government Finance Officers Association of the United States and Canada (GFOA) awards a Certificate of Achievement in Financial Reporting. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report, the contents of which conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement in Financial Reporting was awarded to the City of Hardeeville, South Carolina for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2012. This was the second year that the City of Hardeeville has achieved this prestigious award.

A Certificate of Achievement is valid for a period of one year only. We believe our current report will conform to certificate of achievement program requirements, and we are submitting it to the GFOA to determine its eligibility for a certificate.

The preparation of the comprehensive annual financial report was made possible by the cooperation of the department heads and staff of the City. Each of these individuals has our sincere appreciation for the contributions made in the preparation of this report.

Sincerely,



Robert (Bob) Nanni  
City Manager



Chanel Lewis  
Director of Finance and Administration



Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

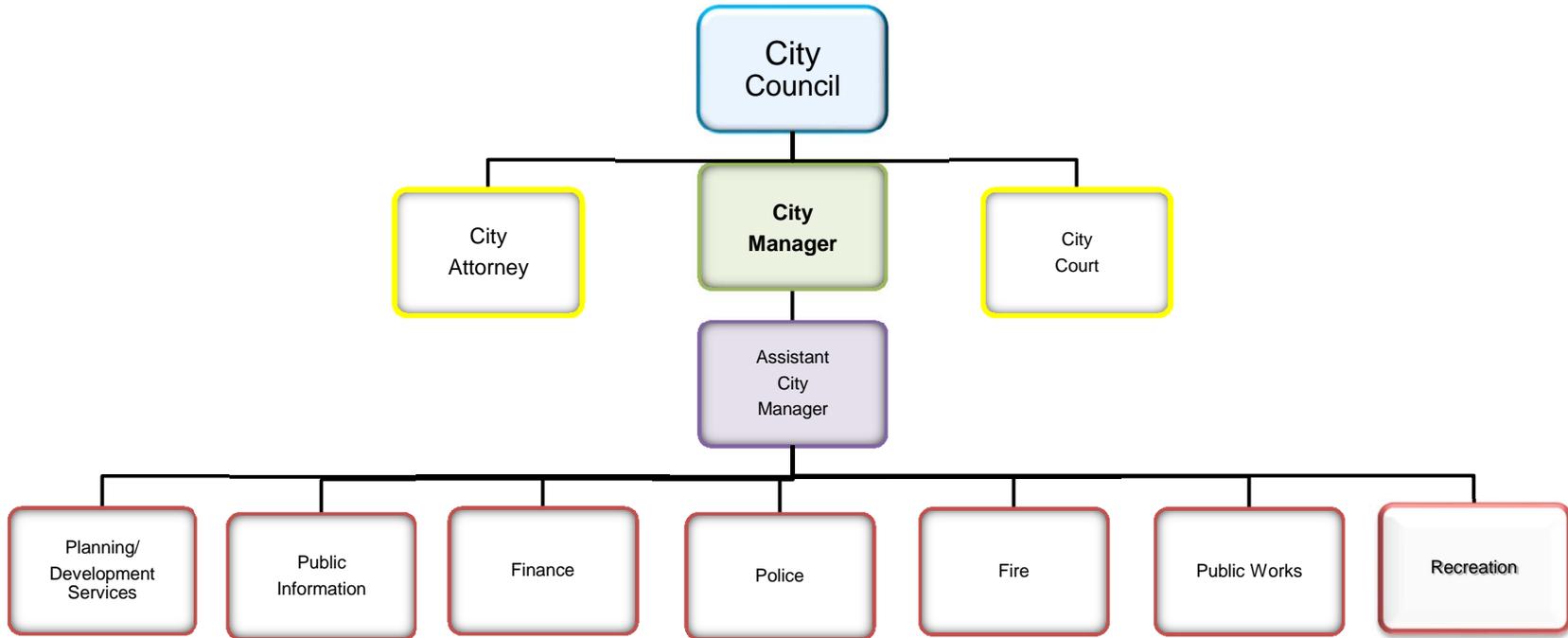
**City of Hardeeville  
South Carolina**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2012**

Executive Director/CEO

CITY OF HARDEVILLE, SOUTH CAROLINA  
ORGANIZATIONAL CHART



**CITY OF HARDEEVILLE, SOUTH CAROLINA  
LIST OF PRINCIPAL OFFICIALS  
JUNE 30, 2013**

TITLE	NAME
Mayor.....	Bronco Bostick
Mayor Pro-Tem.....	Michael Sweeney
Council Member.....	Scott Ready
Council Member.....	Sal Arzillo
Council Member.....	Sherry Carroll
City Manager.....	Robert "Bob" Nanni
City Clerk.....	Lori Pamarico
Finance.....	Chanel Lewis
Planning/Permitting.....	Branan Rogerson
Media Director.....	Juan Singleton
Recreation.....	Addison Jarrell
Public Works.....	Vacant
Fire.....	Dan Morgan
Police.....	Richard Nagy
Court.....	John Carroll

## FINANCIAL SECTION



## ***Newsome & Company, P.C.***

**CERTIFIED PUBLIC ACCOUNTANTS**

Darrell N. Newsome, CPA ▲ Niki C. Watchinski, CPA ▲ Sarah E. Hooper ▲ Marissa A. Brockmann

### **Independent Auditors' Report**

To the Honorable Mayor  
and Members of the City Council  
*City of Hardeeville, South Carolina*

#### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the *City of Hardeeville, South Carolina*, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

#### **Management's Responsibility for the Financial Statements**

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

#### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.



City of Hardeeville  
Hardeeville, South Carolina  
Page Two

### **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 of Hardeeville, South Carolina, as of June 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund and the hospitality fee 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 management's discussion and analysis and the budgetary comparison information on pages 11 through 18 and page 44 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 an assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Hardeeville, South Carolina's basic financial statements. The introductory section, combining and individual non major fund schedules, schedule of court fines, assessments and surcharges and statistical section are presented for the purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual non major fund schedules and the schedule of court fines, assessments and surcharges have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures and applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued a report dated December 10, 2013 on our consideration of the City of Hardeeville, South Carolina's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

*Newsome & Company, P.C.*  
NEWSOME & COMPANY, P.C.

Lexington, South Carolina  
December 10, 2013

## **City of Hardeeville, South Carolina** **Management's Discussion and Analysis**

As management of City of Hardeeville, South Carolina (Hardeeville), we offer readers of Hardeeville's financial statements this narrative overview and analysis of the financial activities of Hardeeville for the fiscal year ended June 30, 2013. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 1-5 of this report.

### **Financial Highlights**

- The assets of Hardeeville exceed its liabilities at the close of the most recent fiscal year by \$17,554,781 (net position). Of this amount, \$10,978,201 represents the investment in capital assets less depreciation and debt on those assets and \$3,249,213 is restricted for other purposes. The remaining balance of \$3,327,367 represents unrestricted net position. Hardeeville's total net position increased by \$1,827,289.
- As of the close of the current fiscal year Hardeeville's governmental funds reported a combined ending fund balance of \$6,986,071, an increase of \$1,145,329.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$2,439,559, or 39.5 percent of total general fund expenditures.

### **Overview of the Financial Statements**

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

**Government-wide financial statements.** The government-wide financial statements are designed to provide readers with a broad overview of Hardeeville's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of Hardeeville's assets and liabilities, with the difference between the two reported as net position. Over time, increases and decreases in the net position may serve as a useful indicator of whether the financial position of Hardeeville is improving or deteriorating.

The statement of activities presents information showing how Hardeeville's net position changed during the most recent fiscal year. Changes in net position are reported on a full accrual basis, regardless of the timing of related cash flows. Therefore, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements distinguish functions of Hardeeville that are supported by general revenues such as taxes and fees. The governmental activities of Hardeeville include programs related to general government, council, building and zoning, economic development, public works, police, courts, parks and recreation, and fire protection. Hardeeville currently has no business type activities.

**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been grouped for specific activities. Hardeeville like other public agencies uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the programs of Hardeeville can be divided into governmental funds.

**Governmental funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of financial resources available at the end of the fiscal year. Such information may be useful in evaluating Hardeeville's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it may be useful to compare the two for similar activities and programs. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to assist in this comparison of governmental programs and governmental activities.

Hardeeville maintains eleven individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, development fund, and capital projects fund. Data from the other eight governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

Hardeeville adopts an annual budget for the general fund and the accommodations and hospitality tax special revenue funds. A statement comparing actual to budgeted revenues and expenditures has been provided to demonstrate compliance with this budget.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the budgetary comparative schedules on the general fund.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information. Included in other supplementary information is the approved budget to actual comparison schedules for nonmajor governmental funds. Also included in other supplementary information is a schedule of court fines, fees, and assessments in accordance with guidelines established by the State of South Carolina.

## Government-wide Financial Analysis

As noted earlier, net position serve as a useful indicator of a public government's financial position. In the case of City of Hardeeville, South Carolina assets exceeded liabilities by \$17,554,781 in 2013. Comparative information is presented for the 2012 fiscal year report. The following table reflects the condensed government-wide statement of net position.

<b>CITY OF HARDEEVILLE, SOUTH CAROLINA NET POSITION</b>		
	<b>Governmental Activities</b>	
	<b>2013</b>	<b>2012</b>
Current and Other Assets	\$ 8,708,873	\$ 7,797,627
Capital Assets	<u>14,156,860</u>	<u>14,218,627</u>
Total Assets	<u>22,865,733</u>	<u>22,016,254</u>
Long-term Liabilities Outstanding	3,831,402	4,513,121
Other Liabilities	<u>1,479,550</u>	<u>1,687,570</u>
Total Liabilities	<u>5,310,952</u>	<u>6,200,691</u>
Net Position		
Investment in Capital Assets, Net of Related Debt	10,978,201	10,292,986
Unrestricted	3,327,367	3,141,876
Restricted	<u>3,249,213</u>	<u>2,380,701</u>
Total Net Position	<u>\$ 17,554,781</u>	<u>\$ 15,815,563</u>

The portion of Hardeeville's net position \$10,978,201 (63 percent) reflects its investment in capital assets less the related debt on capital assets. These capital assets are not available for future spending. Although Hardeeville's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The changes in capital assets can be attributed to the purchase of capital assets of \$444,059, the reduction in debt of \$746,882 less depreciation of \$505,826. See note 4 on page 35 and note 5 on page 36 for details.

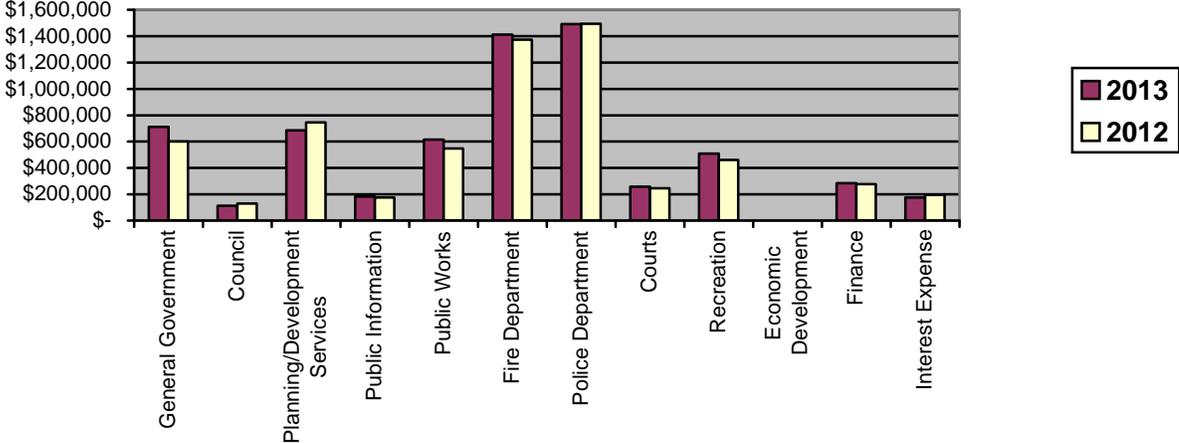
The restricted portion of net position of \$3,249,213 (18 percent) consists of \$2,832,056 restricted for economic development, \$151,180 in capital projects, and \$265,977 reported in nonmajor governmental funds. The remaining net position of \$3,327,367 (19 percent) are unrestricted.

**Governmental activities.** Hardeeville's total net position increased by \$1,827,289. Comparative information has been presented for the prior year. Line item analysis of this increase is shown in the following table.

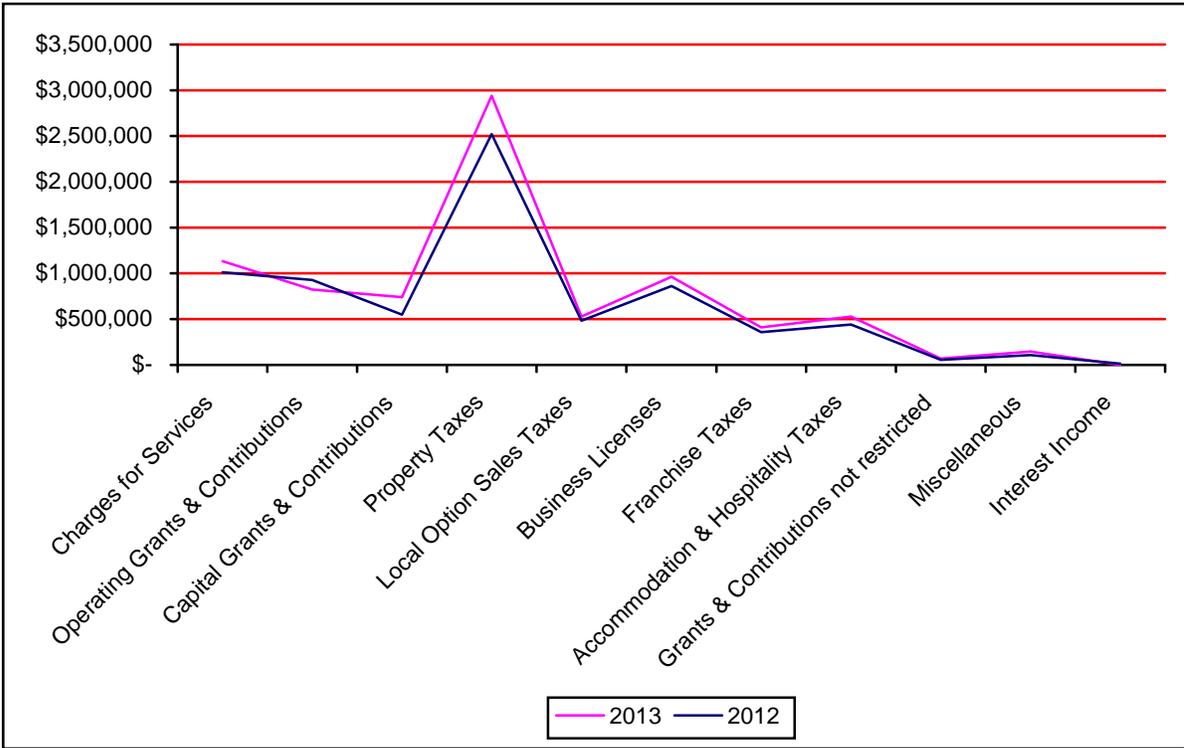
<b>CITY OF HARDEEVILLE, SOUTH CAROLINA CHANGE IN NET POSITION</b>			
<b>Governmental Activities</b>			
	<b>2013</b>		<b>2012</b>
<b>Expenses</b>			
General Government	\$ 711,798	\$	599,708
Council	112,466		130,601
Planning/Development Services	686,764		750,548
Public Information	182,726		176,483
Public Works	616,551		548,279
Fire Department	1,412,090		1,372,931
Police Department	1,491,476		1,493,381
Courts	259,294		246,588
Recreation	509,674		461,959
Finance	284,362		276,402
Interest	176,724		194,800
Total expenses	<u>6,443,925</u>		<u>6,251,680</u>
<b>Program Revenues</b>			
Charges for Services	1,130,516		1,009,992
Operating Grants and Contributions	821,607		927,072
Capital Grants and Contributions	738,639		547,947
Total program revenues	<u>2,690,762</u>		<u>2,485,011</u>
<b>General Revenues</b>			
Property Taxes	2,940,214		2,522,562
Local Option Sales Taxes	527,081		483,518
Business Licenses	960,156		862,269
Franchise Taxes	410,003		358,318
Accommodation and Hospitality Taxes	527,943		440,645
Grants and contributions not restricted to specific programs	70,230		54,274
Interest Income	338		14,810
Miscellaneous	144,487		106,571
Total general revenues	<u>5,580,452</u>		<u>4,842,967</u>
Increase in net position	1,827,289		1,076,298
Net position – beginning of year	15,815,563		14,739,265
Prior Period Adjustment	(88,071)		-
Net position – end of year	<u>\$ 17,554,781</u>	\$	<u>15,815,563</u>

The City's net position increased by \$1,827,289 during the current fiscal year. The increase resulted from capital grants of \$738,638 from developer agreements and favorable budget variances in revenues for the general fund of \$557,317. Also, debt was reduced by \$746,882. Capital grants result from developer agreements, which assess fees for future development.

**Expenses – Governmental Activities**



**Revenues by Source – Governmental Activities**



## **Financial Analysis of the Government's Funds**

The City of Hardeeville uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** The focus of Hardeeville's governmental funds is to provide information on near-term inflows, outflows, and balances of financial resources. This information is useful in assessing Hardeeville's financing requirements. Specifically, unreserved fund balances serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The major governmental funds consist of the general fund, development fund, and the capital projects fund. At the end of the current fiscal year, Hardeeville's governmental funds reported combined ending fund balances of \$6,986,071 an increase of \$1,145,329. This increase can be attributed to assessments for development in the amount of \$737,318 in the development fund and positive revenue variances in the general fund which resulted from growth in the City.

Overall there was a positive variance in the budget of \$477,866 in the general fund. As noted above, this resulted from positive revenue variances because of growth in the City.

## Capital Assets and Debt Administration

**Capital Assets.** Hardeeville's investment in capital assets for its governmental type activities as of June 30, 2013 amounts to \$14,156,860 (net of accumulated depreciation). This investment in capital assets includes land and improvements, construction in progress, buildings and improvements, land improvements, furniture and equipment, vehicles, and infrastructure. Increases in Hardeeville's investment in capital assets for the current fiscal year were \$444,059 that included \$104,694 for sidewalks, \$22,800 for vehicles, \$65,584 for land and \$136,694 for buildings. Depreciation expense was \$505,826 for the year. Additional information on Hardeeville's capital assets can be found in note 4 on page 35.

### CITY OF HARDEEVILLE, SOUTH CAROLINA CAPITAL ASSETS - NET OF DEPRECIATION

	Governmental Activities	
	2013	2012
Construction in Progress	\$ 178,153	\$ 198,672
Land and Improvements	6,456,534	6,352,683
Buildings and Improvements	4,374,959	4,340,741
Furniture and Equipment	370,792	494,092
Vehicles	1,201,774	1,296,358
Infrastructure	1,574,648	1,536,182
Total	<u>\$ 14,156,860</u>	<u>\$ 14,218,728</u>

**Long-term debt.** At the end of the current fiscal year, Hardeeville had long-term debt outstanding in the amount of \$3,178,760 which represented a decrease of \$746,882. No new debt was issued during the year. Refer to note 5 on page 36 for a detailed discussion of long-term debt.

**CITY OF HARDEEVILLE, SOUTH CAROLINA LONG-TERM DEBT OUTSTANDING**

	<b>Governmental Activities</b>	
	<b>2013</b>	<b>2012</b>
Revenue Bonds	\$ 925,000	\$ 995,000
Notes Payable	-	274,957
General Obligation Bonds	259,992	297,623
Leases Payable	1,993,768	2,358,062
Total	<u>\$ 3,178,760</u>	<u>\$ 3,925,642</u>

**Economic Factors and Next Year's Budget**

- The City's annual budget includes the General Fund and four Special Revenue funds for local hospitality and accommodations taxes and state accommodations taxes. For fiscal year 2013-2014 the City Council has approved an annual budget in the amount of \$6,592,598, an increase of \$505,615 over the prior year. However, millage of 142 was decreased 5 mills from the prior year.
- The budget increases are the addition of six firefighters to man the new Hilton Head Lakes Fire Station, the addition of a downtown development director, and increases in employee health insurance. These increases will be paid by using \$220,000 set aside for fire fighters and by growth in the tax base.
- The unemployment rate for the City is currently 8.6 percent, a decrease from 9.1 percent a year ago.

**Requests for information**

This financial report is designed to provide a general overview of City of Hardeeville, South Carolina finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City Finance Director, City of Hardeeville, South Carolina, 205 E. Main Street, P.O. Box 609, Hardeeville, South Carolina, 29927.

BASIC  
FINANCIAL STATEMENTS

**CITY OF HARDEEVILLE, SOUTH CAROLINA  
STATEMENT OF NET POSITION  
JUNE 30, 2013**

	<b>PRIMARY GOVERNMENT GOVERNMENTAL ACTIVITIES</b>
<b>ASSETS</b>	
Cash	\$ 2,370,249
Receivables	885,769
Notes Receivable	25,000
Cash Restricted	4,519,113
Property Held for Resale	908,742
Capital Assets, not being depreciated	2,840,660
Capital Assets, being depreciated	11,316,200
Total Assets	\$ 22,865,733
<b>LIABILITIES AND NET POSITION</b>	
Liabilities	
Accounts Payable	\$ 190,170
Salaries and Benefits Payable	121,383
Accrued Interest Payable	36,105
Unearned Revenues	1,131,892
Noncurrent Liabilities	
Due Within One Year	588,311
Due In More Than One Year	3,243,091
Total Liabilities	5,310,952
Net Position	
Invested in capital assets, net of related debt	10,978,201
Unrestricted	3,327,367
Restricted	
Developer Agreements	2,832,056
Bond Covenants	151,180
Other Purposes (page 42)	265,977
Total Net Position	17,554,781
Total Liabilities and Net Position	\$ 22,865,733

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

**CITY OF HARDEEVILLE, SOUTH CAROLINA  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2013**

<u>Functions/Programs</u>	<u>EXPENSES</u>	<u>CHARGES FOR SERVICES</u>	<u>OPERATING GRANTS AND CONTRIBUTIONS</u>	<u>CAPITAL GRANTS AND CONTRIBUTIONS</u>	<u>NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION</u>
					<u>TOTAL GOVERNMENTAL ACTIVITIES</u>
<b>Governmental Activities</b>					
General Government	\$ 711,798	\$ -	\$ -	\$ -	\$ (711,798)
Council	112,466	-	-	-	(112,466)
Planning/Development Services	686,764	806,006	-	738,638	857,880
Public Information	182,726	-	-	-	(182,726)
Public Works	616,551	-	-	-	(616,551)
Fire Department	1,412,090	2,950	782,235	1	(626,904)
Police Department	1,491,476	308,144	39,372	-	(1,143,960)
Courts	259,294	-	-	-	(259,294)
Recreation	509,674	13,416	-	-	(496,258)
Finance	284,362	-	-	-	(284,362)
Interest Expense	176,724	-	-	-	(176,724)
Total Governmental Activities	<u>\$ 6,443,925</u>	<u>\$ 1,130,516</u>	<u>\$ 821,607</u>	<u>\$ 738,639</u>	<u>(3,753,163)</u>
<b>General Revenues</b>					
Property Taxes					2,940,214
Local Option Sales Taxes					527,081
Business Licenses					960,156
Franchise Taxes					410,003
Accommodation and Hospitality Taxes					527,943
Grants and contributions not restricted to specific programs					70,230
Interest Income					338
Miscellaneous					144,487
Total General Revenues					<u>5,580,452</u>
Change in net position					1,827,289
Net position, beginning of year					15,815,563
Prior period adjustment					(88,071)
Net position, end of year					<u>\$ 17,554,781</u>

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

**CITY OF HARDEEVILLE, SOUTH CAROLINA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2013**

	<u>GENERAL FUND</u>	<u>DEVELOPMENT FUND</u>	<u>CAPITAL PROJECTS FUND</u>	<u>OTHER GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<b>Assets</b>					
Cash	\$ 2,178,810	\$ 72	\$ -	\$ 191,367	\$ 2,370,249
Receivables	807,649	-	-	78,120	885,769
Restricted Cash	388,486	3,038,500	1,034,777	57,350	4,519,113
Due from Other Funds	32,848	-	-	9,795	42,643
Property Held for Resale	-	908,742	-	-	908,742
Notes Receivable	25,000	-	-	-	25,000
Total Assets	<u>\$ 3,432,793</u>	<u>\$ 3,947,314</u>	<u>\$ 1,034,777</u>	<u>\$ 336,632</u>	<u>\$ 8,751,516</u>
<b>Liabilities</b>					
Accounts Payable	\$ 140,604	\$ -	\$ 8,530	\$ 41,036	\$ 190,170
Salaries and Benefits Payable	121,383	-	-	-	121,383
Unearned Revenues	53,609	203,216	875,067	-	1,131,892
Due to Other Funds	9,795	3,229	-	29,619	42,643
Total Liabilities	<u>325,391</u>	<u>206,445</u>	<u>883,597</u>	<u>70,655</u>	<u>1,486,088</u>
<b>Deferred Inflows of Resources</b>					
Unavailable Revenues - Property Taxes	<u>279,357</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>279,357</u>
Total Deferred Inflows of Resources	<u>279,357</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>279,357</u>
<b>Fund Balances</b>					
Unassigned	2,439,559	-	-	-	2,439,559
Assigned	388,486	72	-	-	388,558
Committed	-	-	-	138,070	138,070
Restricted	-	2,832,055	151,180	127,907	3,111,142
Nonspendable	-	908,742	-	-	908,742
Total Fund Balances	<u>2,828,045</u>	<u>3,740,869</u>	<u>151,180</u>	<u>265,977</u>	<u>6,986,071</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 3,432,793</u>	<u>\$ 3,947,314</u>	<u>\$ 1,034,777</u>	<u>\$ 336,632</u>	<u>\$ 8,751,516</u>

**CITY OF HARDEEVILLE, SOUTH CAROLINA  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2013**

Total net position reported for governmental activities in the statement of net position is different because:

Total fund balances for governmental funds	\$ 6,986,071
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Capital assets used in Hardeeville's activities are not financial resources and therefore are not reported in the funds. Those assets consist of:

Construction in Progress	\$ 178,153	
Land and improvements, net of \$667,678 accumulated depreciation	6,456,534	
Buildings and improvements, net of \$667,924 accumulated depreciation	4,374,959	
Furniture and equipment, net of \$1,070,676 accumulated depreciation	370,792	
Vehicles, net of \$1,724,793 accumulated depreciation	1,201,774	
Infrastructure, net of \$460,279 accumulated depreciation	<u>1,574,648</u>	
Total Capital Assets		14,156,860

Some of the City's receivables will be collected after year-end, but are not available soon enough to pay for the current period's expenditures, and therefore are not reported as revenues in the funds.	279,357
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Long-term liabilities applicable to the Hardeeville's activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities --both current and long-term--are reported in the statement of net position.

Balances at June 30, 2013 are:

Interest Payable	(36,105)	
Compensated absences	(652,642)	
Current and Long-term Debt	<u>(3,178,760)</u>	
Total Long-Term Liabilities		<u>(3,867,507)</u>

Total net position of governmental activities	<u>\$ 17,554,781</u>
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**CITY OF HARDEEVILLE, SOUTH CAROLINA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2013**

	GENERAL FUND	DEVELOPMENT FUND	CAPITAL PROJECT FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<b>Revenues</b>					
Taxes	\$ 4,053,052	\$ -	\$ -	\$ 498,420	\$ 4,551,472
Fines, Fees, and Licenses	2,471,054	-	-	29,621	2,500,675
Special Assessments	-	737,318	93,034	-	830,352
Intergovernmental	70,230	-	-	-	70,230
Miscellaneous	158,459	1,844	107,290	2,616	270,209
Total Revenues	<u>6,752,795</u>	<u>739,162</u>	<u>200,324</u>	<u>530,657</u>	<u>8,222,938</u>
<b>Expenditures</b>					
<b>Current:</b>					
General Government	609,875	980	-	495	611,350
Council	112,466	-	-	-	112,466
Planning/Development Services	683,505	15,661	-	-	699,166
Public Information	175,207	-	-	-	175,207
Public Works	523,489	-	2,737	-	526,226
Fire Department	1,257,952	-	-	4,780	1,262,732
Police Department	1,436,147	-	-	-	1,436,147
Courts	251,862	-	-	-	251,862
Recreation	257,558	-	-	110,286	367,844
Finance	253,213	-	-	-	253,213
<b>Debt Service:</b>					
Principal	351,263	92,112	70,000	233,506	746,881
Interest	28,677	26,584	55,688	79,507	190,456
<b>Capital Outlay:</b>					
General Government	72,365	-	-	-	72,365
Planning/Development Services	137,228	-	-	-	137,228
Fire Department	-	-	93,767	-	93,767
Public Works	33,412	-	-	-	33,412
Recreation	-	-	107,287	-	107,287
Total Expenditures	<u>6,184,219</u>	<u>135,337</u>	<u>329,479</u>	<u>428,574</u>	<u>7,077,609</u>
Excess (deficiency) of revenues over (under) expenditures	<u>568,576</u>	<u>603,825</u>	<u>(129,155)</u>	<u>102,083</u>	<u>1,145,329</u>
<b>Other Financing Sources (Uses)</b>					
Transfers Out	(120,331)	-	-	(29,621)	(149,952)
Transfers In	29,621	-	120,331	-	149,952
Total Financing Sources (Uses)	<u>(90,710)</u>	<u>-</u>	<u>120,331</u>	<u>(29,621)</u>	<u>-</u>
Net change in fund balances	477,866	603,825	(8,824)	72,462	1,145,329
Fund balances, beginning of year	2,350,179	3,137,044	160,004	193,515	5,840,742
Fund balances, end of year	<u>\$ 2,828,045</u>	<u>\$ 3,740,869</u>	<u>\$ 151,180</u>	<u>\$ 265,977</u>	<u>\$ 6,986,071</u>

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

**CITY OF HARDEEVILLE, SOUTH CAROLINA  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2013**

The change in net position reported for governmental activities in the statement of activities is different because:

Net change in fund balances -- total governmental funds	\$ 1,145,329
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (\$444,059) was less than depreciation (\$505,826) in the current period.	(61,767)
Repayment of debt principal is an expenditure in the governmental funds but reduces the liability in the statement of net position.	746,882
Interest is recorded as paid in the governmental funds but is accrued as a liability in the governmental statements.	13,732
Revenues recognized in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	48,275
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
Compensated absences	<u>(65,162)</u>
Total change in net position of governmental activities	<u><u>\$ 1,827,289</u></u>

**CITY OF HARDEEVILLE, SOUTH CAROLINA  
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
AGENCY FUNDS  
JUNE 30, 2013**

	<b>AGENCY FUNDS</b>
<b>ASSETS</b>	
Cash	\$ 2,298,069
Total Assets	2,298,069
 <b>LIABILITIES</b>	
Due to Others	2,298,069
Total Liabilities	2,298,069
 <b>NET POSITION</b>	 \$ -

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

**CITY OF HARDEVILLE, SOUTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Description of Government-Wide Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. All fiduciary activities are reported only in the fund financial statements. For the most part, the effect of inter-fund activity has been removed from these statements. *Governmental* activities, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, the *primary government* is reported separately from certain legally separate component units for which the primary government is financially accountable.

**Reporting Entity**

The City of Hardeeville, South Carolina (the "City") is a political subdivision of the State of South Carolina, operating under the Council-Manager form of government to provide services authorized by its charter. It is governed by an elected board (the "Council") which is governed by state statutes and regulations. Its main services are general government, council, planning and development services, public information, building inspection, fire department, police department, courts, public works and recreation, permitting, and economic development. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units are, in substance, part of the primary government's operation, even though they are legally separate entities. Thus, blended component units are appropriately presented as funds of the primary government. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

**Blended Component Unit**

The Hardeeville Public Facilities Corporation Inc., a 501c3 corporation, serves all the citizens of the government and is governed by a board approved by the city council. Fees and debt issuances are approved by the City's Council; therefore, the City is legally obligated to provide resources in case there are deficiencies in debt service payments and resources are not available from other remedies. The Hardeeville Public Facilities Corporation Inc. is blended into the Development Fund of the primary government and does not issue separate financial statements.

**Discretely Presented Component Units**

The City does not report any discretely presented component units at this time.

**Basis of Presentation – Government-Wide Financial Statements**

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds and internal service funds, while business-type activities incorporate data from the government's enterprise funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Currently, the City does not report any proprietary funds.

**CITY OF HARDEVILLE, SOUTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES –CONTINUED**

**Basis of Presentation – Government-Wide Financial Statements-continued**

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

**Basis of Presentation – Fund Financial Statements**

The fund financial statements provide information about the government's funds, including its fiduciary funds. Separate statements for each fund category—governmental and fiduciary—are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

The *general fund* is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *development fund* represents the City's receipts and disbursements for developer fees negotiated under development agreements.

The *capital projects fund* accounts for all financial resources accumulated and paid for construction and purchase of major capital assets.

Additionally, the City reports the following fund types:

The *agency fund* is used to account for resources held by the City in a trustee capacity for the receipts and disbursement of the municipal improvement district.

During the course of operations the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise fund) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

**CITY OF HARDEEVILLE, SOUTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES –CONTINUED**

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, intergovernmental revenues, and other reimbursement type grants associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

**Budgetary Information**

Prior to the start of each fiscal year, the various departments submit to the City Manager a proposed operating budget for the fiscal year commencing July 1. The operating budget includes proposed expenditures and the means of financing them. The City Manager reviews the budgets and submits them to the City Council. Two public hearings are conducted to obtain taxpayer comments as required by Section 4-9-130 of the South Carolina statutes. Prior to June 30, the budget is legally enacted through passage of an ordinance. The City Manager is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the City Council. It is unlawful to expend or contract for an expenditure in any fiscal year more than the amount budgeted in each fund pursuant to Section 4-9-140 of the South Carolina statutes. Budgets are adopted for the general fund and the accommodations and hospitality tax funds. The City does not prepare a budget for its other funds; accordingly, a budget to actual schedule is omitted for these funds. There were no supplemental appropriations during the year.

**CITY OF HARDEVILLE, SOUTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES –CONTINUED**

**Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance**

Cash and cash equivalents and deposits

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

The City is authorized by state statute to invest in the following:

- Obligations of the United States and its agencies;
- General obligations of the State of South Carolina and its political units;
- Savings and loan associations to the extent that the same are insured by an agency of the Federal Government; certificates of deposit where the certificates are collaterally secured by securities of the type described above and are held by a third party as escrow agent or custodian, at a market value not less than the amounts of the certificates of deposit plus interest; provided, however, such collateral shall not be required to the extent the same are insured by an agency of the federal government.

Receivables and Payables

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds".

Property tax receivables are shown net of an allowance for uncollectibles.

The City Ordinance provides for the taxation of all real and personal property located within the City limits on the first day of January. Motor vehicle taxes are billed and collected by the County Treasurer on a monthly basis. Other personal and real property taxes are levied by the City in October of each year and become due and payable immediately upon receipt by the taxpayer. Real property taxes are delinquent after January 15<sup>th</sup> with penalties assessed of 3% if paid after January 15<sup>th</sup>, 10% if paid after January 31<sup>st</sup>, and 15% if paid after March 15<sup>th</sup>. Assessed property is subject to lien one year from the levy date if taxes remain unpaid. The property tax rate approved by ordinance for fiscal year 2013 is 147 mills.

Inventories and Prepaid Items

Inventories of the general fund consist of supplies held for consumption and are immaterial to the financial statements and accordingly are not recorded.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets

Capital assets, which include property and equipment, are reported in the applicable governmental columns in the government-wide financial statements. Capital assets are defined by the City as property and equipment with an initial, individual cost of more than \$5,000 and buildings and infrastructure assets with an initial, individual cost of more than \$100,000 with an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

**CITY OF HARDEVILLE, SOUTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES –CONTINUED**

**Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance-continued**

Major outlays for capital assets and improvements are capitalized as projects are constructed. Property and equipment of the primary government are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings	50 years
Furniture and Equipment	5-15 years
Vehicles	5-25 years
Infrastructure	25-50 years

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities.

In the fund financial statements, governmental fund types recognize the face amount of debt issued as issuance of debt.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial 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 has no deferred outflows of resources.

In addition to liabilities, the statement of financial 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 government has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

**CITY OF HARDEVILLE, SOUTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES –CONTINUED**

**Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance-continued**

Net position flow assumptions

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in *the* government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

Fund balance flow assumptions

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund balance policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The governing council is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The governing council (council) has by resolution authorized the finance director to assign fund balance. The council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

**CITY OF HARDEEVILLE, SOUTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES –CONTINUED**

**Revenues and expenditures/expenses**

Program Revenues

Amounts reported as *program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) 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 attach as an enforceable lien on real property and are levied as of January 1<sup>st</sup>. The tax levy is mailed on October 1<sup>st</sup> and become payable on January 15<sup>th</sup> without penalty, after that date the property is subject to lien and penalties and interest are assessed.

Compensated absences

Vacation

The government's policy permits employees to accumulate earned but unused vacation benefits, which are eligible for payment upon separation from government service. The liability for such leave is reported as incurred in the government-wide financial statements. A liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of employee resignations or retirements. The liability for compensated absences includes salary-related benefits, where applicable.

Sick Leave

Accumulated sick leave lapses when employees leave the employ of the government and, upon separation from service, no monetary obligation exists.

Use of Estimates

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

**CITY OF HARDEVILLE, SOUTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES –CONTINUED**

**Revenues and expenditures/expenses-continued**

Excess of Expenditures over Appropriations

For the year ended June 30, 2013, expenditures exceeded appropriations in the Local Hospitality Tax Fund of \$48,188 and the Local Accommodations Tax Fund of \$3,074. These overexpenditures were funded by positive variances in revenues and carryover of prior year fund balance.

**NOTE 2 DEPOSITS AND INVESTMENTS**

As of June 30, 2013, the City had all of its cash in interest bearing demand deposit accounts and money market accounts which are invested in U.S. government backed securities.

Custodial Credit Risk – Custodial credit risk is the risk that in the event of a bank failure, the government’s deposits may not be returned to it. The City does not have a formal deposit policy for custodial credit risk.

As of June 30, 2013, the bank balance of the City’s deposits was insured by the FDIC and by collateral pledged by the banks.

Restricted Cash – The City has the following in restricted cash:

	<u>Amount</u>
Restricted for drug related expenditures	\$ 34,810
Restricted for tourism	22,540
Assigned for fire fighters pay	350,533
Assigned for public works facility	37,953
Restricted by bond covenants	123,395
Restricted by development agreements	3,038,500
Restricted for debt payment	27,897
Restricted for fire station construction (deferred)	883,485
Total Restricted Cash	<u>\$ 4,519,113</u>

**CITY OF HARDEVILLE, SOUTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

**NOTE 3 RECEIVABLES**

Receivables at June 30, 2013, including the applicable allowances for uncollectible accounts, are as follows for the general fund and nonmajor governmental funds:

	<b>General Fund</b>	<b>Other Nonmajor Funds</b>
Taxes Receivable	\$ 805,329	\$ 78,120
Fines, Fees, and Licenses	224,566	-
Intergovernmental Revenues	35,465	-
Miscellaneous	14,333	-
Allowance for Uncollectibles	<u>(272,044)</u>	-
Total	<u>\$ 807,649</u>	<u>\$ 78,120</u>

Government funds report deferred inflows of resources in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period in the amount of \$279,357 for delinquent taxes. Government funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of unearned revenue reported in governmental funds were as follows:

	<b>Unearned</b>
Phase 2 Transportation Study	5,500
Development fees not spent	203,216
State Portion Fines	140
Held for fire station construction	875,067
Held for museum expenditures	5,043
Public Works Facility	<u>42,926</u>
Total	<u>\$ 1,131,892</u>

**CITY OF HARDEVILLE, SOUTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

**NOTE 4 PROPERTY AND EQUIPMENT**

A summary of changes in the City's property and equipment is as follows:

<u>Governmental Activities</u>	<u>June 30, 2012</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2013</u>
<i>Capital assets not being depreciated</i>				
Land and improvements	\$ 2,596,923	\$ 65,584	\$ -	\$ 2,662,507
Construction in progress	<u>198,672</u>	<u>188,833</u>	<u>209,352</u>	<u>178,153</u>
Total capital assets, not being depreciated	<u>2,795,595</u>	<u>254,417</u>	<u>209,352</u>	<u>2,840,660</u>
<i>Capital assets being depreciated</i>				
Buildings and improvements	4,906,189	136,694	-	5,042,883
Land improvements	4,343,433	118,272	-	4,461,705
Furniture and equipment	1,424,934	16,534	-	1,441,468
Vehicles	2,922,148	22,800	18,381	2,926,567
Infrastructure	<u>1,930,233</u>	<u>104,694</u>	<u>-</u>	<u>2,034,927</u>
Total capital assets being depreciated	<u>15,526,937</u>	<u>398,994</u>	<u>18,381</u>	<u>15,907,550</u>
Less accumulated depreciation for:				
Buildings and improvements	565,449	102,475	-	667,924
Land improvements	587,674	80,004	-	667,678
Furniture and equipment	930,841	139,835	-	1,070,676
Vehicles	1,625,889	117,285	18,381	1,724,793
Infrastructure	<u>394,052</u>	<u>66,227</u>	<u>-</u>	<u>460,279</u>
Total accumulated depreciation	<u>4,103,905</u>	<u>505,826</u>	<u>18,381</u>	<u>4,591,350</u>
Total capital assets being depreciated, net	<u>11,423,032</u>	<u>(106,832)</u>	<u>-</u>	<u>11,316,200</u>
Governmental activities capital assets, net	<u>\$ 14,218,627</u>	<u>\$ 147,585</u>	<u>\$ 209,352</u>	<u>\$ 14,156,860</u>

Depreciation expense was \$505,826 for the year ended June 30, 2013. This amount was allocated to the functional departments as follows:

<u>Governmental Activities</u>	
General Government	\$ 88,201
Fire Department	116,361
Public Works	91,641
Recreation	141,384
Finance	24,328
Planning	4,973
Police Department	37,147
Court	<u>1,791</u>
Total	<u>\$ 505,826</u>

**CITY OF HARDEVILLE, SOUTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

**NOTE 5 LONG-TERM OBLIGATIONS**

A schedule of changes in long-term indebtedness follows:

	<b>Balance</b>			<b>Balance</b>	<b>Due</b>
	<b>June 30, 2012</b>	<b>Additions</b>	<b>Retirements</b>	<b>June 30, 2013</b>	<b>Within</b>
					<b>A Year</b>
General Obligation Bonds	\$ 297,623	\$ -	\$ 37,631	\$ 259,992	\$ 39,138
Leases Payable	2,358,062	-	364,294	1,993,768	379,173
Revenue Bonds	995,000	-	70,000	925,000	70,000
Note Payable	274,957	-	274,957	-	-
Compensated Absences	<u>587,479</u>	<u>377,212</u>	<u>312,049</u>	<u>652,642</u>	<u>100,000</u>
Total	<u>\$ 4,513,121</u>	<u>\$ 377,212</u>	<u>\$ 1,058,931</u>	<u>\$ 3,831,402</u>	<u>\$ 588,311</u>

**Debt Limitation**

The City's general obligation debt is limited by law to eight percent of the total assessed value of all taxable real and personal property of the district. The latest assessed value was \$20,825,378. The computation of legal debt limits is as follows:

Assessed value (\$20,825,378 X 8%)	\$ 1,666,030
General obligation debt at June 30, 2013	<u>(259,992)</u>
Amount available of debt limit	<u>\$ 1,406,038</u>

**Operating Leases**

The City has operating leases on its office equipment that vary in length. It is anticipated that these leases will be renewed or continued on a monthly basis. These amounts are immaterial to the financial statements.

A summary of long-term debt is as follows:

**General Obligation Bond**

\$550,000 general obligation bond dated December 19, 2003, due in fifteen annual payments of \$49,779 including interest of 4.09% beginning December 19, 2004, backed by the full faith and credit of the City.

<b>BALANCE</b>
<u>\$ 259,992</u>

**CITY OF HARDEVILLE, SOUTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

**NOTE 5 LONG-TERM OBLIGATIONS – CONTINUED**

The general obligation bond is payable from the general fund. The annual requirement to amortize the general obligation bond as of June 30, 2013 is as follows:

<u>Fiscal Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 39,138	\$ 10,641	\$ 49,779
2015	40,738	9,041	49,779
2016	42,405	7,374	49,779
2017	44,139	5,640	49,779
2018	45,944	3,835	49,779
2019	<u>47,628</u>	<u>2,112</u>	<u>49,740</u>
Total	<u>\$ 259,992</u>	<u>\$ 38,643</u>	<u>\$ 298,635</u>

**Leases Payable**

<u>Leases Payable</u>	<u>BALANCE</u>
\$498,514 lease payable on a fire truck and response unit payable in nine annual payments of \$67,615 including interest of 4.12% beginning September 29, 2004.	\$ 64,939
\$2,473,000 lease payable on municipal complex payable monthly at \$15,216 including interest of 4.19% beginning January 7, 2004.	1,554,139
\$250,322 lease payable for recreation equipment payable in ten annual payments of \$31,232 including interest of 4.24% beginning July 2005.	58,706
\$800,000 lease payable for recreation equipment payable in ten annual payments of \$97,995 including interest of 3.87% beginning May 10, 2005.	94,345
\$650,000 lease payable for fire truck payable in ten annual installments of \$79,701 including interest of 3.89% beginning August 5, 2006.	<u>221,639</u>
Total	<u>\$ 1,993,768</u>

**Equipment Under Capitalized Leases**

The City has entered into the above lease agreements for leasing the municipal complex, the purchase of fire firefighting equipment, and equipment to be used at the recreation center and municipal complex. The cost of these assets is \$5,857,922 with accumulated amortization of \$1,695,919. The leases on the fire truck and vehicles are payable from the general fund. All of the other leases are payable from revenue from the local accommodations and hospitality tax funds. Future minimum lease payments as of June 30, 2013 are as follows:

**CITY OF HARDEVILLE, SOUTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

**NOTE 5 LONG-TERM OBLIGATIONS – CONTINUED**

<u>Fiscal Year Ending</u>	<u>Payment</u>
2014	\$ 460,330
2015	294,720
2016	263,488
2017	183,787
2018	183,787
2019 - 2023	918,935
2024 - 2026	<u>187,932</u>
Total Minimum Lease Payments	2,492,979
Less Amount Representing Interest	<u>(499,211)</u>
Present Value of Minimum Lease Payment	<u>\$ 1,993,768</u>

**Revenue Bonds Payable**

**BALANCE**

\$1,265,000 bond payable for office buildings payable in fifteen annual payments plus interest at 5.5% beginning March 2009.

\$ 925,000

The revenue bonds on the office buildings are payable from the fee-in-lieu of tax from the hospital. The annual requirements to amortize the revenue bonds are as follows:

<u>Fiscal Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 70,000	\$ 47,925	\$ 117,925
2015	75,000	42,925	117,925
2016	80,000	37,925	117,925
2017	85,000	32,925	117,925
2018	90,000	27,925	117,925
2019 - 2023	<u>525,000</u>	<u>64,625</u>	<u>589,625</u>
Total	<u>\$ 925,000</u>	<u>\$ 254,250</u>	<u>\$ 1,179,250</u>

**CITY OF HARDEVILLE, SOUTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

**NOTE 5 LONG-TERM OBLIGATIONS – CONTINUED**

Compensated Absences

Unused vacation leave liabilities are reported in the applicable governmental type activities columns in the government-wide financial statements. The City employees can accumulate vacation and sick leave at varying amounts based on length of service and position. As of June 30, 2013, accrued vacation and sick leave totaled \$652,642 including seventeen percent for employee benefits. All compensated absences are paid from the general fund.

Conduit Debt

The City issued \$15,470,000 of special assessment debt for improvements in the Hilton Head Lakes development. Payment is to be made solely from the assessments in the development, the City has no obligation. The balance at June 30, 2013 is \$14,910,000.

**NOTE 6 PENSION PLAN**

**Pension Obligations**

Plan Description

All permanent employees of the County and its component units, except for certain employees involved in law enforcement and fire fighting activities, participate in the South Carolina Retirement System (SCRS). The employees excluded above participate in the South Carolina Police Officers' Retirement System (SCPORS). Both systems are cost sharing multiple-employer defined benefit plans administered by the Retirement Division of the State Budget and Control Board. The SCRS and the SCPORS provide retirement and disability benefits, cost of living adjustments on an ad-hoc basis, life insurance, and survivor benefits to plan members and beneficiaries. Each plan's provisions are established under Title 9 of the S.C. Code of Laws. A Comprehensive Annual Financial Report containing financial statements and required supplementary information for both the SCRS and SCPORS is issued and publicly available on the internet at [www.retirement.sc.gov](http://www.retirement.sc.gov), or by writing the South Carolina Retirement System, P.O. Box 11960, Columbia, SC 29211-1960.

**CITY OF HARDEEVILLE, SOUTH CAROLINA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

**NOTE 6 PENSION PLAN – CONTINUED**

**Pension Obligations-continued**

Basic Provisions

Benefit provisions are established under the authority of Title 9 of the South Carolina code of Laws. Under current statutes pertaining to the SCRS, member employees who retire at age 65 or after 28 years of credited services are entitled to an annual full service retirement benefit, payable monthly for life, equal to 1.82 percent of the average final compensation (average compensation over the last three years of credited service). A member with at least 25 years of credited services who terminates employment may continue to pay employee and employer contributions until 285 years of credited services credit is reached. The contributions will be made through the most recent employer on a regular basis and remitted to the South Carolina Retirement System.

Under current statutes pertaining to the SCPORS, member employees who retire at age 65 or after 25 years of credited service are entitled to an annual full service retirement benefit, payable monthly for life, equal to 2.14 percent of average final compensation times years of credited service.

Member employees who are at least 60 years of age may elect early retirement in which case the full service benefit is reduced by 5 percent for each year the employee's age at retirement is less than 65. In either case, any unrecovered contributions are payable upon death and cost of living adjustments are evaluated annually on an ad hoc basis. Full service or early retirees may elect other optional methods of benefit distributions, including lump sum distribution, benefit levels coordinated with the retiree's social security benefits and distributions to a named beneficiary. Benefits are fully vested on reaching 5 years of service. The SCRS and SCPORS also provide life insurance, survivor and disability benefits to all member employees.

Funding Policy

*South Carolina Retirement System (SCRS)*

Plan members are required to contribute 7.0% of their annual covered salary, and the employer is required to contribute at an actuarially determined rate. The current rate is 10.6% of annual covered payroll. The contribution requirements of Plan members and employers are established under authority of Title 9 of the S.C. Code of Laws. City contributions to SCRS for the years ended June 30, 2013, 2012, and 2011 were \$128,799, \$119,132, and \$123,657, respectively equal to the actuarially required contributions for each year.

*Police Officers Retirement System (SCPORS)*

Effective July 1, 2010, the employer contribution rate became 11.33 percent which includes 0.20 percent towards group life insurance. Contributions to SCPORS for the years ended June 30, 2013, 2012, and 2011 were \$177,146, and \$146,312, and \$140,021 respectively, equal to the actuarially required contribution rates for each year.

**CITY OF HARDEEVILLE, SOUTH CAROLINA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

**NOTE 7 TRANSFERS BETWEEN FUNDS**

The following is a schedule of transfers between funds:

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Transfers In	\$ 29,621	\$ 120,331	\$ 149,952
Transfers Out	120,331	29,621	149,952

The transfer of \$29,621 from the other governmental funds was from the victims fund for victims officers reimbursement. The transfer of \$120,331 from the general fund to the capital projects fund was for a note payment on the new building.

**NOTE 8 RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the City carries commercial insurance through the State of South Carolina. Management believes such coverage is sufficient to preclude any significant uninsured losses for the covered risks. The State promises to pay to or on behalf of the insured for covered economic losses sustained during the policy in accordance with insurance policy and benefit program limits.

The City has recorded insurance premium expenditures in the applicable functional expenditure categories of the general fund. These expenditures do not include estimated claim losses and estimable premium adjustments. There have not been any significant reductions in insurance coverage from the prior year. Settlements have not exceeded insurance coverage in each of the past three years.

**NOTE 9 COMMITMENTS AND CONTINGENCIES**

The City has annexed property into the City and has entered into development agreements with various developers that call for developers to pay impact fees and the City in turn will use these fees for infrastructure. These development agreements comprise a large percent of the City's revenues. As of June 30, 2013, a developer was delinquent in the amount of \$150,000 and is currently in foreclosure.

As of June 30, 2013, there were no outstanding liabilities of the City as a result of any term of the Development Agreements. Capital improvements to be made under the terms of the developer agreements are at the expense of the Developer. Timing of those improvements vary, but generally are tied to either a set number of residential units being built (usually 1,500 or more) or the implementation of the Municipal Improvement District to obtain bond funds at the expense of the developer. Some of the development agreements (Stratford) also provide for operational costs once the capital improvements are built; others, being based on units built and certified for occupancy will create ad valorem taxes to adequately cover the increased cost. These are not capital items, but operational expenses that could be covered by personnel shifts within the existing projected budgets for this year and 2013-14.

**CITY OF HARDEEVILLE, SOUTH CAROLINA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

**NOTE 10 SUBSEQUENT EVENTS**

A developer has initiated plans for a \$21 million municipal improvement plan which would be funded by assessments in the district.

The City received \$1,000,000 from a developer to build a fire station. It is expected at this time that the fire station would be completed in the 2013-2014 fiscal year and that the budget for 2014-2015 would include amounts to man the fire station.

**NOTE 11 FUND BALANCES**

The fund balance composition is as follows:

	<u>General Fund</u>	<u>Development Fund</u>	<u>Capital Projects Fund</u>	<u>Nonmajor Funds</u>
<b><u>Assigned</u></b>				
Future firefighters pay	\$ 350,533	\$ -	\$ -	\$ -
Public Works facility	37,953	-	-	-
Future development	-	72	-	-
Total Assigned	<u>388,486</u>	<u>72</u>	<u>-</u>	<u>-</u>
<b><u>Committed</u></b>				
Local accommodations tax ordinance	-	-	-	43,455
Local hospitality tax ordinance	-	-	-	94,615
Total Committed	<u>-</u>	<u>-</u>	<u>-</u>	<u>138,070</u>
<b><u>Restricted</u></b>				
Developer Agreements	-	2,832,055	-	-
Bond Ordinance	-	-	151,180	-
State for tourist related expenditures	-	-	-	64,276
State for fire department expenditures	-	-	-	22,866
Federal drug related expenditures	-	-	-	40,765
Total Restricted	<u>-</u>	<u>2,832,055</u>	<u>151,180</u>	<u>127,907</u>
<b><u>Nonspendable</u></b>				
Landheld for development	-	657,000	-	-
Sewer capacity	-	251,742	-	-
Total Nonspendable	<u>-</u>	<u>908,742</u>	<u>-</u>	<u>-</u>

**NOTE 12 INVESTMENT IN CAPITAL ASSETS**

The investment in capital assets, net of related debt is computed as follows:

Capital Assets	
Capital assets not being depreciated	\$ 2,840,660
Capital assets being depreciated	<u>11,316,202</u>
Total Capital Assets	14,156,862
Less debt	<u>(3,178,661)</u>
Capital Assets, Net of Related Debt	<u>\$ 10,978,201</u>

**CITY OF HARDEEVILLE, SOUTH CAROLINA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

**NOTE 13 PROPERTY HELD FOR RESALE**

Property held for resale consists of the following:

Land	\$ 657,000
Sewer Capacity	<u>251,742</u>
	<u>\$ 908,742</u>

**NOTE 14 PRIOR PERIOD ADJUSTMENT**

The prior period adjustment was to write off unamortized bond issue costs in accordance with GASB statement 65.

REQUIRED  
SUPPLEMENTARY INFORMATION

**CITY OF HARDEEVILLE, SOUTH CAROLINA  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCES  
BUDGET AND ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2013**

	BUDGETED AMOUNTS		ACTUAL	VARIANCE
	ORIGINAL	FINAL		FAVORABLE (UNFAVORABLE)
<b>Revenues</b>				
Taxes	\$ 3,749,004	\$ 3,749,004	\$ 4,053,052	\$ 304,048
Fines, Fees and Licenses	2,040,979	2,040,979	2,471,054	430,075
Intergovernmental	61,000	61,000	70,230	9,230
Miscellaneous	344,495	344,495	158,459	(186,036)
Total Revenues	<u>6,195,478</u>	<u>6,195,478</u>	<u>6,752,795</u>	<u>557,317</u>
<b>Expenditures</b>				
General Government	460,917	460,917	609,875	(148,958)
Council	182,409	182,409	112,466	69,943
Planning/Development Services	633,312	633,312	683,505	(50,193)
Public Information	178,813	178,813	175,207	3,606
Public Works	550,619	550,619	523,489	27,130
Fire Department	1,285,200	1,285,200	1,257,952	27,248
Police Department	1,522,760	1,522,760	1,436,147	86,613
Courts	268,945	268,945	251,862	17,083
Recreation	260,443	260,443	257,558	2,885
Finance	281,226	281,226	253,213	28,013
<b>Debt Service:</b>				
Principal	343,227	343,227	351,263	(8,036)
Interest	56,795	56,795	28,677	28,118
<b>Capital Outlay:</b>				
General Government	80,000	80,000	72,365	7,635
Planning/Development Services	-	-	137,228	(137,228)
Public Works	30,000	30,000	33,412	(3,412)
Total Expenditures	<u>6,134,666</u>	<u>6,134,666</u>	<u>6,184,219</u>	<u>(49,553)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>60,812</u>	<u>60,812</u>	<u>568,576</u>	<u>507,764</u>
<b>Other Financing Sources (Uses)</b>				
Transfers Out	(180,812)	(180,812)	(120,331)	60,481
Transfers In	120,000	120,000	29,621	(90,379)
Total Financing Sources (Uses)	<u>(60,812)</u>	<u>(60,812)</u>	<u>(90,710)</u>	<u>(29,898)</u>
Net change in fund balances	-	-	477,866	477,866
Fund balances, beginning of year	2,350,179	2,350,179	2,350,179	-
Fund balances, end of year	<u>\$ 2,350,179</u>	<u>\$ 2,350,179</u>	<u>\$ 2,828,045</u>	<u>\$ 477,866</u>

**NOTES TO REQUIRED SUPPLEMENTARY SCHEDULE:**

The basis of budgeting is the same as generally accepted accounting principles. The City adopts annual budgets for the general fund using the modified accrual basis. An annual budget for the special revenue fund is adopted for the accommodations and hospitality funds only. Appropriations lapse at the end of the year.

## SUPPLEMENTARY INFORMATION

## NONMAJOR GOVERNMENTAL FUNDS

### Special Revenue Funds

Special revenue funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes.

**Indirect Accommodations Tax Fund**

This fund is used to account for the City's share of indirect state accommodations taxes that are legally restricted for expenditures that promote parks, recreation, and tourism within the City.

**Direct Accommodations Tax Fund**

This fund is used to account for the City's share of direct state accommodations taxes that are legally restricted for expenditures that promote parks, recreation, and tourism within the City.

**Local Accommodations Tax Fund**

This fund is used to account for the City's share of local accommodations taxes that are legally restricted for expenditures that promote parks, recreation, and tourism within the City.

**Local Hospitality Tax Fund**

This fund is used to account for the City's share of local hospitality taxes that are legally restricted for expenditures that promote parks, recreation, and tourism within the City.

**Victims Assistance Fund**

This fund is used to account for assessments from fines that are restricted to victims witness assistance.

**Contingency Fund**

This fund is used to account for funds that are restricted to specific purposes.

**Celebrate Hardeeville**

This fund is used to account for funds that are restricted to the Celebrate Hardeeville Festival.

**Fire Fund**

This fund is used to account for funds that are restricted to fire department functions.

**CITY OF HARDEEVILLE, SOUTH CAROLINA  
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2013**

	<b>INDIRECT ACCOM TAX FUND</b>	<b>DIRECT ACCOM TAX FUND</b>	<b>LOCAL ACCOM TAX FUND</b>	<b>LOCAL HOSPITALITY TAX FUND</b>	<b>VICTIMS ASSISTANCE FUND</b>
<b>ASSETS</b>					
Cash	\$ -	\$ -	\$ 43,981	\$ 98,662	\$ 19,824
Receivables	28,556	13,180	15,899	20,485	-
Restricted Cash	22,539	1	-	-	-
Due from Other Funds	-	-	-	-	9,795
Total Assets	<u>\$ 51,095</u>	<u>\$ 13,181</u>	<u>\$ 59,880</u>	<u>\$ 119,147</u>	<u>\$ 29,619</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities					
Accounts Payable	\$ -	\$ -	\$ 16,426	\$ 24,531	\$ -
Due to Other Funds	-	-	-	-	29,619
Total Liabilities	<u>-</u>	<u>-</u>	<u>16,426</u>	<u>24,531</u>	<u>29,619</u>
Fund Balances					
Restricted	51,095	13,181	-	-	-
Committed	-	-	43,454	94,616	-
Assigned	-	-	-	-	-
Total Fund Balances	<u>51,095</u>	<u>13,181</u>	<u>43,454</u>	<u>94,616</u>	<u>-</u>
Total Liabilities and Fund Balances	<u>\$ 51,095</u>	<u>\$ 13,181</u>	<u>\$ 59,880</u>	<u>\$ 119,147</u>	<u>\$ 29,619</u>

**CITY OF HARDEEVILLE, SOUTH CAROLINA  
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2013**

	<b>CONTINGENCY FUND</b>	<b>CELEBRATE HARDEEVILLE FUND</b>	<b>FIRE FUND</b>	<b>TOTAL</b>
<b>ASSETS</b>				
Cash	\$ 5,955	\$ -	\$ 22,945	\$ 191,367
Receivables	-	-	-	78,120
Restricted Cash	34,810	-	-	57,350
Due from Other Funds	-	-	-	9,795
Total Assets	<u>\$ 40,765</u>	<u>\$ -</u>	<u>\$ 22,945</u>	<u>\$ 336,632</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities				
Accounts Payable	\$ -	\$ -	\$ 79	\$ 41,036
Due to Other Funds	-	-	-	29,619
Total Liabilities	<u>-</u>	<u>-</u>	<u>79</u>	<u>70,655</u>
Fund Balances				
Restricted	40,765	-	22,866	127,907
Committed	-	-	-	138,070
Assigned	-	-	-	-
Total Fund Balances	<u>40,765</u>	<u>-</u>	<u>22,866</u>	<u>265,977</u>
Total Liabilities and Fund Balances	<u>\$ 40,765</u>	<u>\$ -</u>	<u>\$ 22,945</u>	<u>\$ 336,632</u>

**CITY OF HARDEEVILLE, SOUTH CAROLINA  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2013**

	INDIRECT ACCOM TAX FUND	DIRECT ACCOM TAX FUND	LOCAL ACCOM TAX FUND	LOCAL HOSPITALITY TAX FUND	VICTIMS ASSISTANCE FUND
<b>Revenues</b>					
Taxes	\$ 58,803	\$ 27,140	\$ 169,940	\$ 242,537	\$ -
Fines, Fees and Licenses	-	-	-	-	29,621
Miscellaneous	-	-	45	125	-
Total Revenues	<u>58,803</u>	<u>27,140</u>	<u>169,985</u>	<u>242,662</u>	<u>29,621</u>
<b>Expenditures</b>					
<b>Current:</b>					
General Government	-	-	-	-	-
Fire Department	-	-	-	-	-
Public Works/Recreation	40,000	26,386	5,568	38,181	-
<b>Debt Service:</b>					
Principal	-	-	117,130	116,376	-
Interest	-	-	39,376	40,131	-
<b>Capital Outlay:</b>					
Recreation	-	-	-	-	-
Total Expenditures	<u>40,000</u>	<u>26,386</u>	<u>162,074</u>	<u>194,688</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>18,803</u>	<u>754</u>	<u>7,911</u>	<u>47,974</u>	<u>29,621</u>
<b>Other Financing Sources (Uses)</b>					
Transfers Out	-	-	-	-	(29,621)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(29,621)</u>
Net change in fund balances	18,803	754	7,911	47,974	-
Fund balances, beginning of year	<u>32,292</u>	<u>12,427</u>	<u>35,543</u>	<u>46,642</u>	<u>-</u>
Fund balances, end of year	<u>\$ 51,095</u>	<u>\$ 13,181</u>	<u>\$ 43,454</u>	<u>\$ 94,616</u>	<u>\$ -</u>

**CITY OF HARDEEVILLE, SOUTH CAROLINA  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2013**

	CONTINGENCY FUND	CELEBRATE HARDEEVILLE FUND	FIRE FUND	TOTAL
<b>Revenues</b>				
Taxes	\$ -	\$ -	\$ -	\$ 498,420
Fines, Fees and Licenses	-	-	-	29,621
Miscellaneous	2,444	-	2	2,616
Total Revenues	<u>2,444</u>	<u>-</u>	<u>2</u>	<u>530,657</u>
<b>Expenditures</b>				
<b>Current:</b>				
General Government	495	-	-	495
Fire Department	-	-	4,780	4,780
Public Works/Recreation	-	151	-	110,286
<b>Debt Service:</b>				
Principal	-	-	-	233,506
Interest	-	-	-	79,507
<b>Capital Outlay:</b>				
Recreation	-	-	-	-
Total Expenditures	<u>495</u>	<u>151</u>	<u>4,780</u>	<u>428,574</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,949</u>	<u>(151)</u>	<u>(4,778)</u>	<u>102,083</u>
<b>Other Financing Sources (Uses)</b>				
Transfers Out	-	-	-	(29,621)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(29,621)</u>
Net change in fund balances	1,949	(151)	(4,778)	72,462
Fund balances, beginning of year	38,816	151	27,644	193,515
Fund balances, end of year	<u>\$ 40,765</u>	<u>\$ -</u>	<u>\$ 22,866</u>	<u>\$ 265,977</u>

**CITY OF HARDEEVILLE, SOUTH CAROLINA  
INDIRECT ACCOMMODATIONS TAX SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2013**

	BUDGETED AMOUNTS		ACTUAL	VARIANCE
	ORIGINAL	FINAL		FAVORABLE (UNFAVORABLE)
<b>Revenues</b>				
Taxes	\$ 50,000	\$ 50,000	\$ 58,803	\$ 8,803
Total Revenues	<u>50,000</u>	<u>50,000</u>	<u>58,803</u>	<u>8,803</u>
<b>Expenditures</b>				
<b>Current:</b>				
Public Works/Recreation	50,000	50,000	40,000	10,000
Total Expenditures	<u>50,000</u>	<u>50,000</u>	<u>40,000</u>	<u>10,000</u>
Excess (deficiency) of revenues over (under) expenditures	-	-	18,803	18,803
Fund balances, beginning of year	32,292	32,292	32,292	-
Fund balances, end of year	<u>\$ 32,292</u>	<u>\$ 32,292</u>	<u>\$ 51,095</u>	<u>\$ 18,803</u>

**NOTES TO OTHER SUPPLEMENTARY SCHEDULES:**

The basis of budgeting is the same as generally accepted accounting principles. The City adopts annual budgets for the general fund using the modified accrual basis. An annual budget for the special revenue fund is adopted for the accommodations and hospitality funds only. Appropriations lapse at the end of the year.

**CITY OF HARDEEVILLE, SOUTH CAROLINA  
DIRECT ACCOMMODATIONS TAX SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2013**

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		<u>FAVORABLE</u> <u>(UNFAVORABLE)</u>
<b>Revenues</b>				
Taxes	\$ 20,000	\$ 20,000	\$ 27,140	\$ 7,140
Total Revenues	<u>20,000</u>	<u>20,000</u>	<u>27,140</u>	<u>7,140</u>
<b>Expenditures</b>				
<b>Current:</b>				
Public Works/Recreation	<u>20,000</u>	<u>20,000</u>	<u>26,386</u>	<u>(6,386)</u>
Total Expenditures	<u>20,000</u>	<u>20,000</u>	<u>26,386</u>	<u>(6,386)</u>
Excess (deficiency) of revenues over (under) expenditures	-	-	754	754
Fund balances, beginning of year	<u>12,427</u>	<u>12,427</u>	<u>12,427</u>	<u>-</u>
Fund balances, end of year	<u>\$ 12,427</u>	<u>\$ 12,427</u>	<u>\$ 13,181</u>	<u>\$ 754</u>

**NOTES TO OTHER SUPPLEMENTARY SCHEDULES:**

The basis of budgeting is the same as generally accepted accounting principles. The City adopts annual budgets for the general fund using the modified accrual basis. An annual budget for the special revenue fund is adopted for the accommodations and hospitality funds only. Appropriations lapse at the end of the year.

**CITY OF HARDEEVILLE, SOUTH CAROLINA  
LOCAL ACCOMMODATIONS TAX SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2013**

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		<u>FAVORABLE</u> <u>(UNFAVORABLE)</u>
<b>Revenues</b>				
Taxes	\$ 159,000	\$ 159,000	\$ 169,940	\$ 10,940
Miscellaneous	-	-	45	45
Total Revenues	<u>159,000</u>	<u>159,000</u>	<u>169,985</u>	<u>10,985</u>
<b>Expenditures</b>				
<b>Current:</b>				
Public Works/Recreation	2,000	2,000	5,568	(3,568)
<b>Debt Service:</b>				
Principal	117,000	117,000	117,130	(130)
Interest	<u>40,000</u>	<u>40,000</u>	<u>39,376</u>	<u>624</u>
Total Expenditures	<u>159,000</u>	<u>159,000</u>	<u>162,074</u>	<u>(3,074)</u>
Excess (deficiency) of revenues over (under) expenditures	-	-	7,911	7,911
Fund balances, beginning of year	35,543	35,543	35,543	-
Fund balances, end of year	<u>\$ 35,543</u>	<u>\$ 35,543</u>	<u>\$ 43,454</u>	<u>\$ 7,911</u>

**NOTES TO OTHER SUPPLEMENTARY SCHEDULES:**

The basis of budgeting is the same as generally accepted accounting principles. The City adopts annual budgets for the general fund using the modified accrual basis. An annual budget for the special revenue fund is adopted for the accommodations and hospitality funds only. Appropriations lapse at the end of the year.

**CITY OF HARDEEVILLE, SOUTH CAROLINA  
LOCAL HOSPITALITY TAX SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2013**

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		<u>FAVORABLE (UNFAVORABLE)</u>
<b>Revenues</b>				
Taxes	\$ 146,000	\$ 146,000	\$ 242,537	\$ 96,537
Miscellaneous	-	-	125	125
Total Revenues	<u>146,000</u>	<u>146,000</u>	<u>242,662</u>	<u>96,662</u>
<b>Expenditures</b>				
<b>Current:</b>				
Public Works/Recreation	-	-	38,181	(38,181)
<b>Debt Service:</b>				
Principal	106,000	106,000	116,376	(10,376)
Interest	<u>40,000</u>	<u>40,000</u>	<u>40,131</u>	<u>(131)</u>
Total Expenditures	<u>146,000</u>	<u>146,000</u>	<u>194,688</u>	<u>(48,688)</u>
Excess (deficiency) of revenues over (under) expenditures	-	-	47,974	47,974
Fund balances, beginning of year	46,642	46,642	46,642	-
Fund balances, end of year	<u>\$ 46,642</u>	<u>\$ 46,642</u>	<u>\$ 94,616</u>	<u>\$ 47,974</u>

**NOTES TO OTHER SUPPLEMENTARY SCHEDULES:**

The basis of budgeting is the same as generally accepted accounting principles. The City adopts annual budgets for the general fund using the modified accrual basis. An annual budget for the special revenue fund is adopted for the accommodations and hospitality funds only. Appropriations lapse at the end of the year.

## **FIDUCIARY FUNDS**

### **Agency Funds**

Agency funds are used to account for specific revenues that are held in a trustee or agency capacity for others and therefore cannot be used to support the government's own programs.

#### **Municipal Improvement District HH Lakes**

This fund is used to account for the special assessments bonds issued for the improvements of this area within the City.

**CITY OF HARDEEVILLE, SOUTH CAROLINA  
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES  
 AGENCY FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2013**

	<b>BALANCE</b>		<b>BALANCE</b>
	<b>JUNE 30, 2012</b>	<b>ADDITIONS</b>	<b>DELETIONS</b>
	<b>BALANCE</b>		
	<b>JUNE 30, 2013</b>		
<b>MUNICIPAL IMPROVEMENT DISTRICT - HH LAKES</b>			
<b>ASSETS</b>			
Cash	\$ 2,372,463	\$ 1,480,308	\$ 1,554,702
Total Assets	\$ 2,372,463	\$ 1,480,308	\$ 1,554,702
<b>LIABILITIES</b>			
Due to Others	\$ 2,372,463	\$ 1,480,308	\$ 1,554,702
Total Liabilities	\$ 2,372,463	\$ 1,480,308	\$ 1,554,702

**CITY OF HARDEEVILLE, SOUTH CAROLINA  
SCHEDULE OF COURT FINES, ASSESSMENTS, AND SURCHARGES  
FOR THE YEAR ENDED JUNE 30, 2013**

<b>Court Fines and Assessments</b>	
Court Fines Collected	\$ 213,442
Assessments	231,331
Surcharges	147,478
Total Court Fines and Assessments Collected	<u>592,251</u>
<b>Surcharges and Assessments Remitted to State Treasurer</b>	
Surcharges	143,688
Assessments	205,500
Court Surcharges and Assessments Remitted to State Treasurer	<u>349,188</u>
<b>Fines, Surcharges, and Assessments Retained by City</b>	
Fines	213,442
Surcharges	-
Assessments	-
Court Fines Retained by City	<u>213,442</u>
<b>Funds Allocated to Victims Services</b>	
Carryover Funds from Prior Year	-
Surcharges Retained	3,790
Assessments Retained	25,831
Expenditures	(29,621)
Transfers from General Fund	-
Total Unexpended Victims Rights Assistance	<u>\$ -</u>

The cost of the court fine audit is \$680.

## STATISTICAL SECTION

CITY OF HARDEEVILLE, SOUTH CAROLINA

STATISTICAL SECTION

This part of the City of Hardeeville, South Carolina comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

<u>Contents</u>	<u>Page</u>
<b>Financial Trends</b> <i>These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.</i>	58-61
<b>Revenue Capacity</b> <i>These schedules contain information to help the reader assess the factors affecting the City's ability to generate its property and sales taxes.</i>	62-65
<b>Debt Capacity</b> <i>These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.</i>	66-70
<b>Demographic and Economic Informatior</b> <i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place and to help make comparisons over time and with other governments.</i>	71-72
<b>Operating Information</b> <i>These schedules contain information about the City's operations and resources to help the reader understand how the City's financial information relates to the services the City provides and the activities it performs.</i>	73-75

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The City implemented Statement 34 in 2004; schedules presenting government-wide information include information beginning in that year.

**CITY OF HARDEEVILLE, SOUTH CAROLINA  
NET POSITION BY COMPONENTS  
LAST NINE FISCAL YEARS**

Schedule 1

	FISCAL YEAR								
	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>GOVERNMENTAL ACTIVITIES</b>									
Invested in Capital Assets, Net of Related Debt	\$ 3,181,694	\$ 4,458,201	\$ 4,586,945	\$ 5,940,023	\$ 9,367,064	\$ 9,679,115	\$10,198,084	\$10,292,986	\$10,978,201
Restricted	-	-	-	2,455,107	2,093,882	2,515,737	2,722,233	2,380,701	3,249,213
Unrestricted	943,260	597,758	1,838,666	259,726	519,772	697,696	1,818,948	3,141,876	3,327,367
Total Governmental Activities Net Position	<u>\$ 4,124,954</u>	<u>\$ 5,055,959</u>	<u>\$ 6,425,611</u>	<u>\$ 8,654,856</u>	<u>\$11,980,718</u>	<u>\$12,892,548</u>	<u>\$14,739,265</u>	<u>\$15,815,563</u>	<u>\$17,554,781</u>

**CITY OF HARDEEVILLE, SOUTH CAROLINA  
CHANGE IN NET POSITION  
LAST NINE FISCAL YEARS**

Schedule 2

	FISCAL YEAR								
	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>Expenses</b>									
Governmental Activities:									
General Government	\$ 1,109,186	\$ 1,403,268	\$ 1,251,544	\$ 1,424,512	\$ 927,128	\$ 835,716	\$ 768,056	\$ 599,708	\$ 711,798
Council	80,082	77,318	88,599	91,352	98,117	120,995	115,685	130,601	112,466
Planning/Development Services	163,849	253,515	572,505	577,065	466,657	412,709	682,087	750,548	686,764
Public Information	190,833	145,871	178,695	189,273	111,052	125,531	131,592	176,483	182,726
Public Works	308,280	397,356	561,751	569,857	-	-	-	548,401	616,551
Fire Department	695,925	698,580	910,695	1,083,420	1,158,875	1,228,950	1,351,411	1,372,931	1,412,090
Police Department	1,394,353	1,389,712	1,204,715	1,464,601	1,539,200	1,471,700	1,395,248	1,493,381	1,491,476
Courts	741,923	909,165	758,810	587,909	211,584	211,051	235,894	246,588	259,294
Recreation	412,641	290,153	472,322	540,399	917,298	1,165,568	995,062	461,959	509,674
Economic Development	-	-	-	-	311,733	57,829	-	-	-
Building Inspection	-	-	-	446,074	151,804	335,629	368,146	-	-
Finance	-	-	-	80,031	182,602	276,903	242,035	276,402	284,362
Interest Expense	192,972	235,727	248,076	402,042	390,099	232,645	219,369	194,678	176,724
Total Expenses	<u>5,290,044</u>	<u>5,800,665</u>	<u>6,247,712</u>	<u>7,456,535</u>	<u>6,466,149</u>	<u>6,475,226</u>	<u>6,504,585</u>	<u>6,251,680</u>	<u>6,443,925</u>
<b>Revenues</b>									
Governmental Activities:									
Program Revenues									
Charges for Services	1,588,748	2,701,713	2,797,283	-	-	-	-	-	-
Permits	-	-	-	686,437	508,455	501,883	402,830	493,743	742,147
Developer Review Fees	-	-	-	785,529	766,465	638,820	657,799	106,514	12,841
Fines	-	-	-	136,022	239,283	314,681	370,823	341,317	308,144
Other	-	-	-	643,397	106,718	84,138	27,730	68,418	67,384
Operating Grants and Contributions	24,630	41,825	376,815	316,089	967,281	1,045,726	1,247,729	927,072	821,607
Capital Grants and Contributions	59,489	856,882	584,357	2,280,032	3,669,568	613,557	987,767	547,947	738,639
General Revenues									
Taxes	1,613,576	2,017,647	2,416,831	3,729,189	3,103,908	3,472,393	3,758,883	3,805,041	4,405,241
Business Licenses	-	-	-	875,543	1,016,468	634,330	777,496	862,269	960,156
Grants and Contributions not restricted	83,725	49,142	52,972	58,544	60,097	38,097	55,869	54,276	70,230
Earnings on Investments	46,859	33,763	12,460	119,795	9,872	28,995	581	14,810	338
Other	1,088,683	1,030,699	1,376,646	55,203	64,724	14,436	63,795	106,571	144,487
Total Revenues	<u>4,505,710</u>	<u>6,731,671</u>	<u>7,617,364</u>	<u>9,685,780</u>	<u>10,512,839</u>	<u>7,387,056</u>	<u>8,351,302</u>	<u>7,327,978</u>	<u>8,271,214</u>
Increase in Net Position	(784,334)	931,006	1,369,652	2,229,245	4,046,690	911,830	1,846,717	1,076,298	1,827,289
Net Position-Beginning	4,909,288	4,124,953	5,055,959	6,425,611	8,654,856	11,980,718	12,892,548	14,739,265	15,815,563
Prior Period Adjustment	-	-	-	-	(720,828)	-	-	-	(88,071)
Net Position-Ending	<u>\$ 4,124,954</u>	<u>\$ 5,055,959</u>	<u>\$ 6,425,611</u>	<u>\$ 8,654,856</u>	<u>\$ 11,980,718</u>	<u>\$ 12,892,548</u>	<u>\$ 14,739,265</u>	<u>\$ 15,815,563</u>	<u>\$ 17,554,781</u>

**CITY OF HARDEEVILLE, SOUTH CAROLINA**  
**FUND BALANCES OF GOVERNMENTAL FUNDS**  
**LAST NINE FISCAL YEARS**  
**(modified accrual basis of accounting)**

Schedule 3

	FISCAL YEAR								
	2005	2006	2007	2008 Restated	2009	2010	2011*	2012	2013
<b>GENERAL FUND</b>									
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	14,925	(53,630)	650,752	(13,729)	868,984	-	-	-	-
Unassigned	-	-	-	-	-	867,797	1,416,724	1,979,512	2,439,559
Assigned	-	-	-	-	-	-	311,920	370,667	388,486
Total General Fund	<u>\$ 14,925</u>	<u>\$ (53,630)</u>	<u>\$ 650,752</u>	<u>\$ (13,729)</u>	<u>\$ 868,984</u>	<u>\$ 867,797</u>	<u>\$ 1,728,644</u>	<u>\$ 2,350,179</u>	<u>\$ 2,828,045</u>
<b>ALL OTHER GOVERNMENTAL FUNDS</b>									
Reserved	\$ 219,975	\$ 449,096	\$ 696,245	\$ 1,126,512	\$ 1,975,442	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:									
Special Revenue Funds	853,060	787,035	650,627	591,289	380,527	-	-	-	-
Assigned	-	-	-	-	-	151	120,124	118,934	72
Committed	-	-	-	-	-	256,624	106,721	82,186	138,070
Restricted	-	-	-	-	-	1,688,290	1,854,491	2,380,701	3,111,142
Nonspendable	-	-	-	-	-	867,742	867,742	908,742	908,742
Total All Other Governmental Fund	<u>\$ 1,073,035</u>	<u>\$ 1,236,131</u>	<u>\$ 1,346,872</u>	<u>\$ 1,717,801</u>	<u>\$ 2,355,969</u>	<u>\$ 2,812,807</u>	<u>\$ 2,949,078</u>	<u>\$ 3,490,563</u>	<u>\$ 4,158,026</u>

\* Implemented GASB Statement No. 54.

**CITY OF HARDEEVILLE, SOUTH CAROLINA**  
**CHANGE IN FUND BALANCES OF GOVERNMENTAL FUNDS**  
**LAST NINE FISCAL YEARS**  
(modified accrual basis of accounting)

Schedule 4

	FISCAL YEAR								
	2005	2006	2007	2008 Restated	2009	2010	2011	2012	2013
<b>Revenues</b>									
Taxes	\$ 1,582,634	\$ 1,702,892	\$ 2,693,629	\$ 2,633,607	\$ 3,313,136	\$ 3,651,550	\$ 4,132,036	\$ 4,136,876	\$ 4,551,472
Fines, Fess and Licenses	1,991,258	3,461,172	4,097,059	6,281,313	2,208,297	1,931,212	1,962,492	2,124,065	2,500,675
Special Assessments	-	-	-	-	2,802,121	999,956	1,095,246	698,119	830,352
Donations	-	-	-	-	1,778,950	179,599	-	-	-
Intergovernmental	50,165	307,583	1,188,805	553,879	120,097	38,097	55,869	54,276	70,230
Miscellaneous	864,733	682,697	176,636	266,585	294,022	372,519	1,168,380	353,661	270,209
Total Revenues	<u>4,488,790</u>	<u>6,154,344</u>	<u>8,156,129</u>	<u>9,735,384</u>	<u>10,516,623</u>	<u>7,172,933</u>	<u>8,414,023</u>	<u>7,366,997</u>	<u>8,222,938</u>
<b>Expenditures</b>									
Governmental Activities:									
General Government	1,526,582	1,439,049	2,155,899	1,968,408	830,274	722,591	776,744	491,678	611,350
Council	80,082	77,318	88,599	91,352	98,117	120,995	115,685	130,601	112,466
Planning/Development Services	165,800	265,779	577,201	866,384	457,174	402,192	667,881	730,538	698,967
Public Information	191,858	162,499	162,109	197,798	116,449	114,452	121,085	168,401	175,207
Public Works	305,987	1,250,972	561,982	693,751	-	-	-	454,642	526,225
Fire Department	873,158	1,398,280	905,293	935,654	1,046,619	1,126,882	1,246,675	1,212,392	1,262,732
Police Department	1,446,986	1,595,776	1,350,623	1,431,990	1,395,511	1,327,652	1,282,339	1,395,529	1,436,147
Courts	739,378	906,335	749,549	582,928	208,016	207,340	230,334	239,677	251,862
Recreation	1,878,989	593,835	749,917	810,454	822,453	922,156	781,120	313,910	367,844
Economic Development	-	-	51,690	144,255	368,787	79,067	359,252	-	199
Building Inspection	-	-	-	446,074	151,804	335,629	-	-	-
Finance	-	-	-	71,628	173,555	280,642	230,167	245,529	253,213
Debt Service	-	-	-	467,297	550,406	586,872	614,274	450,919	746,881
Principal	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	224,963	215,978	221,871	195,024	190,456
Bond Issue Costs	-	-	-	-	120,099	-	-	-	-
Capital Outlay	-	-	-	-	-	-	-	-	-
General Government	-	-	-	-	1,913,038	308,710	93,686	31,166	72,365
Planning/Development Services	-	-	-	-	-	-	91,888	-	137,228
Police Department	-	-	-	-	41,950	107,413	-	28,209	-
Fire Department	-	-	-	-	-	27,099	539,146	-	93,767
Public Works	-	-	-	-	1,741,526	56,104	44,758	89,827	33,413
Courts	-	-	-	-	-	35,805	-	-	-
Economic Development	-	-	-	1,320,964	-	-	-	-	-
Recreation	-	-	-	-	-	-	-	25,935	107,287
Finance	-	-	-	-	-	39,703	-	-	-
Total Expenditures	<u>7,208,820</u>	<u>7,689,843</u>	<u>7,352,862</u>	<u>10,028,937</u>	<u>10,260,741</u>	<u>7,017,282</u>	<u>7,416,905</u>	<u>6,203,977</u>	<u>7,077,609</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,720,030)</u>	<u>(1,535,499)</u>	<u>803,267</u>	<u>(293,553)</u>	<u>255,882</u>	<u>155,651</u>	<u>997,118</u>	<u>1,163,020</u>	<u>1,145,329</u>
<b>Other Financing Sources</b>									
Issuance of Debt	250,322	1,630,041	11,856	-	1,265,000	300,000	-	-	-
Transfers Out	(1,484,693)	(790,049)	(119,113)	(80,652)	(610,016)	(191,781)	(170,393)	(194,922)	(149,952)
Transfers In	1,484,693	790,049	119,113	80,652	610,016	191,781	170,393	194,922	149,952
Total Other Financing Sources (Uses)	<u>250,322</u>	<u>1,630,041</u>	<u>11,856</u>	<u>-</u>	<u>1,265,000</u>	<u>300,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	<u>(2,469,708)</u>	<u>94,542</u>	<u>815,123</u>	<u>(293,553)</u>	<u>1,520,882</u>	<u>455,651</u>	<u>997,118</u>	<u>1,163,020</u>	<u>1,145,329</u>
Fund Balances, Ending	<u>3,557,668</u>	<u>1,087,959</u>	<u>1,182,501</u>	<u>1,997,624</u>	<u>1,704,071</u>	<u>3,224,953</u>	<u>3,680,604</u>	<u>4,677,722</u>	<u>5,840,742</u>
Fund Balances, Beginning	<u>\$ 1,087,960</u>	<u>\$ 1,182,501</u>	<u>\$ 1,997,624</u>	<u>\$ 1,704,071</u>	<u>\$ 3,224,953</u>	<u>\$ 3,680,604</u>	<u>\$ 4,677,722</u>	<u>\$ 5,840,742</u>	<u>\$ 6,986,071</u>
Debt service as a percentage of noncapital expenditures	N/A	N/A	14.40%	9.61%	13.64%	12.46%	12.58%	10.70%	14.13%

**CITY OF HARDEEVILLE, SOUTH CAROLINA**  
**ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY**  
**LAST TEN FISCAL YEARS**

Schedule 5

FISCAL YEAR ENDED JUNE 30,	ASSESSED VALUE			MARKET VALUE			TOTAL DIRECT TAX RATE
	REAL PROPERTY	PERSONAL PROPERTY	TOTAL	REAL PROPERTY	PERSONAL PROPERTY	TOTAL	
2004	4,830,060	1,756,730	6,586,790	96,601,200	17,597,300	114,198,500	147.00
2005	4,878,040	647,130	5,525,170	97,560,800	6,471,300	104,032,100	147.00
2006	5,123,900	1,162,820	6,286,720	102,478,000	11,628,200	114,106,200	147.00
2007	5,030,650	1,118,150	6,148,800	93,057,910	10,649,049	103,706,959	153.00
2008	7,874,450	3,082,200	10,956,650	138,835,210	20,867,715	159,702,925	153.00
2009	12,014,590	2,399,840	14,414,430	292,042,114	39,378,102	331,420,216	153.00
2010	15,193,060	2,198,137	17,391,197	319,853,895	29,998,000	349,851,895	153.00
2011 *	13,796,000	1,982,748	15,778,748	269,209,691	19,827,480	289,037,171	153.00
2012	14,323,161	2,314,875	16,638,036	318,415,746	28,935,937	347,351,683	153.00
2013	17,593,700	3,231,678	20,825,378	335,923,096	40,395,975	376,319,071	147.00

\* Reassessment year

**CITY OF HARDEEVILLE, SOUTH CAROLINA  
PROPERTY TAX RATES - DIRECT AND OVERLAPPING  
LAST TEN YEARS**

Schedule 6

FISCAL YEAR ENDED JUNE 30,	CITY	OVERLAPPING RATES				
	DIRECT RATES	COUNTY	CHERRY	COUNTY	SCHOOL	SCHOOL
	BASIC RATE	OPERATIONS	POINT FIRE DISTRICT	DEBT SERVICE	OPERATIONS	DEBT SERICE
2004	147.00	138.50	31.00	-	118.30	22.30
2005	147.00	163.00	31.00	-	127.00	4.50
2006	153.00	155.00	31.00	-	129.00	7.00
2007	153.00	109.50	31.00	-	133.50	7.50
2008	153.00	115.00	31.00	-	118.00	-
2009	153.00	119.00	31.00	-	123.00	7.00
2010	153.00	126.00	31.00	-	129.00	12.00
2011	153.00	123.00	31.00	3.00	131.50	19.00
2012	153.00	145.00	31.00	12.00	165.25	25.00
2013	147.00	143.00	33.00	12.00	172.00	25.00

Source: County Budget

The City does not have components to its tax rate.

**CITY OF HARDEEVILLE, SOUTH CAROLINA  
PRINCIPAL PROPERTY TAX PAYERS  
CURRENT YEAR AND TEN YEARS AGO**

<u>TAXPAYER</u>	<u>2013</u>			<u>2004</u>		
	<u>TAXABLE ASSESSED VALUE</u>	<u>RANK</u>	<u>PERCENTAGE OF TOTAL CITY TAXABLE ASSESSED VALUE</u>	<u>TAXABLE ASSESSED VALUE</u>	<u>RANK</u>	<u>PERCENTAGE OF TOTAL CITY TAXABLE ASSESSED VALUE</u>
Coastal Carolina Medical Center	\$ 1,700,000	1	10.77%	N/A	N/A	N/A
Courtney Bend	1,014,700	2	6.43%	N/A	N/A	N/A
Del Webb Communities	980,800	3	6.22%	N/A	N/A	N/A
SCE&G	778,380	4	4.93%	N/A	N/A	N/A
Toll SC III	334,320	5	2.12%	N/A	N/A	N/A
Bourne Boulevard Partners	324,680	6	2.06%	N/A	N/A	N/A
Blanchard Machinery	202,640	7	1.28%	N/A	N/A	N/A
CAT Real Estate Holdings	199,550	8	1.26%	N/A	N/A	N/A
Ecological Investments	184,540	9	1.17%	N/A	N/A	N/A
Carolina Oak Homes	166,370	10	1.05%	N/A	N/A	N/A
Total	<u>\$5,885,980</u>		<u>37.29%</u>	<u>-</u>		<u>0.00%</u>

**CITY OF HARDEEVILLE, SOUTH CAROLINA  
PROPERTY TAX LEVIES AND COLLECTIONS  
LAST TEN FISCAL YEARS**

Schedule 8

FISCAL YEAR ENDED JUNE 30,	TAXES LEVIED FOR THE REAL PROPERTY	COLLECTED WITHIN THE FISCAL YEAR OF THE LEVY		COLLECTIONS IN SUBSEQUENT YEARS	TOTAL COLLECTIONS TO DATE	
		AMOUNT	PERCENTAGE OF LEVY		AMOUNT	PERCENTAGE OF LEVY
2004	\$ 672,106	\$ 618,338	92.0%	\$ 39,654	\$ 657,992	97.9%
2005	595,920	548,240	92.0%	35,166	483,406	97.9%
2006	677,862	623,633	92.0%	36,605	660,238	97.4%
2007	854,398	704,730	82.5%	102,670	807,400	94.5%
2008	1,225,089	1,135,098	92.6%	14,010	1,149,108	93.8%
2009	1,844,137	1,735,668	94.2%	67,658	1,803,326	97.8%
2010	2,278,086	2,022,047	88.8%	147,976	2,170,023	95.0%
2011 *	2,326,994	2,019,348	87.0%	227,374	2,246,722	96.5%
2012	2,137,309	1,873,093	87.6%	200,228	2,073,321	97.0%
2013	2,597,427	2,346,569	90.3%	-	2,346,569	90.3%

\* Reassessment year

**CITY OF HARDEEVILLE, SOUTH CAROLINA  
RATIOS OF OUTSTANDING DEBT BY TYPE  
LAST TEN FISCAL YEARS**

Schedule 9

FISCAL YEAR ENDED JUNE 30,	GOVERNMENTAL ACTIVITIES							PERCENTAGE OF PERSONAL INCOME	PER CAPITAL
	NOTES PAYABLE	REVENUE BONDS	LEASES PAYABLE	GENERAL OBLIGATION BOND	TOTAL PRIMARY GOVERNMENT				
2004	\$ 423,746	N/A	\$ 3,731,945	\$ 550,000	\$ 4,705,691	11.3%	\$ 2,561.61		
2005	288,037	N/A	3,833,244	522,495	4,643,776	10.3%	2,521.05		
2006	535,569	N/A	4,840,262	593,056	5,863,887	12.0%	3,172.37		
2007	-	N/A	4,574,724	464,753	5,039,477	9.0%	2,611.12		
2008	-	N/A	4,107,892	435,774	4,543,666	9.6%	1,644.46		
2009	-	\$ 1,180,000	3,676,464	401,796	5,258,260	10.2%	1,752.75		
2010	300,000	1,120,000	3,202,399	368,436	4,990,835	9.1%	1,559.64		
2011 *	-	1,060,000	2,707,882	333,722	4,376,561	7.2%	1,326.00		
2012	274,957	995,000	2,358,062	297,623	3,925,642	6.7%	1,226.00		
2013	-	925,000	1,993,768	259,992	3,178,760	4.4%	794.69		

N/A Information is not available.

**CITY OF HARDEEVILLE, SOUTH CAROLINA  
RATIOS OF NET GENERAL BONDED DEBT OUTSTANDING  
LAST TEN FISCAL YEARS**

Schedule

<b>FISCAL YEAR ENDED JUNE 30,</b>	<b>AMOUNT</b>	<b>PERCENTAGE OF ACTUAL TAXABLE VALUE OF PROPERTY</b>	<b>PER CAPITA</b>
2004	\$ 550,000	N/A	\$ 299.40
2005	522,495	N/A	283.66
2006	493,056	N/A	266.52
2007	464,753	N/A	240.80
2008	435,774	3.98%	157.71
2009	401,796	2.80%	133.93
2010	368,436	2.12%	155.14
2011	333,722	2.37%	101.00
2012	297,623	1.79%	87.54
2013	259,992	1.25%	65.00

N/A Information is not available.

**CITY OF HARDEEVILLE, SOUTH CAROLINA  
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT  
CURRENT YEAR**

Schedule

<u>GOVERNMENTAL</u>	<u>DEBT OUTSTANDING</u>	<u>ESTIMATED PERCENTAGE APPLICABLE</u>	<u>AMOUNT APPLICABLE TO PRIMARY GOVERNMENT</u>
<b>Debt repaid with property taxes</b>			
Jasper County School District	\$ 39,389,226	17.5%	\$ 6,893,115
Jasper County	20,069,715	17.5%	3,512,200
Subtotal overlapping debt	<u>59,458,941</u>		<u>10,405,315</u>
<b>City direct debt</b>	<u>3,178,761</u>	100.00%	<u>3,178,761</u>
Total direct and overlapping debt	<u><u>\$ 62,637,702</u></u>		<u><u>\$ 13,584,076</u></u>

Source: County Financial Statements  
School Financial Statements  
Jasper County Assessor

**CITY OF HARDEEVILLE, SOUTH CAROLINA  
LEGAL DEBT MARGIN INFORMATION  
LAST TEN FISCAL YEARS**

**Schedule 12**

**Legal Debt Margin Calculation for Fiscal Year 2013**

Assessed Value	\$ 20,825,378
Debt limit (8% of assessed value)	1,666,030
Debt applicable to limit:	
General Obligation Bonds	<u>(259,992)</u>
Total net debt applicable to limit	<u>(259,992)</u>
Legal Debt Margin	<u>\$ 1,406,038</u>

	FISCAL YEAR									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Debt Limit	\$ 474,450	\$ 523,778	\$ 528,854	\$ 826,309	\$ 876,532	\$ 1,153,154	\$ 1,391,296	\$ 1,262,300	\$ 1,331,043	\$ 1,666,030
Total net debt applicable to limit	<u>(550,000)</u>	<u>(522,495)</u>	<u>(493,056)</u>	<u>(464,753)</u>	<u>(435,774)</u>	<u>(401,796)</u>	<u>(368,436)</u>	<u>(333,722)</u>	<u>(297,623)</u>	<u>(259,992)</u>
Legal debt margin	<u>\$ (75,550)</u>	<u>\$ 1,283</u>	<u>\$ 35,798</u>	<u>\$ 361,556</u>	<u>\$ 440,758</u>	<u>\$ 751,358</u>	<u>\$ 1,022,860</u>	<u>\$ 928,578</u>	<u>\$ 1,033,420</u>	<u>\$ 1,406,038</u>
 Total net debt applicable to the limit as a percentage of debt limit	 116.00%	 99.76%	 93.23%	 56.24%	 49.72%	 34.84%	 26.48%	 26.44%	 22.43%	 15.61%

Source: Jasper County Assessor

**CITY OF HARDEEVILLE, SOUTH CAROLINA  
PLEGDED REVENUE COVERAGE  
LAST TEN FISCAL YEARS**

<b>FISCAL YEAR ENDED JUNE 30,</b>	<b>REVENUE BONDS</b>			
	<b>DEBT SERVICE</b>			<b>COVERAGE</b>
	<b>COLLECTIONS</b>	<b>PRINCIPAL</b>	<b>INTEREST</b>	
2004	N/A	N/A	N/A	N/A
2005	N/A	N/A	N/A	N/A
2006	N/A	N/A	N/A	N/A
2007	N/A	N/A	N/A	N/A
2008	N/A	N/A	N/A	N/A
2009	\$ 288,808	\$ 85,000	\$ 40,936	229.0 %
2010	273,215	60,000	64,938	219.0 %
2011	264,904	60,000	61,938	217.0 %
2012	258,044	65,000	57,240	211.0 %
2013	242,145	70,000	55,688	192.7 %

There was no pledged revenue coverage prior to year 2009.  
N/A Information is not available.

**CITY OF HARDEEVILLE, SOUTH CAROLINA  
DEMOGRAPHIC STATISTICS  
LAST TEN FISCAL YEARS**

<b>FISCAL YEAR ENDED JUNE 30,</b>	<b>POPULATION</b>	<b>PERSONAL INCOME (thousands of dollars)</b>	<b>PER CAPITA PERSONAL INCOME</b>	<b>SCHOOL ENROLLMENT</b>	<b>UNEMPLOYMENT RATE %</b>
2004	1,837	N/A	N/A	N/A	5.4
2005	1,842	\$ 31,612	\$ 17,162	N/A	5.2
2006	1,850	31,749	17,162	1,162	4.8
2007	1,930	33,123	17,162	1,209	4.6
2008	2,763	47,418	17,162	1,288	5.7
2009	3,000	51,486	17,162	1,247	11.2
2010	3,200	54,918	17,162	1,301	10.2
2011	3,300	61,248	18,560	1,357	10.7
2012	3,400	58,694	17,263	1,315	9.4
2013	4,000	71,808	17,952	1,246	8.6

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Data Source:  
 US Bureau of the Census  
 US Department of Commerce, Bureau of Economic Analysis  
 Lowcountry Council of Government  
 South Carolina Employment Security Commission

N/A Information is not available.

CITY OF HARDEEVILLE, SOUTH CAROLINA  
 PRINCIPAL EMPLOYERS  
 CURRENT YEAR AND TEN YEARS AGO

EMPLOYER	2013			2004		
	EMPLOYEES	RANK	PERCENTAGE OF TOTAL CITY EMPLOYMENT	EMPLOYEES	RANK	PERCENTAGE OF TOTAL CITY EMPLOYMENT
Coastal Carolina Medical Center	265	1	19.54%	N/A	N/A	N/A
Jasper County School District	137	2	10.10%	N/A	N/A	N/A
Cracker Barrell	111	3	8.19%	N/A	N/A	N/A
City of Hardeeville	66	4	4.87%	N/A	N/A	N/A
McDonalds	52	5	3.83%	N/A	N/A	N/A
Burger King	45	6	3.32%	N/A	N/A	N/A
Waste Pro	43	7	3.17%	N/A	N/A	N/A
Price Wise	35	8	2.58%	N/A	N/A	N/A
Gale Contractors	31	9	2.29%	N/A	N/A	N/A
Brabham Oil Co./EZ Shop 19	29	10	2.14%	N/A	N/A	N/A
Total	<u>814</u>		<u>60.03%</u>	<u>0</u>		<u>0.00%</u>

Total city employees 1577

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City Economic Development Department  
 N/A Information is not available.

**CITY OF HARDEEVILLE, SOUTH CAROLINA**  
**FULL-TIME EQUIVALENT COUNTY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM**  
**LAST TEN FISCAL YEARS**

Schedule 16

<b>FUNCTION/PROGRAM</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>
General Government	4.0	4.0	4.0	4.0	6.0	4.0	4.0	4.0	3.0	2.0
Council	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
Planning/Development Services	0.0	0.0	3.0	4.0	3.0	3.0	4.0	5.0	4.0	4.0
Public Information	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.5	2.5
Fire Department	8.0	10.0	12.0	10.0	12.0	16.0	15.0	16.0	16.0	17.0
Police Department	18.0	19.0	17.0	12.0	17.0	18.0	17.0	19.0	20.0	20.0
Courts	3.0	2.0	3.0	3.0	4.0	5.5	3.5	3.5	3.5	3.0
Public Works/Recreation/Engineering*	4.0	6.0	7.0	7.0	8.0	7.0	7.0	9.5	0.0	0.0
Public Works	-	-	-	-	-	-	-	-	8.0	7.0
Recreation	-	-	-	-	-	-	-	-	2.5	2.5
Economic Development	0.0	0.0	0.0	1.0	1.0	1.0	1.0	1.0	0.0	0.0
Building Inspection	1.0	1.0	1.0	1.0	1.0	0.0	0.0	0.0	0.0	0.0
Finance	0.0	0.0	1.0	3.0	3.0	2.0	2.0	2.0	3.0	3.0
	45.0	49.0	55.0	52.0	62.0	63.5	60.5	67.0	67.5	66.0

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Source: City Human Resources

N/A Information is not available.

\* Public Works and Recreation were split into two departments starting in 2012.

**CITY OF HARDEEVILLE, SOUTH CAROLINA/  
OPERATING INDICATORS BY FUNCTION/PROGRAM  
LAST TEN FISCAL YEARS**

Schedule 17

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Business Licenses Issued	N/A	N/A	N/A	573	514	597	439	454	488	589
Sales Reported for Licenses* (millions)	N/A	N/A	N/A	\$ 42	\$ 137	\$ 154	\$ 133	\$ 187	\$ 213	\$ 241
Commercial Building Permits	N/A	N/A	N/A	9	37	89	9	20	18	54
Valuation of Permits Issued* (thousands)	N/A	N/A	N/A	\$ 3,455	\$ 7,839	\$ 16,922	\$ 1,831	\$ 3,637	\$ 4,714	\$ 4,831
Residential Building Permits Issued	N/A	N/A	N/A	97	106	39	155	198	149	252
Valuation of Permits Issued* (thousands)	N/A	N/A	N/A	\$ 20,422	\$ 45,701	\$ 8,497	\$ 40,234	\$ 35,135	\$ 40,431	\$ 43,064

Source: City Departments  
N/A Information is not available.

**CITY OF HARDEEVILLE, SOUTH CAROLINA  
CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM  
LAST TEN FISCAL YEARS**

Schedule 18

FUNCTION/PROGRAM	FISCAL YEAR									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>Police Department</b>										
Patrol Units	17	15	15	15	17	21	21	21	21	21
<b>Fire Department</b>										
Engines in Operation	2	4	4	4	4	4	4	5	5	5
Rescue Vehicles in Operation	1	1	1	1	1	1	1	1	1	1
Ladder Trucks in Operation	1	1	1	1	1	1	1	1	1	1

Source: City Capital Assets records

## COMPLIANCE SECTION



***Newsome & Company, P.C.***  
**CERTIFIED PUBLIC ACCOUNTANTS**

Darrell N. Newsome, CPA ◊ Niki C. Watchinski, CPA ◊ Sarah E. Hooper ◊ Marissa A. Brockmann

**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 *GOVERNMENT AUDITING STANDARDS***

To Management and Council  
City of Hardeeville  
Hardeeville, South Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of The City of Hardeeville, South Carolina, as of and for the year ended June 30, 2013, and the related notes to the financial statements, and have issued our report thereon dated December 10, 2013.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements of the City of Hardeeville, South Carolina as of and for the year ended June 30, 2013, in accordance with auditing standards generally accepted in the United States of America, we considered the City of Hardeeville, South Carolina's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion 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 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.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified. We did not identify any deficiencies in internal control that we consider to be material weaknesses.



### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Hardeeville'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 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.

*Newsome & Company, P.C.*

Newsome & Company, P.C.  
Lexington, South Carolina  
December 10, 2013