



CITY OF HARDEEVILLE, SOUTH CAROLINA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2014

PREPARED BY: FINANCE DEPARTMENT

**CITY OF HARDEEVILLE, SOUTH CAROLINA
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FOR THE YEAR ENDED JUNE 30, 2014**

TABLE OF CONTENTS

| | <u>Page</u> |
|--|-------------|
| INTRODUCTORY SECTION | |
| Letter of Transmittal | 1 |
| Certificate of Achievement for Excellence in Financial Reporting | 6 |
| Organizational Chart | 7 |
| List of Principal Officials | 8 |
| FINANCIAL SECTION | |
| Independent Auditors' Report | 9 |
| Management's Discussion and Analysis | 11 |
| Basic Financial Statements | |
| <i>Government-Wide Financial Statements:</i> | |
| Statement of Net Position | 19 |
| Statement of Activities | 20 |
| <i>Fund Financial Statements:</i> | |
| Balance Sheet - Governmental Funds | 21 |
| Reconciliation of the Balance Sheet of Governmental Funds to Statement of Net Position | 22 |
| Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds | 23 |
| Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities | 24 |
| Statement of Fiduciary Assets and Liabilities | 25 |
| <i>Notes to the Financial Statements</i> | 26 |
| Required Supplementary Information | |
| Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - General Fund | 44 |
| Supplementary Information | |
| Nonmajor Governmental Funds - Special Revenue Funds | 45 |
| Combining Balance Sheet - Nonmajor Funds | 46 |
| Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Funds | 48 |
| Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual: | |
| Indirect Accommodations Tax Special Revenue Fund | 50 |
| Direct Accommodations Tax Special Revenue Fund | 51 |
| Local Accommodations Tax Special Revenue Fund | 52 |
| Local Hospitality Tax Special Revenue Fund | 53 |
| Fiduciary Funds - Agency Funds | 54 |
| Combining Statement of Changes in Fiduciary Assets and Liabilities | 55 |
| Schedule of Court Fines, Assessments, and Surcharges | 56 |

**CITY OF HARDEEVILLE, SOUTH CAROLINA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2014**

TABLE OF CONTENTS

| | <u>Page</u> |
|--|-------------|
| STATISTICAL SECTION | |
| Narrative | 57 |
| Net Position by Components | 58 |
| Changes in Net Position | 59 |
| Fund Balances of Governmental Funds | 60 |
| Changes in Fund Balances of Governmental Funds | 61 |
| Assessed and Estimated Actual Value of Property | 62 |
| Property Tax Rates - Direct and Overlapping | 63 |
| Principal Property Taxpayers | 64 |
| Property Tax Levies and Collections | 65 |
| Ratios of Outstanding Debt by Type | 66 |
| Ratio of Net General Bonded Debt Outstanding | 67 |
| Direct and Overlapping Governmental Activities Debt | 68 |
| Legal Debt Margin Information | 69 |
| Pledged Revenue Coverage | 70 |
| Demographic Statistics | 71 |
| Principal Employers | 72 |
| Full-Time Equivalent City Government Employees by Function/Program | 73 |
| Operating Indicators by Function/Program | 74 |
| Capital Assets Statistics by Function/Program | 75 |
| COMPLIANCE SECTION | |
| Schedule of Expenditures of Federal Awards | 76 |
| Notes to the Schedule of Expenditures of Federal Awards | 77 |
| Schedule of Findings and Questioned Costs | 78 |
| Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> | 80 |
| Report on Compliance for Each Major Program and on Internal Control over Compliance Required by OMB Circular A-133 | 82 |

INTRODUCTORY SECTION

Hardeeville

SOUTH CAROLINA

December 16, 2014

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 for the fiscal year ended June 30, 2014.

This 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 Baird and Company, CPAs, LLC, 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 for the fiscal year ended June 30, 2014 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, 2014 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.





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 56 square miles and has a population of roughly 4,200 (2014 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.

SETTLED 1732
205 East Main Street
Post Office Box 609
Hardeeville, SC 29927



INCORP. 1911
Phone (843) 784-2231
Fax (843) 784-6384
CityofHardeeville.com



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 2014 assessable base is \$19,737,596, up 16% from the assessable base of \$23,359,940 in fiscal year 2014. As reported by the 2010 Census, per capita income for the City was \$15,566 compared to \$17,366 for Jasper County as a whole and \$23,943 for South Carolina. Median household income in the City was \$36,088 compared to \$36,503 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 2014, City Staff estimates the population to have increased to 4,200 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 2,000 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

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



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



Healthcare. The hospital just opened a new Obstetrics and Gynecology facility this year and is planning to continue increasing the services it provides. 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 2015, 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. The economic downturn has changed the previous growth projections. The City has adjusted its long-term planning accordingly.

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

SETTLED 1712
205 East Main Street
Post Office Box 609
Hardeeville, SC 29927



INCORP. 1911
Phone (843) 784-2231
Fax (843) 784-6384
CityofHardeeville.com



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, 2013. This was the third 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,

Juan Singleton
City Manager

Chanel Lewis
Director of Finance and Administration

SETTLED 1732

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



INCORP. 1911

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



Government Finance Officers Association

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

Presented to

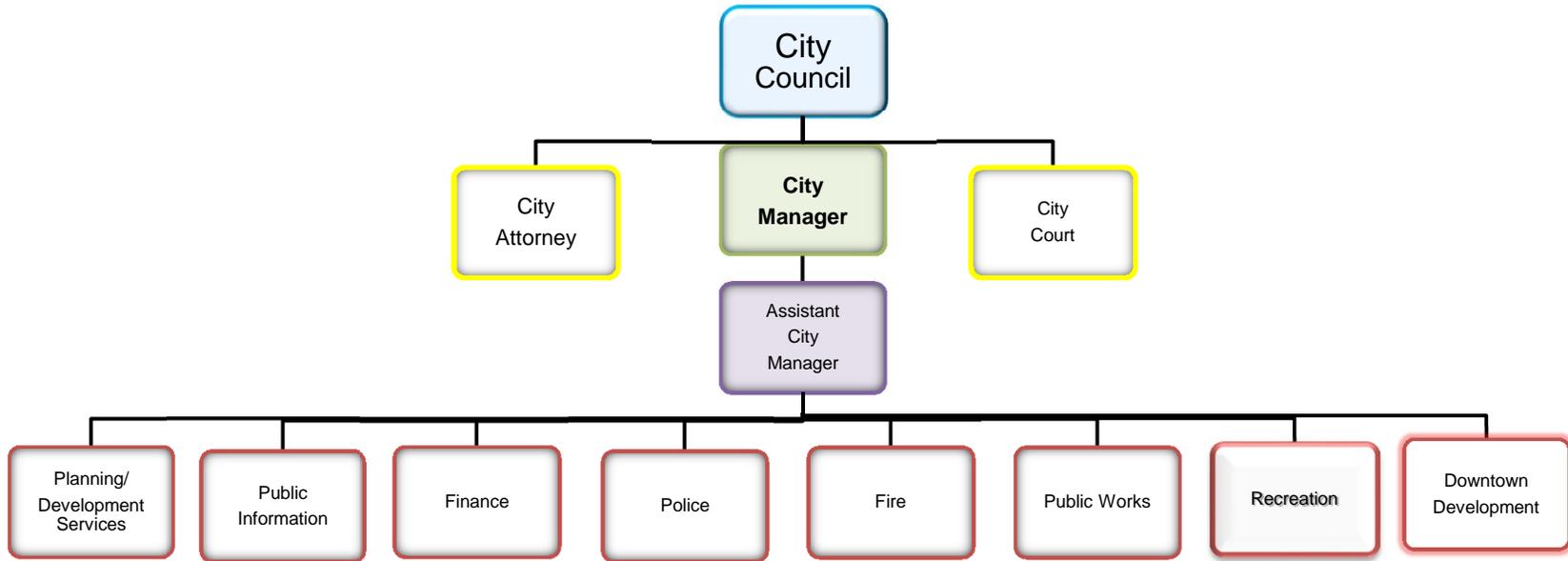
**City of Hardeeville
South Carolina**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2013

Executive Director/CEO

CITY OF HARDEEVILLE, SOUTH CAROLINA
ORGANIZATIONAL CHART



**CITY OF HARDEVILLE, SOUTH CAROLINA
LIST OF PRINCIPAL OFFICIALS
JUNE 30, 2014**

| TITLE | NAME |
|---------------------------|------------------|
| Mayor..... | Bronco Bostick |
| Mayor Pro-Tem..... | Scott Ready |
| Council Member | Michael Sweeney |
| Council Member..... | David Spisso |
| Council Member..... | Carolyn Kassel |
| City Manager Interim..... | Michael Phillips |
| City Clerk..... | Lori Pamarico |
| Finance..... | Chanel Lewis |
| Planning/Permitting..... | Brana Showden |
| Media Director..... | Juan Singleton |
| Recreation..... | Addison Jarrell |
| Public Works..... | Rhett Lott |
| Fire..... | Clyde W. Thomas |
| Police..... | Sam Woodward |
| Court..... | John Carroll |

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

City of Hardeeville Council
City of Hardeeville, South Carolina

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of City of Hardeeville, South Carolina as of and for the year ended June 30, 2014, 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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits 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 audits 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of City of Hardeeville, South Carolina, as of June 30, 2014, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 11-18 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 audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Hardeeville, South Carolina's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, schedule of court fines, assessments, and surcharges, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, schedule of court fines, assessments, and surcharges, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, schedule of court fines, assessments, and surcharges, and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2014, on our consideration of 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Hardeeville, South Carolina's internal control over financial reporting and compliance.

Baird & Company, CPAs, LLC

BAIRD & COMPANY, CPAs, LLC
Certified Public Accountants

Augusta, Georgia
December 16, 2014

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, 2014. 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 \$19,437,635 (net position). Of this amount, \$11,829,740 represents the investment in capital assets less depreciation and debt on those assets and \$4,052,101 is restricted for other purposes. The remaining balance of \$3,555,794 represents unrestricted net position. Hardeeville's total net position increased by \$1,882,854.
- As of the close of the current fiscal year Hardeeville's governmental funds reported a combined ending fund balance of \$7,938,208, an increase of \$952,137.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$2,441,121, or 38% 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 \$19,437,635 in 2014. Comparative information is presented for the 2013 fiscal year report. The following table reflects the condensed government-wide statement of net position.

| CITY OF HARDEEVILLE, SOUTH CAROLINA NET POSITION | | |
|---|--------------------------------|----------------------|
| | Governmental Activities | |
| | 2014 | 2013 |
| Current and Other Assets | \$ 9,351,137 | \$ 8,708,873 |
| Capital Assets | <u>14,699,699</u> | <u>14,156,860</u> |
| Total Assets | <u>24,050,836</u> | <u>22,865,733</u> |
| Long-term Liabilities Outstanding | 3,393,834 | 3,831,402 |
| Other Liabilities | <u>1,219,367</u> | <u>1,479,550</u> |
| Total Liabilities | <u>4,613,201</u> | <u>5,310,952</u> |
| Net Position | | |
| Net Investment in Capital Assets | 11,829,740 | 10,978,201 |
| Unrestricted | 3,555,794 | 3,327,367 |
| Restricted | <u>4,052,101</u> | <u>3,249,213</u> |
| Total Net Position | <u>\$ 19,437,635</u> | <u>\$ 17,554,781</u> |

The portion of Hardeeville's net position \$11,829,740 (61%) 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 the net investment in capital assets can be attributed to the purchase of capital assets of \$1,069,524, the reduction in debt of \$518,776 less depreciation of \$526,687. See note 4 on page 35 for additional information related to capital assets.

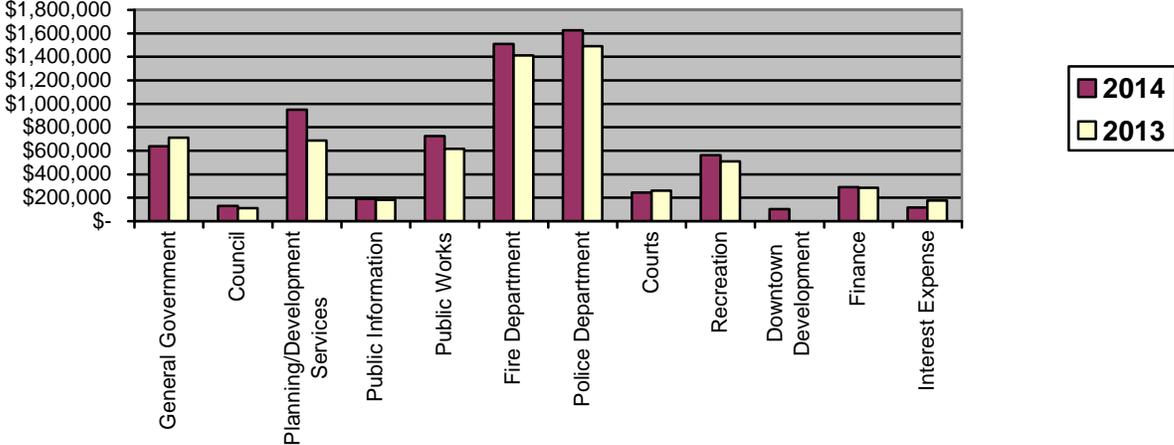
The restricted portion of net position of \$4,052,101 (21%) consists of \$368,881 for development agreements, \$3,439,629 restricted for economic development, \$118,560 in capital projects, and \$125,031 reported in nonmajor governmental funds. The remaining net position of \$3,555,794 (18%) is unrestricted.

Governmental activities. Hardeeville's total net position increased by \$1,882,854. Comparative information has been presented for the prior year. Line item analysis of this increase is shown in the following table.

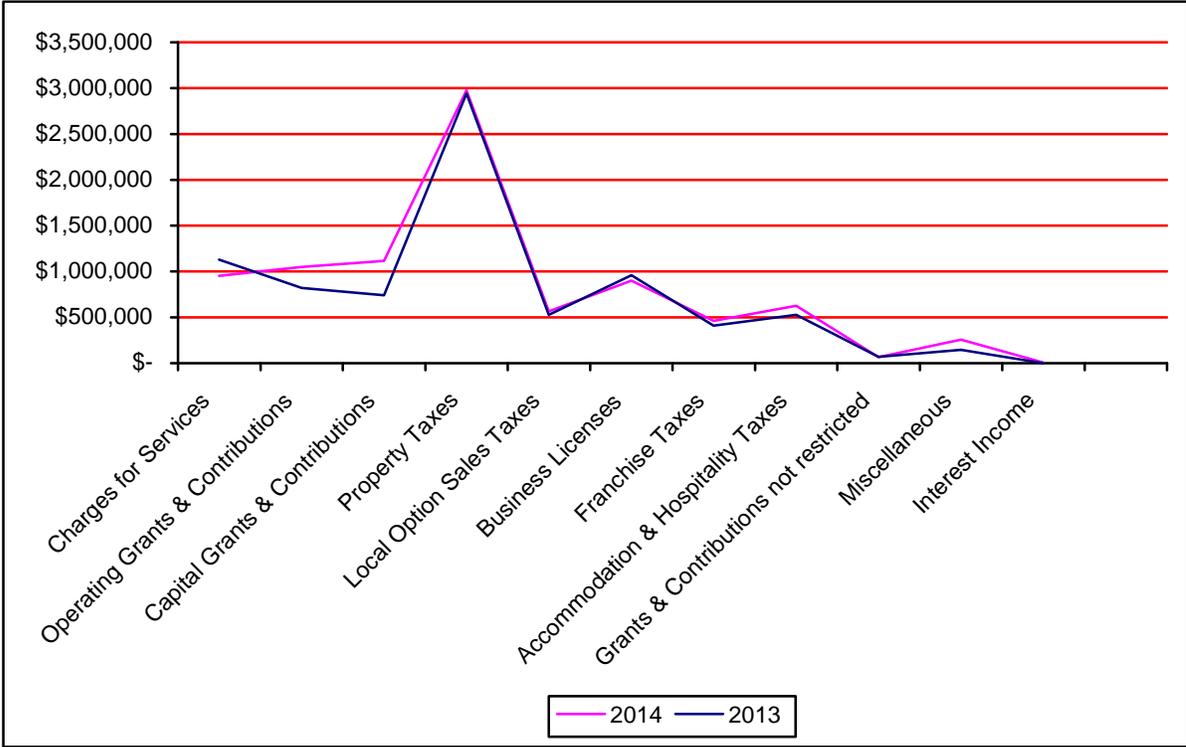
| CITY OF HARDEEVILLE, SOUTH CAROLINA CHANGE IN NET POSITION | | |
|---|--------------------------------|----------------------|
| | Governmental Activities | |
| | 2014 | 2013 |
| Expenses | | |
| General Government | \$ 638,634 | \$ 711,798 |
| Council | 130,165 | 112,466 |
| Planning/Development Services | 949,829 | 686,764 |
| Public Information | 190,610 | 182,726 |
| Public Works | 724,470 | 616,551 |
| Fire Department | 1,509,121 | 1,412,090 |
| Police Department | 1,625,361 | 1,491,476 |
| Courts | 244,817 | 259,294 |
| Recreation | 562,885 | 509,674 |
| Downtown Development | 104,486 | - |
| Finance | 289,378 | 284,362 |
| Interest | 117,433 | 176,724 |
| Total expenses | <u>7,087,189</u> | <u>6,443,925</u> |
| Program Revenues | | |
| Charges for Services | 953,973 | 1,130,516 |
| Operating Grants and Contributions | 786,125 | 821,607 |
| Capital Grants and Contributions | 1,378,858 | 738,639 |
| Total program revenues | <u>3,118,956</u> | <u>2,690,762</u> |
| General Revenues | | |
| Property Taxes | 2,973,707 | 2,940,214 |
| Local Option Sales Taxes | 565,872 | 527,081 |
| Business Licenses | 898,804 | 960,156 |
| Franchise Taxes | 460,726 | 410,003 |
| Accommodation and Hospitality Taxes | 625,245 | 527,943 |
| Grants and contributions not restricted to specific programs | 64,356 | 70,230 |
| Interest Income | 6,872 | 338 |
| Miscellaneous | 255,505 | 144,487 |
| Total general revenues | <u>5,851,087</u> | <u>5,580,452</u> |
| Increase in net position | 1,882,854 | 1,827,289 |
| Net position – beginning of year | 17,554,781 | 15,815,563 |
| Prior Period Adjustment | - | (88,071) |
| Net position – end of year | <u>\$ 19,437,635</u> | <u>\$ 17,554,781</u> |

The City's net position increased by \$1,882,854 during the current fiscal year. The increase resulted from capital grants of \$2,162,531 and favorable budget variances in revenues for the general fund of \$456,972. Also, debt was reduced by \$518,776. 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 \$7,938,208 an increase of \$952,137. This increase can be attributed to assessments for development in the amount of \$880,898 and positive revenue variances in the general fund which resulted from growth in the City.

Overall there was an increase of \$287,023 in the general fund. As noted above, this resulted from positive revenue variances because of growth in the City of \$456,972 while keeping expenditures below budget.

The development fund increased \$607,564 which represents special developer assessments and not available to fund City operations. These funds are restricted by contractual agreements for specific projects within the City that vary with each agreement.

The capital projects fund decreased \$32,620 because of the scheduled debt service payments. Other projects included the construction of Fire Station 83 with development funds and the new capital lease for police vehicles.

Capital Assets and Debt Administration

Capital Assets. Hardeeville's investment in capital assets for its governmental type activities as of June 30, 2014 amounts to \$14,699,699 (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 and decreases in Hardeeville's investment in capital assets for the current fiscal year were \$1,069,526 that included \$5,105 for HVAC in building improvements, \$214,873 for police vehicles and ranger polaris, \$10,500 for land improvements for concrete at ball field, \$559,135 for drainage infrastructure, and \$279,913 for construction in progress for Fire Station 83 (\$274,613) and for the library (\$5,300). Depreciation expense was \$526,687 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 | |
|----------------------------|-------------------------|---------------|
| | 2014 | 2013 |
| Construction in Progress | \$ 362,885 | \$ 178,153 |
| Land and Improvements | 6,383,049 | 6,456,534 |
| Buildings and Improvements | 4,274,429 | 4,374,959 |
| Furniture and Equipment | 256,675 | 370,792 |
| Vehicles | 1,282,499 | 1,201,774 |
| Infrastructure | 2,140,162 | 1,574,648 |
| Total | \$ 14,699,699 | \$ 14,156,860 |

Long-term debt. At the end of the current fiscal year, Hardeeville had long-term debt outstanding in the amount of \$2,869,959 which represented a decrease of \$308,801. A new capital lease for \$209,975 was issued during the year for police vehicles. Refer to note 5 on page 36 for a detailed discussion of long-term debt.

CITY OF HARDEEVILLE, SOUTH CAROLINA LONG-TERM OUTSTANDING DEBT

| | Governmental Activities | |
|--------------------------|-------------------------|---------------------|
| | 2014 | 2013 |
| Revenue Bonds | \$ 855,000 | \$ 925,000 |
| General Obligation Bonds | 220,854 | 259,992 |
| Leases Payable | 1,794,105 | 1,993,768 |
| Total | <u>\$ 2,869,959</u> | <u>\$ 3,178,760</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 2014-2015 the City Council has approved an annual budget in the amount of \$7,559,759 for the general fund, an increase of \$479,161 over the prior year. However, millage of 136 was decreased by 6 mills from the prior year.
- The unemployment rate for the City is currently 5.4%, a decrease from 8.6% 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, 2014**

| | | <u>PRIMARY GOVERNMENT GOVERNMENTAL ACTIVITIES</u> |
|---------------------------------------|----|---|
| ASSETS | | |
| Cash | \$ | 2,587,159 |
| Receivables | | 946,035 |
| Prepaid Expenses | | 30,066 |
| Notes Receivable | | 25,000 |
| Cash Restricted | | 4,854,135 |
| Property Held for Resale | | 908,742 |
| Capital Assets, not being depreciated | | 3,025,392 |
| Capital Assets, being depreciated | | 11,674,307 |
| Total Assets | \$ | <u>24,050,836</u> |
| LIABILITIES AND NET POSITION | | |
| Liabilities | | |
| Accounts Payable | \$ | 217,702 |
| Salaries and Benefits Payable | | 140,839 |
| Accrued Interest Payable | | 17,974 |
| Unearned Revenues | | 842,852 |
| Noncurrent Liabilities | | |
| Due Within One Year | | 486,875 |
| Due In More Than One Year | | 2,906,959 |
| Total Liabilities | | <u>4,613,201</u> |
| Net Position | | |
| Net Investment in capital assets | | 11,829,740 |
| Unrestricted | | 3,555,794 |
| Restricted | | |
| Developer Agreements | | 3,808,510 |
| Bond Covenants | | 118,560 |
| Other Purposes (page 42) | | 125,031 |
| Total Net Position | | <u>19,437,635</u> |
| Total Liabilities and Net Position | \$ | <u>24,050,836</u> |

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, 2014**

| <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> |
| Governmental Activities | | | | | |
| General Government | \$ 638,634 | \$ - | \$ - | \$ 496,250 | \$ (142,384) |
| Council | 130,165 | - | - | - | (130,165) |
| Planning/Development Services | 949,829 | 609,159 | - | 619,124 | 278,454 |
| Public Information | 190,610 | - | - | - | (190,610) |
| Public Works | 724,470 | - | - | - | (724,470) |
| Fire Department | 1,509,121 | 6,450 | 783,673 | 263,484 | (455,514) |
| Police Department | 1,625,361 | 325,295 | - | - | (1,300,066) |
| Courts | 244,817 | - | - | - | (244,817) |
| Recreation | 562,885 | 13,069 | 2,452 | - | (547,364) |
| Downtown Development | 104,486 | - | - | - | (104,486) |
| Finance | 289,378 | - | - | - | (289,378) |
| Interest Expense | 117,433 | - | - | - | (117,433) |
| Total Governmental Activities | <u>\$ 7,087,189</u> | <u>\$ 953,973</u> | <u>\$ 786,125</u> | <u>\$ 1,378,858</u> | <u>(3,968,233)</u> |
| General Revenues | | | | | |
| Property Taxes | | | | | 2,973,707 |
| Local Option Sales Taxes | | | | | 565,872 |
| Business Licenses | | | | | 898,804 |
| Franchise Taxes | | | | | 460,726 |
| Accommodation and Hospitality Taxes | | | | | 625,245 |
| Grants and contributions not restricted to specific programs | | | | | 64,356 |
| Interest Income | | | | | 6,872 |
| Miscellaneous | | | | | 255,505 |
| Total General Revenues | | | | | <u>5,851,087</u> |
| Change in net position | | | | | 1,882,854 |
| Net position, beginning of year | | | | | 17,554,781 |
| Net position, end of year | | | | | <u>\$ 19,437,635</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, 2014**

| | <u>GENERAL FUND</u> | <u>DEVELOPMENT FUND</u> | <u>CAPITAL PROJECTS FUND</u> | <u>OTHER GOVERNMENTAL FUNDS</u> | <u>TOTAL GOVERNMENTAL FUNDS</u> |
|--|-------------------------|-----------------------------|--------------------------------------|---|---|
| Assets | | | | | |
| Cash | \$ 2,283,311 | \$ 62 | \$ - | \$ 303,786 | \$ 2,587,159 |
| Receivables | 872,346 | - | - | 73,689 | 946,035 |
| Restricted Cash | 368,881 | 3,662,305 | 783,128 | 39,821 | 4,854,135 |
| Prepaid Expenses | 30,066 | - | - | - | 30,066 |
| Due from Other Funds | 37,003 | - | - | 3,355 | 40,358 |
| Property Held for Resale | - | 908,742 | - | - | 908,742 |
| Notes Receivable | 25,000 | - | - | - | 25,000 |
| Total Assets | <u>\$ 3,616,607</u> | <u>\$ 4,571,109</u> | <u>\$ 783,128</u> | <u>\$ 420,651</u> | <u>\$ 9,391,495</u> |
| Liabilities | | | | | |
| Accounts Payable | \$ 132,667 | \$ - | \$ 52,983 | \$ 32,052 | \$ 217,702 |
| Salaries and Benefits Payable | 140,839 | - | - | - | 140,839 |
| Unearned Revenues | 13,142 | 218,125 | 611,585 | - | 842,852 |
| Due to Other Funds | 3,355 | 4,551 | - | 32,452 | 40,358 |
| Total Liabilities | <u>290,003</u> | <u>222,676</u> | <u>664,568</u> | <u>64,504</u> | <u>1,241,751</u> |
| Deferred Inflows of Resources | | | | | |
| Unavailable Revenues - Property Taxes | 211,536 | - | - | - | 211,536 |
| Total Deferred Inflows of Resources | <u>211,536</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>211,536</u> |
| Fund Balances | | | | | |
| Unassigned | 2,441,121 | - | - | - | 2,441,121 |
| Assigned | 250,000 | 62 | - | 2,452 | 252,514 |
| Committed | 368,881 | - | - | 228,664 | 597,545 |
| Restricted | - | 3,439,629 | 118,560 | 125,031 | 3,683,220 |
| Nonspendable | 55,066 | 908,742 | - | - | 963,808 |
| Total Fund Balances | <u>3,115,068</u> | <u>4,348,433</u> | <u>118,560</u> | <u>356,147</u> | <u>7,938,208</u> |
| Total Liabilities, Deferred Inflows of Resources, and Fund Balances | <u>\$ 3,616,607</u> | <u>\$ 4,571,109</u> | <u>\$ 783,128</u> | <u>\$ 420,651</u> | <u>\$ 9,391,495</u> |

**CITY OF HARDEEVILLE, SOUTH CAROLINA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2014**

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

Total fund balances for governmental funds \$ 7,938,208

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 | \$ 362,885 | |
| Land and improvements, net of \$751,663 accumulated depreciation | 6,383,049 | |
| Buildings and improvements, net of \$773,559 accumulated depreciation | 4,274,429 | |
| Furniture and equipment, net of \$1,184,793 accumulated depreciation | 256,675 | |
| Vehicles, net of \$1,628,936 accumulated depreciation | 1,282,499 | |
| Infrastructure, net of \$549,081 accumulated depreciation | <u>2,140,162</u> | |
| Total Capital Assets | | 14,699,699 |

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. 211,536

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, 2014 are:

| | | |
|-----------------------------|--------------------|--------------------|
| Interest Payable | (17,974) | |
| Compensated absences | (523,875) | |
| Current and Long-term Debt | <u>(2,869,959)</u> | |
| Total Long-Term Liabilities | | <u>(3,411,808)</u> |

Total net position of governmental activities \$ 19,437,635

CITY OF HARDEEVILLE, SOUTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

| | <u>GENERAL FUND</u> | <u>DEVELOPMENT FUND</u> | <u>CAPITAL PROJECT FUND</u> | <u>OTHER GOVERNMENTAL FUNDS</u> | <u>TOTAL GOVERNMENTAL FUNDS</u> |
|--|-------------------------|-----------------------------|-------------------------------------|---|---|
| Revenues | | | | | |
| Taxes | \$ 4,330,148 | \$ - | \$ - | \$ 593,110 | \$ 4,923,258 |
| Fines, Fees, and Licenses | 2,280,866 | - | - | 32,637 | 2,313,503 |
| Special Assessments | - | 617,414 | 263,484 | - | 880,898 |
| Intergovernmental | 64,356 | - | - | 496,250 | 560,606 |
| Miscellaneous | 120,200 | 2,245 | 5,644 | 235,573 | 363,662 |
| Total Revenues | <u>6,795,570</u> | <u>619,659</u> | <u>269,128</u> | <u>1,357,570</u> | <u>9,041,927</u> |
| Expenditures | | | | | |
| Current: | | | | | |
| General Government | 569,383 | 10 | - | - | 569,393 |
| Council | 130,165 | - | - | - | 130,165 |
| Planning/Development Services | 732,579 | 12,085 | - | 215,644 | 960,308 |
| Public Information | 181,599 | - | - | - | 181,599 |
| Public Works | 604,478 | - | - | - | 604,478 |
| Fire Department | 1,485,108 | - | - | 2,041 | 1,487,149 |
| Police Department | 1,577,642 | - | - | 30,952 | 1,608,594 |
| Courts | 265,132 | - | - | - | 265,132 |
| Recreation | 254,864 | - | - | 166,546 | 421,410 |
| Downtown Development | 87,012 | - | - | - | 87,012 |
| Finance | 256,596 | - | - | - | 256,596 |
| Debt Service: | | | | | |
| Principal | 195,257 | - | 70,000 | 253,519 | 518,776 |
| Interest | 23,880 | - | 52,188 | 59,496 | 135,564 |
| Capital Outlay: | | | | | |
| General Government | 5,105 | - | - | - | 5,105 |
| Planning/Development Services | 70,058 | - | - | 5,000 | 75,058 |
| Police Department | - | - | 205,912 | - | 205,912 |
| Fire Department | - | - | 272,738 | - | 272,738 |
| Public Works | 8,963 | - | - | 491,250 | 500,213 |
| Recreation | - | - | - | 10,500 | 10,500 |
| Total Expenditures | <u>6,447,821</u> | <u>12,095</u> | <u>600,838</u> | <u>1,234,948</u> | <u>8,295,702</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>347,749</u> | <u>607,564</u> | <u>(331,710)</u> | <u>122,622</u> | <u>746,225</u> |
| Other Financing Sources (Uses) | | | | | |
| Transfers Out | (93,178) | - | - | (32,452) | (125,630) |
| Transfers In | 32,452 | - | 93,178 | - | 125,630 |
| Issuance of Debt | - | - | 205,912 | - | 205,912 |
| Total Financing Sources (Uses) | <u>(60,726)</u> | <u>-</u> | <u>299,090</u> | <u>(32,452)</u> | <u>205,912</u> |
| Net change in fund balances | 287,023 | 607,564 | (32,620) | 90,170 | 952,137 |
| Fund balances, beginning of year | 2,828,045 | 3,740,869 | 151,180 | 265,977 | 6,986,071 |
| Fund balances, end of year | <u>\$ 3,115,068</u> | <u>\$ 4,348,433</u> | <u>\$ 118,560</u> | <u>\$ 356,147</u> | <u>\$ 7,938,208</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, 2014**

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 | \$ | 952,137 |
| 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 (\$1,069,526) was less than depreciation (\$526,687) in the current period. | | 542,839 |
| Proceeds of debt are reported as a revenue in governmental funds. However, in the government wide statements proceeds of debt are treated as a liability. | | (209,975) |
| Repayment of debt principal is an expenditure in the governmental funds but reduces the liability in the statement of net position. | | 518,776 |
| Interest is recorded as paid in the governmental funds but is accrued as a liability in the governmental statements. | | 18,131 |
| Revenues recognized in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. | | (67,821) |
| 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>128,767</u> |
| Total change in net position of governmental activities | \$ | <u><u>1,882,854</u></u> |

**CITY OF HARDEEVILLE, SOUTH CAROLINA
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
JUNE 30, 2014**

| | AGENCY FUNDS |
|-------------------------|-------------------------|
| ASSETS | |
| Cash | \$ 2,324,931 |
| Total Assets | 2,324,931 |
| LIABILITIES | |
| Due to Others | 2,324,931 |
| Total Liabilities | 2,324,931 |
| NET POSITION | \$ - |

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

CITY OF HARDEVILLE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

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 City 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, 2014

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 disbursements 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 HARDEVILLE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

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, 2014

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 15th with penalties assessed of 3% if paid after January 15th, 10% if paid after January 31st, and 15% if paid after March 15th. 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 2014 is 142 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, 2014

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, 2014

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, 2014

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 are attached as an enforceable lien on real property and are levied as of January 1st. The tax levy is mailed on October 1st and is payable on January 15th 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 resignation or retirement. The liability for compensated absences includes salary-related benefits, where applicable.

Sick Leave

Accumulated sick leave lapses when employees leave the employment 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, 2014

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES –CONTINUED

Revenues and expenditures/expenses-continued

Excess of Expenditures over Appropriations

For the year ended June 30, 2014, expenditures exceeded appropriations in the Indirect Accommodation Tax of \$33,023, Direct Accommodation Tax of \$22,810, Local Hospitality Tax Fund of \$39,637 and the Local Accommodations Tax Fund of \$10,409. These over expenditures were funded by positive variances in revenues and carryover of prior year fund balance.

NOTE 2 DEPOSITS AND INVESTMENTS

As of June 30, 2014, 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, 2014, 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 | \$ 4,549 |
| Restricted for tourism | 35,272 |
| Assigned for fire fighters pay | 350,409 |
| Assigned for public works facility | 18,472 |
| Restricted by bond covenants | 125,433 |
| Restricted by development agreements | 3,662,305 |
| Restricted for debt payment | 2,493 |
| Restricted for fire station construction (deferred) | 655,202 |
| Total Restricted Cash | <u>\$ 4,854,135</u> |

CITY OF HARDEVILLE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 3 RECEIVABLES

Receivables at June 30, 2014, including the applicable allowances for uncollectible accounts, are as follows for the general fund and nonmajor governmental funds:

| | General Fund | Other Nonmajor Funds |
|------------------------------|-------------------------|-------------------------------------|
| Taxes Receivable | \$ 868,167 | \$ 73,689 |
| Fines, Fees, and Licenses | 257,106 | - |
| Intergovernmental Revenues | 150,636 | - |
| Miscellaneous | 6,837 | - |
| Allowance for Uncollectibles | <u>(410,400)</u> | <u>-</u> |
| Total | <u>\$ 872,346</u> | <u>\$ 73,689</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 \$211,536 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:

| | Unearned |
|------------------------------------|-------------------|
| Phase 2 Transportation Study | \$ 5,500 |
| Held for museum expenditures | 5,043 |
| Public Works facility | 2,458 |
| Development fees not spent | 218,125 |
| State Traffic Education | 141 |
| Held for fire station construction | <u>611,585</u> |
| Total | <u>\$ 842,852</u> |

CITY OF HARDEEVILLE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

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, 2013</u> | <u>Increases</u> | <u>Decreases</u> | <u>June 30, 2014</u> |
|---|----------------------|-------------------|------------------|----------------------|
| <i>Capital assets not being depreciated</i> | | | | |
| Land and improvements | \$ 2,662,507 | \$ - | \$ - | \$ 2,662,507 |
| Construction in progress | <u>178,153</u> | <u>279,913</u> | <u>95,181</u> | <u>362,885</u> |
| Total capital assets, not being depreciated | <u>2,840,660</u> | <u>279,913</u> | <u>95,181</u> | <u>3,025,392</u> |
| <i>Capital assets being depreciated</i> | | | | |
| Buildings and improvements | 5,042,883 | 5,105 | - | 5,047,988 |
| Land improvements | 4,461,705 | 10,500 | - | 4,472,205 |
| Furniture and equipment | 1,441,468 | - | - | 1,441,468 |
| Vehicles | 2,926,567 | 214,873 | 230,005 | 2,911,435 |
| Infrastructure | <u>2,034,927</u> | <u>654,316</u> | <u>-</u> | <u>2,689,243</u> |
| Total capital assets being depreciated | <u>15,907,550</u> | <u>884,794</u> | <u>230,005</u> | <u>16,562,339</u> |
| Less accumulated depreciation for: | | | | |
| Buildings and improvements | 667,924 | 105,635 | - | 773,559 |
| Land improvements | 667,678 | 83,985 | - | 751,663 |
| Furniture and equipment | 1,070,676 | 114,117 | - | 1,184,793 |
| Vehicles | 1,724,793 | 134,148 | 230,005 | 1,628,936 |
| Infrastructure | <u>460,279</u> | <u>88,802</u> | <u>-</u> | <u>549,081</u> |
| Total accumulated depreciation | <u>4,591,350</u> | <u>526,687</u> | <u>230,005</u> | <u>4,888,032</u> |
| Total capital assets being depreciated, net | <u>11,316,200</u> | <u>358,107</u> | <u>-</u> | <u>11,674,307</u> |
| Governmental activities capital assets, net | <u>\$ 14,156,860</u> | <u>\$ 638,020</u> | <u>\$ 95,181</u> | <u>\$ 14,699,699</u> |

Depreciation expense was \$526,687 for the year ended June 30, 2014. This amount was allocated to the functional departments as follows:

| <u>Governmental Activities</u> | |
|--------------------------------|-------------------|
| General Government | \$ 87,210 |
| Fire Department | 115,386 |
| Public Works | 111,238 |
| Recreation | 143,945 |
| Finance | 24,328 |
| Planning | 2,924 |
| Police Department | 39,866 |
| Court | <u>1,790</u> |
| Total | <u>\$ 526,687</u> |

CITY OF HARDEEVILLE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 5 LONG-TERM OBLIGATIONS

A schedule of changes in long-term indebtedness follows:

| | Balance | | | Balance | Due |
|--------------------------|----------------------|-------------------|--------------------|----------------------|-------------------|
| | June 30, 2013 | Additions | Retirements | June 30, 2014 | Within |
| | | | | | A Year |
| General Obligation Bonds | \$ 259,991 | \$ - | \$ 39,137 | \$ 220,854 | \$ 40,738 |
| Leases Payable | 1,993,769 | 209,975 | 409,639 | 1,794,105 | 271,137 |
| Revenue Bonds | 925,000 | - | 70,000 | 855,000 | 75,000 |
| Compensated Absences | <u>652,642</u> | <u>90,072</u> | <u>218,839</u> | <u>523,875</u> | <u>100,000</u> |
| Total | <u>\$ 3,831,402</u> | <u>\$ 300,047</u> | <u>\$ 737,615</u> | <u>\$ 3,393,834</u> | <u>\$ 486,875</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 \$22,258,776. The computation of legal debt limits is as follows:

| | |
|--|---------------------|
| Assessed value (\$22,258,776 X 8%) | \$ 1,780,702 |
| General obligation debt at June 30, 2014 | <u>(220,854)</u> |
| Amount available of debt limit | <u>\$ 1,559,848</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:

| <u>General Obligation Bond</u> | <u>BALANCE</u> |
|---|-----------------------|
| \$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. | <u>\$ 220,854</u> |

CITY OF HARDEVILLE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

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, 2014 is as follows:

| <u>Fiscal Year Ending</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|---------------------------|-------------------|------------------|-------------------|
| 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>2,151</u> | <u>49,779</u> |
| Total | <u>\$ 220,854</u> | <u>\$ 28,041</u> | <u>\$ 248,895</u> |

Leases Payable

| <u>Leases Payable</u> | <u>BALANCE</u> |
|--|---------------------|
| \$2,473,000 lease payable on municipal complex payable monthly at \$15,216 including interest of 4.19% beginning January 7, 2004. | \$ 1,423,707 |
| \$250,322 lease payable for recreation equipment payable in ten annual payments of \$31,232 including interest of 4.24% beginning July 2005. | 29,963 |
| \$650,000 lease payable for fire truck payable in ten annual installments of \$79,701 including interest of 3.89% beginning August 5, 2006. | 150,561 |
| \$209,975 lease payable for police vehicles payable in sixty monthly payments of \$3,674 including interest of 1.9% beginning January 2014. | <u>189,874</u> |
| Total | <u>\$ 1,794,105</u> |

CITY OF HARDEEVILLE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 5 LONG-TERM OBLIGATIONS – CONTINUED

Equipment Under Capitalized Leases

The City has entered into the above lease agreements for leasing the recreational complex, the purchase of vehicles for the fire and police departments, and equipment to be used at the recreation center. The cost of these assets is \$3,524,801 with accumulated amortization of \$938,767. 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, 2014 are as follows:

| <u>Fiscal Year Ending</u> | <u>Payment</u> |
|--|---------------------|
| 2015 | \$ 338,804 |
| 2016 | 307,572 |
| 2017 | 227,871 |
| 2018 | 227,871 |
| 2019 | 208,829 |
| 2020-2024 | <u>805,351</u> |
| Total Minimum Lease Payments | 2,116,298 |
| Less Amount Representing Interest | <u>(319,193)</u> |
| Present Value of Minimum Lease Payment | <u>\$ 1,797,105</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.

\$ 855,000

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> |
|---------------------------|-------------------|-------------------|---------------------|
| 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 | 95,000 | 22,925 | 117,925 |
| 2020-2023 | <u>430,000</u> | <u>41,700</u> | <u>471,700</u> |
| Total | <u>\$ 855,000</u> | <u>\$ 206,325</u> | <u>\$ 1,061,325</u> |

CITY OF HARDEEVILLE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

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 paid time off at varying amounts based on length of service and position. As of June 30, 2014, accrued paid time off totaled \$523,875 which includes 17% 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, 2014 is \$14,742,000.

NOTE 6 PENSION PLAN

Pension Obligations

Plan Description

All eligible employees are required to participate in a pension plan. All eligible employees must belong to the South Carolina Retirement System (SCRS) or the South Carolina Police Officers System (PORS). The plan is a cost-sharing multiple-employer administered by the Retirement Division of the SC Public Employee Benefit Authority (SC PEBA). Retirement costs are funded by withholding from the employee's salaries, and by a contribution from the Board of a percentage of the employees' salaries. A Comprehensive Annual Financial Report containing financial statements and required supplementary information for the South Carolina Retirement System and Police Officers Retirement System is issued and publicly available by writing the SC PEBA, Post Office Box 11960, Columbia, South Carolina 29211-1960.

CITY OF HARDEEVILLE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

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. Both employees and employers are required to contribute to the Plan under authority of Title 9 of the SC Code of Laws. The base rates are set by statute, but are required to be increased by the trustees on the basis of the annual actuarial valuation if necessary to maintain a thirty-year amortization period for the Plans' unfunded liabilities. Under current statutes pertaining to the SCRS, Class II member employees who retire at age 65 or after 28 years of credited services are entitled to a annual full service retirement benefit, payable monthly for life, equal to 1.82% of the average final compensation (average compensation over the last three years of credited service including 45 days of unused annual leave) times years of credited service and must have a minimum of 5 years of earned service. Class III member employees who retire at age 65 or meet the rule of 90 (member's age plus the years of service must add up to a total of at least 90) are entitled to an annual full service retirement benefit, payable monthly for life, equal to 1.82% of the average final compensation (average compensation over the last five years of credited service excluding unused annual leave) times years of credited service and have a minimum of 8 years of earned service. Class II members can elect early retirement at age 55 with at least 25 years of service with a 4% reduction of each year of service under 28. Class II and III members can elect early retirement at age 60 with a 5% reduction for each year under age 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. The SCRS also provides life insurance, survivor and disability benefits to all member employees. Contributions are made through the most recent employer on a regular basis and remitted to the South Carolina Retirement System.

Funding Policy

South Carolina Retirement System (SCRS)

Plan members are required to contribute 7.5% of their annual covered salary, and the employer is required to contribute at an actuarially determined rate. The current employer rate is 10.6% of annual covered payroll which includes 0.15% towards an incidental death benefit. Contributions to SCRS for the years ended June 30, 2014, 2013, and 2012 were \$133,769, \$128,799, and \$119,132, respectively equal to the actuarially required contributions for each year.

Police Officers Retirement System (SCPORS)

Plan members are required to contribute 7.84% of their annual covered salary, and the employer is required to contribute at an actuarially determined rate. The current employer contribution rate is 12.64% which includes 0.20% towards an incidental death benefit. Contributions to SCPORS for the years ended June 30, 2014, 2013, and 2012 were \$209,973, and \$177,146, and \$146,312 respectively, equal to the actuarially required contribution rates for each year.

CITY OF HARDEVILLE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

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 | \$ 32,452 | \$ 93,178 | \$ 125,630 |
| Transfers Out | 93,178 | 32,452 | 125,630 |

The transfer of \$32,452 from the other governmental funds was from the victims fund for victims' officers reimbursement. The transfer of \$93,178 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, 2014, a developer was delinquent in the amount of \$150,000.

As of June 30, 2014, 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 2014-15.

CITY OF HARDEVILLE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

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 will be completed in the 2014-2015 fiscal year and that the budget for 2014-2015 will include amounts to man the fire station.

The City has received approval on a USDA loan in the amount of \$780,500 for the library building payable at 4% interest over 30 years.

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> |
|--|-------------------------|-----------------------------|--------------------------------------|---------------------------|
| <u>Assigned</u> | | | | |
| Capital plan | \$ 250,000 | \$ - | \$ - | \$ - |
| Future development | - | 62 | - | - |
| Total Assigned | <u>250,000</u> | <u>62</u> | <u>-</u> | <u>-</u> |
| <u>Committed</u> | | | | |
| Local accommodations tax ordinance | - | - | - | 65,455 |
| Local hospitality tax ordinance | - | - | - | 163,209 |
| Total Committed | <u>-</u> | <u>-</u> | <u>-</u> | <u>228,664</u> |
| <u>Restricted</u> | | | | |
| Developer Agreements | 368,881 | 3,439,629 | - | - |
| Bond Ordinance | - | - | 118,560 | - |
| State for tourist related expenditures | - | - | - | 77,002 |
| State for fire department expenditures | - | - | - | 36,114 |
| Federal drug related expenditures | - | - | - | 11,915 |
| Total Restricted | <u>368,881</u> | <u>3,439,629</u> | <u>118,560</u> | <u>125,031</u> |
| <u>Nonspendable</u> | | | | |
| Note receivable from developer | 25,000 | - | - | - |
| Prepaid expenses | 30,066 | - | - | - |
| Landheld for development | - | 657,000 | - | - |
| Sewer capacity | - | 251,742 | - | - |
| Total Nonspendable | <u>\$ 55,066</u> | <u>\$ 908,742</u> | <u>\$ -</u> | <u>\$ -</u> |

CITY OF HARDEEVILLE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

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 | \$ 3,090,977 |
| Capital assets being depreciated | 11,674,307 |
| Total Capital Assets | <u>14,765,284</u> |
| Less debt | (2,869,959) |
| Capital Assets, Net of Related Debt | <u><u>\$ 11,895,325</u></u> |

NOTE 13 PROPERTY HELD FOR RESALE

Property held for resale consists of the following:

| | |
|----------------|--------------------------|
| | <u>Balance</u> |
| Land | <u>\$ 657,000</u> |
| Sewer Capacity | <u>251,742</u> |
| Total | <u><u>\$ 908,742</u></u> |

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, 2014**

| | BUDGETED AMOUNTS | | ACTUAL | VARIANCE |
|--|---------------------|---------------------|---------------------|----------------------------|
| | ORIGINAL | FINAL | | FAVORABLE (UNFAVORABLE) |
| Revenues | | | | |
| Taxes | \$ 4,166,702 | \$ 4,166,702 | \$ 4,330,148 | \$ 163,446 |
| Fines, Fees and Licenses | 2,054,896 | 2,054,896 | 2,280,866 | 225,970 |
| Intergovernmental | 55,000 | 55,000 | 64,356 | 9,356 |
| Miscellaneous | 62,000 | 62,000 | 120,200 | 58,200 |
| Total Revenues | <u>6,338,598</u> | <u>6,338,598</u> | <u>6,795,570</u> | <u>456,972</u> |
| Expenditures | | | | |
| General Government | 508,029 | 508,029 | 569,383 | (61,354) |
| Council | 151,209 | 151,209 | 130,165 | 21,044 |
| Planning/Development Services | 532,623 | 532,623 | 732,579 | (199,956) |
| Public Information | 185,598 | 185,598 | 181,599 | 3,999 |
| Public Works | 563,587 | 563,587 | 604,478 | (40,891) |
| Fire Department | 1,653,824 | 1,653,824 | 1,485,108 | 168,716 |
| Police Department | 1,662,023 | 1,662,023 | 1,577,642 | 84,381 |
| Courts | 266,499 | 266,499 | 265,132 | 1,367 |
| Recreation | 272,430 | 272,430 | 254,864 | 17,566 |
| Downtown Development | 90,274 | 90,274 | 87,012 | 3,262 |
| Finance | 286,058 | 286,058 | 256,596 | 29,462 |
| Debt Service: | | | | |
| Principal | 205,382 | 205,382 | 195,257 | 10,125 |
| Interest | 44,900 | 44,900 | 23,880 | 21,020 |
| Capital Outlay: | | | | |
| General Government | 35,000 | 35,000 | 5,105 | 29,895 |
| Planning/Development Services | - | - | 70,058 | (70,058) |
| Public Works | - | - | 8,963 | (8,963) |
| Total Expenditures | <u>6,457,436</u> | <u>6,457,436</u> | <u>6,447,821</u> | <u>9,615</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(118,838)</u> | <u>(118,838)</u> | <u>347,749</u> | <u>466,587</u> |
| Other Financing Sources (Uses) | | | | |
| Transfers Out | (135,162) | (135,162) | (93,178) | 41,984 |
| Transfers In | 254,000 | 254,000 | 32,452 | (221,548) |
| Total Financing Sources (Uses) | <u>118,838</u> | <u>118,838</u> | <u>(60,726)</u> | <u>(179,564)</u> |
| Net change in fund balances | - | - | 287,023 | 287,023 |
| Fund balances, beginning of year | 2,828,045 | 2,828,045 | 2,828,045 | - |
| Fund balances, end of year | <u>\$ 2,828,045</u> | <u>\$ 2,828,045</u> | <u>\$ 3,115,068</u> | <u>\$ 287,023</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, 2014**

| | INDIRECT ACCOM TAX FUND | DIRECT ACCOM TAX FUND | LOCAL ACCOM TAX FUND | LOCAL HOSPITALITY TAX FUND | VICTIMS ASSISTANCE FUND |
|--------------------------------------|--|--------------------------------------|-------------------------------------|---|--|
| ASSETS | | | | | |
| Cash | \$ - | \$ - | \$ 78,667 | \$ 150,090 | \$ 29,097 |
| Receivables | 28,552 | 13,178 | 2,404 | 29,555 | - |
| Restricted Cash | 35,271 | 1 | - | - | - |
| Due from Other Funds | - | - | - | - | 3,355 |
| Total Assets | <u>\$ 63,823</u> | <u>\$ 13,179</u> | <u>\$ 81,071</u> | <u>\$ 179,645</u> | <u>\$ 32,452</u> |
| LIABILITIES AND FUND BALANCES | | | | | |
| Liabilities | | | | | |
| Accounts Payable | \$ - | \$ - | \$ 15,616 | \$ 16,436 | \$ - |
| Due to Other Funds | - | - | - | - | 32,452 |
| Total Liabilities | <u>-</u> | <u>-</u> | <u>15,616</u> | <u>16,436</u> | <u>32,452</u> |
| Fund Balances | | | | | |
| Restricted | 63,823 | 13,179 | - | - | - |
| Committed | - | - | 65,455 | 163,209 | - |
| Assigned | - | - | - | - | - |
| Total Fund Balances | <u>63,823</u> | <u>13,179</u> | <u>65,455</u> | <u>163,209</u> | <u>-</u> |
| Total Liabilities and Fund Balances | <u>\$ 63,823</u> | <u>\$ 13,179</u> | <u>\$ 81,071</u> | <u>\$ 179,645</u> | <u>\$ 32,452</u> |

**CITY OF HARDEEVILLE, SOUTH CAROLINA
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2014**

| | <u>CONTINGENCY FUND</u> | <u>CELEBRATE HARDEEVILLE FUND</u> | <u>GRANTS FUND</u> | <u>FIRE FUND</u> | <u>TOTAL</u> |
|--------------------------------------|-----------------------------|---|------------------------|----------------------|-------------------|
| ASSETS | | | | | |
| Cash | \$ 7,366 | \$ 2,452 | \$ - | \$ 36,114 | \$ 303,786 |
| Receivables | - | - | - | - | 73,689 |
| Restricted Cash | 4,549 | - | - | - | 39,821 |
| Due from Other Funds | - | - | - | - | 3,355 |
| Total Assets | <u>\$ 11,915</u> | <u>\$ 2,452</u> | <u>\$ -</u> | <u>\$ 36,114</u> | <u>\$ 420,651</u> |
| LIABILITIES AND FUND BALANCES | | | | | |
| Liabilities | | | | | |
| Accounts Payable | \$ - | \$ - | \$ - | \$ - | \$ 32,052 |
| Due to Other Funds | - | - | - | - | 32,452 |
| Total Liabilities | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>64,504</u> |
| Fund Balances | | | | | |
| Restricted | 11,915 | - | - | 36,114 | 125,031 |
| Committed | - | - | - | - | 228,664 |
| Assigned | - | 2,452 | - | - | 2,452 |
| Total Fund Balances | <u>11,915</u> | <u>2,452</u> | <u>-</u> | <u>36,114</u> | <u>356,147</u> |
| Total Liabilities and Fund Balances | <u>\$ 11,915</u> | <u>\$ 2,452</u> | <u>\$ -</u> | <u>\$ 36,114</u> | <u>\$ 420,651</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, 2014**

| | INDIRECT ACCOM TAX FUND | DIRECT ACCOM TAX FUND | LOCAL ACCOM TAX FUND | LOCAL HOSPITALITY TAX FUND | VICTIMS ASSISTANCE FUND |
|--|-------------------------------|-----------------------------|----------------------------|----------------------------------|-------------------------------|
| Revenues | | | | | |
| Taxes | \$ 92,751 | \$ 42,808 | \$ 189,516 | \$ 268,035 | \$ - |
| Fines, Fees and Licenses | - | - | - | - | 32,452 |
| Donations | - | - | - | - | - |
| Miscellaneous | - | - | 76 | 195 | - |
| Total Revenues | <u>92,751</u> | <u>42,808</u> | <u>189,592</u> | <u>268,230</u> | <u>32,452</u> |
| Expenditures | | | | | |
| Current: | | | | | |
| General Government | - | - | - | - | - |
| Police Department | - | - | - | - | - |
| Planning/Development Services | - | - | - | - | - |
| Fire Department | - | - | - | - | - |
| Public Works/Recreation | 80,023 | 42,810 | 11,083 | 32,630 | - |
| Debt Service: | | | | | |
| Principal | - | - | 126,760 | 126,759 | - |
| Interest | - | - | 29,748 | 29,748 | - |
| Capital Outlay: | | | | | |
| Public Work | - | - | - | - | - |
| Planning/Development Services | - | - | - | - | - |
| Recreation | - | - | - | 10,500 | - |
| Total Expenditures | <u>80,023</u> | <u>42,810</u> | <u>167,591</u> | <u>199,637</u> | <u>-</u> |
| Excess (deficiency) of revenues over expenditures | <u>12,728</u> | <u>(2)</u> | <u>22,001</u> | <u>68,593</u> | <u>32,452</u> |
| Other Financing Sources (Uses) | | | | | |
| Transfers Out | - | - | - | - | (32,452) |
| Total Other Financing Sources (Uses) | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(32,452)</u> |
| Net change in fund balances | 12,728 | (2) | 22,001 | 68,593 | - |
| Fund balances, beginning of year | <u>51,095</u> | <u>13,181</u> | <u>43,454</u> | <u>94,616</u> | <u>-</u> |
| Fund balances, end of year | <u>\$ 63,823</u> | <u>\$ 13,179</u> | <u>\$ 65,455</u> | <u>\$ 163,209</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, 2014**

| | CONTINGENCY FUND | CELEBRATE HARDEEVILLE FUND | GRANTS FUND | FIRE FUND | TOTAL |
|--|---------------------|----------------------------------|----------------|------------------|-------------------|
| Revenues | | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ - | \$ 593,110 |
| Fines, Fees and Licenses | 185 | - | - | - | 32,637 |
| Intergovernmental | - | - | 496,250 | - | 496,250 |
| Miscellaneous | 1,917 | 2,452 | 215,644 | 15,289 | 235,573 |
| Total Revenues | <u>2,102</u> | <u>2,452</u> | <u>711,894</u> | <u>15,289</u> | <u>1,357,570</u> |
| Expenditures | | | | | |
| Current: | | | | | |
| General Government | - | - | - | - | - |
| Police Department | 30,952 | - | - | - | 30,952 |
| Planning/Development Services | - | - | 215,644 | - | 215,644 |
| Fire Department | - | - | - | 2,041 | 2,041 |
| Public Works/Recreation | - | - | - | - | 166,546 |
| Debt Service: | | | | | |
| Principal | - | - | - | - | 253,519 |
| Interest | - | - | - | - | 59,496 |
| Capital Outlay: | | | | | |
| Public Work | - | - | 491,250 | - | 491,250 |
| Planning/Development Services | - | - | 5,000 | - | 5,000 |
| Recreation | - | - | - | - | 10,500 |
| Total Expenditures | <u>30,952</u> | <u>-</u> | <u>711,894</u> | <u>2,041</u> | <u>1,234,948</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(28,850)</u> | <u>2,452</u> | <u>-</u> | <u>13,248</u> | <u>122,622</u> |
| Other Financing Sources (Uses) | | | | | |
| Transfers Out | - | - | - | - | (32,452) |
| Total Other Financing Sources (Uses) | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(32,452)</u> |
| Net change in fund balances | (28,850) | 2,452 | - | 13,248 | 90,170 |
| Fund balances, beginning of year | 40,765 | - | - | 22,866 | 265,977 |
| Fund balances, end of year | <u>\$ 11,915</u> | <u>\$ 2,452</u> | <u>\$ -</u> | <u>\$ 36,114</u> | <u>\$ 356,147</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, 2014**

| | BUDGETED AMOUNTS | | ACTUAL | VARIANCE |
|--|-------------------------|------------------|------------------|------------------------------------|
| | ORIGINAL | FINAL | | FAVORABLE (UNFAVORABLE) |
| Revenues | | | | |
| Taxes | \$ 50,000 | \$ 50,000 | \$ 92,751 | \$ 42,751 |
| Total Revenues | <u>50,000</u> | <u>50,000</u> | <u>92,751</u> | <u>42,751</u> |
| Expenditures | | | | |
| Current: | | | | |
| Public Works/Recreation | 50,000 | 50,000 | 80,023 | (30,023) |
| Total Expenditures | <u>50,000</u> | <u>50,000</u> | <u>80,023</u> | <u>(30,023)</u> |
| Excess (deficiency) of revenues over (under) expenditures | - | - | 12,728 | 12,728 |
| Fund balances, beginning of year | 51,095 | 51,095 | 51,095 | - |
| Fund balances, end of year | <u>\$ 51,095</u> | <u>\$ 51,095</u> | <u>\$ 63,823</u> | <u>\$ 12,728</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, 2014**

| | <u>BUDGETED AMOUNTS</u> | | <u>ACTUAL</u> | <u>VARIANCE</u> |
|--|-------------------------|------------------|------------------|--|
| | <u>ORIGINAL</u> | <u>FINAL</u> | | <u>FAVORABLE</u> <u>(UNFAVORABLE)</u> |
| Revenues | | | | |
| Taxes | \$ 20,000 | \$ 20,000 | \$ 42,808 | \$ 22,808 |
| Total Revenues | <u>20,000</u> | <u>20,000</u> | <u>42,808</u> | <u>22,808</u> |
| Expenditures | | | | |
| Current: | | | | |
| Public Works/Recreation | <u>20,000</u> | <u>20,000</u> | <u>42,810</u> | <u>(22,810)</u> |
| Total Expenditures | <u>20,000</u> | <u>20,000</u> | <u>42,810</u> | <u>(22,810)</u> |
| Excess (deficiency) of revenues over (under) expenditures | - | - | (2) | (2) |
| Fund balances, beginning of year | <u>13,181</u> | <u>13,181</u> | <u>13,181</u> | - |
| Fund balances, end of year | <u>\$ 13,181</u> | <u>\$ 13,181</u> | <u>\$ 13,179</u> | <u>\$ (2)</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, 2014**

| | <u>BUDGETED AMOUNTS</u> | | <u>ACTUAL</u> | <u>VARIANCE</u> |
|--|-------------------------|------------------|------------------|--|
| | <u>ORIGINAL</u> | <u>FINAL</u> | | <u>FAVORABLE</u> <u>(UNFAVORABLE)</u> |
| Revenues | | | | |
| Taxes | \$ 178,000 | \$ 178,000 | \$ 189,516 | \$ 11,516 |
| Miscellaneous | - | - | 76 | 76 |
| Total Revenues | <u>178,000</u> | <u>178,000</u> | <u>189,592</u> | <u>11,592</u> |
| Expenditures | | | | |
| Current: | | | | |
| Public Works/Recreation | 178,000 | 178,000 | 11,083 | 166,917 |
| Debt Service: | | | | |
| Principal | - | - | 126,760 | (126,760) |
| Interest | - | - | 29,748 | (29,748) |
| Total Expenditures | <u>178,000</u> | <u>178,000</u> | <u>167,591</u> | <u>10,409</u> |
| Excess (deficiency) of revenues over (under) expenditures | - | - | 22,001 | 22,001 |
| Fund balances, beginning of year | 43,454 | 43,454 | 43,454 | - |
| Fund balances, end of year | <u>\$ 43,454</u> | <u>\$ 43,454</u> | <u>\$ 65,455</u> | <u>\$ 22,001</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, 2014**

| | BUDGETED AMOUNTS | | ACTUAL | VARIANCE |
|--|------------------|------------------|-------------------|----------------------------|
| | ORIGINAL | FINAL | | FAVORABLE (UNFAVORABLE) |
| Revenues | | | | |
| Taxes | \$ 160,000 | \$ 160,000 | \$ 268,035 | \$ 108,035 |
| Miscellaneous | - | - | 195 | 195 |
| Total Revenues | <u>160,000</u> | <u>160,000</u> | <u>268,230</u> | <u>108,230</u> |
| Expenditures | | | | |
| Current: | | | | |
| Public Works/Recreation | 160,000 | 160,000 | 32,630 | 127,370 |
| Debt Service: | | | | |
| Principal | - | - | 126,759 | (126,759) |
| Interest | - | - | 29,748 | (29,748) |
| Capital Outlay: | | | | |
| Recreation | - | - | 10,500 | (10,500) |
| Total Expenditures | <u>160,000</u> | <u>160,000</u> | <u>199,637</u> | <u>(39,637)</u> |
| Excess (deficiency) of revenues over (under) expenditures | - | - | 68,593 | 68,593 |
| Fund balances, beginning of year | 94,616 | 94,616 | 94,616 | - |
| Fund balances, end of year | <u>\$ 94,616</u> | <u>\$ 94,616</u> | <u>\$ 163,209</u> | <u>\$ 68,593</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, 2014**

| | BALANCE | | ADDITIONS | | DELETIONS | | BALANCE |
|--|----------------------|----|------------------|----|------------------|----|----------------------|
| | JUNE 30, 2013 | | | | | | JUNE 30, 2014 |
| MUNICIPAL IMPROVEMENT DISTRICT - HH LAKES | | | | | | | |
| ASSETS | | | | | | | |
| Cash | \$ 2,298,071 | \$ | 1,384,560 | \$ | 1,357,700 | \$ | 2,324,931 |
| Total Assets | \$ 2,298,071 | \$ | 1,384,560 | \$ | 1,357,700 | \$ | 2,324,931 |
| LIABILITIES | | | | | | | |
| Due to Others | \$ 2,298,071 | \$ | 1,384,560 | \$ | 1,357,700 | \$ | 2,324,931 |
| Total Liabilities | \$ 2,298,071 | \$ | 1,384,560 | \$ | 1,357,700 | \$ | 2,324,931 |

**CITY OF HARDEEVILLE, SOUTH CAROLINA
SCHEDULE OF COURT FINES, ASSESSMENTS, AND SURCHARGES
FOR THE YEAR ENDED JUNE 30, 2014**

Court Fines and Assessments

| | |
|---|------------|
| Court Fines Collected | \$ 207,464 |
| Assessments | 182,772 |
| Surcharges | 103,857 |
| Total Court Fines and Assessments Collected | 494,093 |

Surcharges and Assessments Remitted to State Treasurer

| | |
|--|---------|
| Surcharges | 103,857 |
| Assessments | 182,772 |
| Court Surcharges and Assessments Remitted to State Treasurer | 286,629 |

Fines, Surcharges, and Assessments Retained by City

| | |
|------------------------------|---------|
| Fines | 207,464 |
| Surcharges | - |
| Assessments | - |
| Court Fines Retained by City | 207,464 |

Funds Allocated to Victims Services

| | |
|--|----------|
| Carryover Funds from Prior Year | - |
| Surcharges Retained | 3,892 |
| Assessments Retained | 25,037 |
| Expenditures | (28,929) |
| Transfers from General Fund | - |
| Total Unexpended Victims Rights Assistance | \$ - |

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> |
|--|-------------|
| Financial Trends <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 |
| Revenue Capacity <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 |
| Debt Capacity <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 |
| Demographic and Economic Informatior <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 |
| Operating Information <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 TEN FISCAL YEARS**

Schedule 1 Schedule 1

| | FISCAL YEAR | | | | | | | | | |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
| GOVERNMENTAL ACTIVITIES | | | | | | | | | | |
| Net Investment in capital assets | \$ 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 | \$11,829,740 |
| Restricted | - | - | - | 2,455,107 | 2,093,882 | 2,515,737 | 2,722,233 | 2,380,701 | 3,249,213 | 4,052,101 |
| Unrestricted | 943,260 | 597,758 | 1,838,666 | 259,726 | 519,772 | 697,696 | 1,818,948 | 3,141,876 | 3,327,367 | 3,555,794 |
| 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> | <u>\$19,437,635</u> |

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

Schedule 2

| | FISCAL YEAR | | | | | | | | | |
|---|---------------------|---------------------|---------------------|---------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
| Expenses | | | | | | | | | | |
| 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 | \$ 638,634 |
| Council | 80,082 | 77,318 | 88,599 | 91,352 | 98,117 | 120,995 | 115,685 | 130,601 | 112,466 | 130,165 |
| Planning/Development Services | 163,849 | 253,515 | 572,505 | 577,065 | 466,657 | 412,709 | 682,087 | 750,548 | 686,764 | 949,829 |
| Public Information | 190,833 | 145,871 | 178,695 | 189,273 | 111,052 | 125,531 | 131,592 | 176,483 | 182,726 | 190,610 |
| Public Works | 308,280 | 397,356 | 561,751 | 569,857 | - | - | - | 548,401 | 616,551 | 724,470 |
| 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 | 1,509,121 |
| 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 | 1,625,361 |
| Courts | 741,923 | 909,165 | 758,810 | 587,909 | 211,584 | 211,051 | 235,894 | 246,588 | 259,294 | 244,817 |
| Recreation | 412,641 | 290,153 | 472,322 | 540,399 | 917,298 | 1,165,568 | 995,062 | 461,959 | 509,674 | 562,885 |
| Downtown Development | - | - | - | - | 311,733 | 57,829 | - | - | - | 104,486 |
| Building Inspection | - | - | - | 446,074 | 151,804 | 335,629 | 368,146 | - | - | - |
| Finance | - | - | - | 80,031 | 182,602 | 276,903 | 242,035 | 276,402 | 284,362 | 289,378 |
| Interest Expense | 192,972 | 235,727 | 248,076 | 402,042 | 390,099 | 232,645 | 219,369 | 194,678 | 176,724 | 117,433 |
| 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> | <u>7,087,189</u> |
| Revenues | | | | | | | | | | |
| 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 | 566,336 |
| Developer Review Fees | - | - | - | 785,529 | 766,465 | 638,820 | 657,799 | 106,514 | 12,841 | 6,123 |
| Fines | - | - | - | 136,022 | 239,283 | 314,681 | 370,823 | 341,317 | 308,144 | 328,017 |
| Other | - | - | - | 643,397 | 106,718 | 84,138 | 27,730 | 68,418 | 67,384 | 53,497 |
| Operating Grants and Contributions | 24,630 | 41,825 | 376,815 | 316,089 | 967,281 | 1,045,726 | 1,247,729 | 927,072 | 821,607 | 786,125 |
| Capital Grants and Contributions | 59,489 | 856,882 | 584,357 | 2,280,032 | 3,669,568 | 613,557 | 987,767 | 547,947 | 738,639 | 1,378,858 |
| 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 | 4,625,550 |
| Business Licenses | - | - | - | 875,543 | 1,016,468 | 634,330 | 777,496 | 862,269 | 960,156 | 898,804 |
| Grants and Contributions not restricted | 83,725 | 49,142 | 52,972 | 58,544 | 60,097 | 38,097 | 55,869 | 54,276 | 70,230 | 64,356 |
| Interest Income | 46,859 | 33,763 | 12,460 | 119,795 | 9,872 | 28,995 | 581 | 14,810 | 338 | 6,872 |
| Other | 1,088,683 | 1,030,699 | 1,376,646 | 55,203 | 64,724 | 14,436 | 63,795 | 106,571 | 144,487 | 255,505 |
| 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> | <u>8,970,043</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 | 1,882,854 |
| 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 | 17,554,781 |
| 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> | <u>\$ 19,437,635</u> |

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

Schedule 3

| | FISCAL YEAR | | | | | | | | | |
|-------------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| | 2005 | 2006 | 2007 | 2008 Restated | 2009 | 2010 | 2011* | 2012 | 2013 | 2014 |
| GENERAL FUND | | | | | | | | | | |
| Committed | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 368,881 |
| Unreserved | 14,925 | (53,630) | 650,752 | (13,729) | 868,984 | - | - | - | - | - |
| Unassigned | - | - | - | - | - | 867,797 | 1,416,724 | 1,979,512 | 2,439,559 | 2,441,121 |
| Nonspendable | - | - | - | - | - | - | - | - | - | 55,066 |
| Assigned | - | - | - | - | - | - | 311,920 | 370,667 | 388,486 | 250,000 |
| 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> | <u>\$ 3,115,068</u> |
| ALL OTHER GOVERNMENTAL FUNDS | | | | | | | | | | |
| 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 | 2,514 |
| Committed | - | - | - | - | - | 256,624 | 106,721 | 82,186 | 138,070 | 228,664 |
| Restricted | - | - | - | - | - | 1,688,290 | 1,854,491 | 2,380,701 | 3,111,142 | 3,683,220 |
| Nonspendable | - | - | - | - | - | 867,742 | 867,742 | 908,742 | 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> | <u>\$ 4,823,140</u> |

* Implemented GASB Statement No. 54.

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

Schedule 4

19

| | FISCAL YEAR | | | | | | | | | |
|---|------------------|------------------|------------------|-------------------|-------------------|------------------|------------------|------------------|------------------|------------------|
| | 2005 | 2006 | 2007 | 2008 Restated | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
| Revenues | | | | | | | | | | |
| 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 | \$ 4,923,258 |
| 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 | 2,313,503 |
| Special Assessments | - | - | - | - | 2,802,121 | 999,956 | 1,095,246 | 698,119 | 830,352 | 880,898 |
| 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 | 560,606 |
| Miscellaneous | 864,733 | 682,697 | 176,636 | 266,585 | 294,022 | 372,519 | 1,168,380 | 353,661 | 270,209 | 363,662 |
| Total Revenues | 4,488,790 | 6,154,344 | 8,156,129 | 9,735,384 | 10,516,623 | 7,172,933 | 8,414,023 | 7,366,997 | 8,222,938 | 9,041,927 |
| Expenditures | | | | | | | | | | |
| 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 | 569,393 |
| Council | 80,082 | 77,318 | 88,599 | 91,352 | 98,117 | 120,995 | 115,685 | 130,601 | 112,466 | 130,165 |
| Planning/Development Services | 165,800 | 265,779 | 577,201 | 866,384 | 457,174 | 402,192 | 667,881 | 730,538 | 698,967 | 960,308 |
| Public Information | 191,858 | 162,499 | 162,109 | 197,798 | 116,449 | 114,452 | 121,085 | 168,401 | 175,207 | 181,599 |
| Public Works | 305,987 | 1,250,972 | 561,982 | 693,751 | - | - | - | 454,642 | 526,225 | 604,478 |
| 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 | 1,487,149 |
| 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 | 1,608,594 |
| Courts | 739,378 | 906,335 | 749,549 | 582,928 | 208,016 | 207,340 | 230,334 | 239,677 | 251,862 | 265,132 |
| Recreation | 1,878,989 | 593,835 | 749,917 | 810,454 | 822,453 | 922,156 | 781,120 | 313,910 | 367,844 | 421,410 |
| Downtown Development | - | - | 51,690 | 144,255 | 368,787 | 79,067 | 359,252 | - | 199 | 87,012 |
| Building Inspection | - | - | - | 446,074 | 151,804 | 335,629 | - | - | - | - |
| Finance | - | - | - | 71,628 | 173,555 | 280,642 | 230,167 | 245,529 | 253,213 | 256,596 |
| Debt Service | | | | | | | | | | |
| Principal | - | - | - | 467,297 | 550,406 | 586,872 | 614,274 | 450,919 | 746,881 | 518,776 |
| Interest | - | - | - | - | 224,963 | 215,978 | 221,871 | 195,024 | 190,456 | 135,564 |
| Bond Issue Costs | - | - | - | - | 120,099 | - | - | - | - | - |
| Capital Outlay | | | | | | | | | | |
| General Government | - | - | - | - | 1,913,038 | 308,710 | 93,686 | 31,166 | 72,365 | 5,105 |
| Planning/Development Services | - | - | - | - | - | - | 91,888 | - | 137,228 | 75,058 |
| Police Department | - | - | - | - | 41,950 | 107,413 | - | 28,209 | - | 205,912 |
| Fire Department | - | - | - | - | - | 27,099 | 539,146 | - | 93,767 | 272,738 |
| Public Works | - | - | - | - | 1,741,526 | 56,104 | 44,758 | 89,827 | 33,413 | 500,213 |
| Courts | - | - | - | - | - | 35,805 | - | - | - | - |
| Economic Development | - | - | - | 1,320,964 | - | - | - | - | - | - |
| Recreation | - | - | - | - | - | - | - | 25,935 | 107,287 | 10,500 |
| Finance | - | - | - | - | - | 39,703 | - | - | - | - |
| Total Expenditures | 7,208,820 | 7,689,843 | 7,352,862 | 10,028,937 | 10,260,741 | 7,017,282 | 7,416,905 | 6,203,977 | 7,077,609 | 8,295,702 |
| Excess (deficiency) of revenues over (under) expenditures | (2,720,030) | (1,535,499) | 803,267 | (293,553) | 255,882 | 155,651 | 997,118 | 1,163,020 | 1,145,329 | 746,225 |
| Other Financing Sources | | | | | | | | | | |
| Issuance of Debt | 250,322 | 1,630,041 | 11,856 | - | 1,265,000 | 300,000 | - | - | - | 205,912 |
| Transfers Out | (1,484,693) | (790,049) | (119,113) | (80,652) | (610,016) | (191,781) | (170,393) | (194,922) | (149,952) | (125,630) |
| Transfers In | 1,484,693 | 790,049 | 119,113 | 80,652 | 610,016 | 191,781 | 170,393 | 194,922 | 149,952 | 125,630 |
| Total Other Financing Sources (Uses) | 250,322 | 1,630,041 | 11,856 | - | 1,265,000 | 300,000 | - | - | - | 205,912 |
| Net Change in Fund Balances | (2,469,708) | 94,542 | 815,123 | (293,553) | 1,520,882 | 455,651 | 997,118 | 1,163,020 | 1,145,329 | 952,137 |
| Fund Balances, Ending | 3,557,668 | 1,087,959 | 1,182,501 | 1,997,624 | 1,704,071 | 3,224,953 | 3,680,604 | 4,677,722 | 5,840,742 | 6,986,071 |
| Fund Balances, Beginning | \$ 1,087,960 | \$ 1,182,501 | \$ 1,997,624 | \$ 1,704,071 | \$ 3,224,953 | \$ 3,680,604 | \$ 4,677,722 | \$ 5,840,742 | \$ 6,986,071 | \$ 7,938,208 |
| Debt service as a percentage of noncapital expenditures | N/A | N/A | 14.40% | 5.67% | 13.68% | 14.24% | 14.39% | 12.00% | 16.46% | 9.96% |

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 | |
| 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 | 25,853,424 | 361,776,520 | 147.00 |
| 2014 | 18,899,110 | 3,359,666 | 22,258,776 | 353,986,543 | 26,877,328 | 380,863,871 | 142.00 |

* 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 OPERATIONS | CHERRY POINT FIRE DISTRICT | COUNTY DEBT SERVICE | SCHOOL OPERATIONS | SCHOOL DEBT SERVICE |
| | BASIC RATE | | | | | | |
| 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 | |
| 2014 | 142.00 | 142.00 | 33.00 | 12.00 | 166.00 | 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>2014</u> | | | <u>2005</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 |
| 2005 | \$ 595,920 | \$ 548,240 | 92.0% | \$ 35,166 | \$ 583,406 | 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 | 92.7% | 14,010 | 1,149,108 | 93.8% |
| 2009 | 1,844,137 | 1,735,668 | 94.1% | 67,720 | 1,803,388 | 97.8% |
| 2010 | 2,278,086 | 2,022,047 | 88.8% | 147,976 | 2,170,023 | 95.3% |
| 2011 * | 2,326,994 | 2,019,348 | 86.8% | 233,324 | 2,252,672 | 96.8% |
| 2012 | 2,137,309 | 1,873,093 | 87.6% | 234,444 | 2,107,537 | 98.6% |
| 2013 | 2,597,427 | 2,346,569 | 90.3% | 142,171 | 2,488,740 | 95.8% |
| 2014 | 2,587,715 | 2,343,628 | 90.6% | - | 2,343,628 | 90.6% |

* Reassessment year

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

Schedule 9

| FISCAL YEAR ENDED JUNE 30, | <u>GOVERNMENTAL ACTIVITIES</u> | | | | | | |
|-------------------------------------|--------------------------------|------------------|-------------------|-------------------------------|--------------------------------|-------------------------------------|-------------|
| | NOTES PAYABLE | REVENUE BONDS | LEASES PAYABLE | GENERAL OBLIGATION BOND | TOTAL PRIMARY GOVERNMENT | PERCENTAGE OF PERSONAL INCOME | PER CAPITAL |
| 2005 | \$ 288,037.00 | 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% | 3,169.67 |
| 2007 | - | N/A | 4,574,724 | 464,753 | 5,039,477 | 9.0% | 2,611.13 |
| 2008 | - | N/A | 4,107,892 | 435,774 | 4,543,666 | 9.6% | 1,644.47 |
| 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% | 1,326.23 |
| 2012 | 274,957 | 995,000 | 2,358,062 | 297,623 | 3,925,642 | 6.7% | 1,154.60 |
| 2013 | - | 925,000 | 1,993,768 | 259,992 | 3,178,760 | 4.4% | 794.69 |
| 2014 | - | 855,000 | 1,794,105 | 220,854 | 2,869,959 | 8.0% | 668.83 |

N/A Information is not available.

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

Schedule 10

| FISCAL YEAR ENDED JUNE 30, | AMOUNT | PERCENTAGE OF ACTUAL TAXABLE VALUE OF PROPERTY | PER CAPITA |
|---|---------------|---|-------------------|
| 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 |
| 2014 | 220,885 | 1.12% | 51.48 |

N/A Information is not available.

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

Schedule 11

| <u>GOVERNMENTAL</u> | <u>DEBT OUTSTANDING</u> | <u>ESTIMATED PERCENTAGE APPLICABLE</u> | <u>AMOUNT APPLICABLE TO PRIMARY GOVERNMENT</u> |
|--|-----------------------------|--|--|
| Debt repaid with property taxes | | | |
| Jasper County School District | \$ 37,243,099 | 17.5% | 6,517,542 |
| Jasper County | 19,860,097 | 17.5% | 3,475,517 |
| Subtotal overlapping debt | 57,103,196 | | 9,993,059 |
| City direct debt | 2,869,959 | 100.00% | 2,869,959 |
| Total direct and overlapping debt | \$ 59,973,155 | | \$ 12,863,018 |

Source: County Financial Statements
School Financial Statements
Jasper County Assessor

Note: Assessed value data used to estimate applicable percentage provided by Jasper County Auditor.
Debt outstanding provided by each governmental unit.

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

Schedule 12

Legal Debt Margin Calculation for Fiscal Year 2014

| | |
|------------------------------------|---------------------|
| Assessed Value | \$ 22,258,776 |
| Debt limit (8% of assessed value) | 1,780,702 |
| Debt applicable to limit: | |
| General Obligation Bonds | <u>(220,885)</u> |
| Total net debt applicable to limit | <u>(220,885)</u> |
| Legal Debt Margin | <u>\$ 1,559,817</u> |

| | FISCAL YEAR | | | | | | | | | |
|---|------------------|------------------|-------------------|-------------------|-------------------|---------------------|-------------------|---------------------|---------------------|---------------------|
| | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
| Debt Limit | \$ 523,778 | \$ 528,854 | \$ 826,309 | \$ 876,532 | \$ 1,153,154 | \$ 1,391,296 | \$ 1,262,300 | \$ 1,331,043 | \$ 1,666,030 | \$ 1,780,702 |
| Total net debt applicable to limit | <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> | <u>(220,885)</u> |
| Legal debt margin | <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> | <u>\$ 1,559,817</u> |
| Total net debt applicable to the limit as a percentage of debt limit | 99.76% | 93.23% | 56.24% | 49.72% | 34.84% | 26.48% | 26.44% | 22.43% | 15.61% | 12.00% |

Source: Jasper County Assessor

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

| FISCAL YEAR ENDED JUNE 30, | REVENUE BONDS | | | |
|---|----------------------|---------------------|-----------------|-----------------|
| | COLLECTIONS | DEBT SERVICE | | COVERAGE |
| | | PRINCIPAL | INTEREST | |
| 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 | 229.33% |
| 2010 | 273,215 | 60,000 | 64,938 | 218.68% |
| 2011 | 264,904 | 60,000 | 61,938 | 217.24% |
| 2012 | 258,044 | 65,000 | 57,240 | 211.10% |
| 2013 | 242,145 | 70,000 | 55,688 | 192.66% |
| 2014 | 239,288 | 70,000 | 52,188 | 195.84% |

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**

| FISCAL YEAR ENDED JUNE 30, | POPULATION | PERSONAL INCOME (thousands of dollars) | PER CAPITA PERSONAL INCOME | SCHOOL ENROLLMENT | UNEMPLOYMENT RATE |
|---|-------------------|---|---------------------------------------|------------------------------|------------------------------|
| 2005 | 1,842 | \$ 31,612 | \$ 17,162 | N/A | 6.2% |
| 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% |
| 2014 | 4,291 | 35,806 | 17,366 | 1,285 | 7.1% |

71

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**

| <u>EMPLOYER</u> | <u>2014</u> | | | <u>2005</u> | | |
|---------------------------------|------------------|-------------|--|------------------|-------------|--|
| | <u>EMPLOYEES</u> | <u>RANK</u> | <u>PERCENTAGE OF TOTAL CITY EMPLOYMENT</u> | <u>EMPLOYEES</u> | <u>RANK</u> | <u>PERCENTAGE OF TOTAL CITY EMPLOYMENT</u> |
| Coastal Carolina Medical Center | 313 | 1 | 18.65% | N/A | N/A | N/A |
| Jasper County School District | 148 | 2 | 8.82% | N/A | N/A | N/A |
| Cracker Barrell | 101 | 3 | 6.02% | N/A | N/A | N/A |
| Del Webb | 84 | 4 | 5.01% | N/A | N/A | N/A |
| City of Hardeeville | 64 | 5 | 3.81% | N/A | N/A | N/A |
| Wilco Hess | 53 | 6 | 3.16% | N/A | N/A | N/A |
| Waste Pro | 53 | 7 | 3.16% | N/A | N/A | N/A |
| McDonalds | 52 | 8 | 3.10% | N/A | N/A | N/A |
| Burger King | 42 | 9 | 2.50% | N/A | N/A | N/A |
| Price Wise | 29 | 10 | 1.73% | N/A | N/A | N/A |
| Total | <u>939</u> | | <u>55.96%</u> | <u>0</u> | | <u>0.00%</u> |
| Total city employees | | | 1678 | | | |

72

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

| FUNCTION/PROGRAM | FISCAL YEAR | | | | | | | | | |
|--------------------------------------|-------------|------|------|------|------|------|------|------|------|------|
| | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
| General Government | 4.0 | 4.0 | 4.0 | 6.0 | 4.0 | 4.0 | 4.0 | 3.0 | 2.0 | 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 | - | 3.0 | 4.0 | 3.0 | 3.0 | 4.0 | 5.0 | 4.0 | 4.0 | 3.0 |
| Downtown Development | - | - | - | - | - | - | - | - | - | 1.0 |
| Public Information | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.5 | 2.5 | 2.5 |
| Fire Department | 10.0 | 12.0 | 10.0 | 12.0 | 16.0 | 15.0 | 16.0 | 16.0 | 17.0 | 19.0 |
| Police Department | 19.0 | 17.0 | 12.0 | 17.0 | 18.0 | 17.0 | 19.0 | 20.0 | 20.0 | 19.0 |
| Courts | 2.0 | 3.0 | 3.0 | 4.0 | 5.5 | 3.5 | 3.5 | 3.5 | 3.0 | 2.5 |
| Public Works/Recreation/Engineering* | 6.0 | 7.0 | 7.0 | 8.0 | 7.0 | 7.0 | 9.5 | - | - | - |
| Public Works | - | - | - | - | - | - | - | 8.0 | 7.0 | 8.5 |
| Recreation | - | - | - | - | - | - | - | 2.5 | 2.5 | 2.5 |
| Economic Development | - | - | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | - | - | - |
| Building Inspection | 1.0 | 1.0 | 1.0 | 1.0 | - | - | - | - | - | - |
| Finance | - | 1.0 | 3.0 | 3.0 | 2.0 | 2.0 | 2.0 | 3.0 | 3.0 | 3.0 |
| | 49.0 | 55.0 | 52.0 | 62.0 | 63.5 | 60.5 | 67.0 | 67.5 | 66.0 | 68.0 |

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

| | FISCAL YEAR | | | | | | | | | |
|--|-------------|------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
| Business Licenses Issued | N/A | N/A | 573 | 514 | 597 | 439 | 454 | 488 | 589 | 644 |
| Sales Reported for Licenses* (millions) | N/A | N/A | \$ 42 | \$ 137 | \$ 154 | \$ 133 | \$ 187 | \$ 213 | \$ 241 | \$ 296 |
| Commercial Building Permits | N/A | N/A | 9 | 37 | 89 | 9 | 20 | 18 | 54 | 36 |
| Valuation of Permits Issued* (thousands) | N/A | N/A | \$ 3,455 | \$ 7,839 | \$ 16,922 | \$ 1,831 | \$ 3,637 | \$ 4,714 | \$ 4,831 | \$ 5,702 |
| Residential Building Permits Issued | N/A | N/A | 97 | 106 | 39 | 155 | 198 | 149 | 252 | 320 |
| Valuation of Permits Issued* (thousands) | N/A | N/A | \$ 20,422 | \$ 45,701 | \$ 8,497 | \$ 40,234 | \$ 35,135 | \$ 40,431 | \$ 43,064 | \$ 51,236 |

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

| <u>FUNCTION/PROGRAM</u> | <u>FISCAL YEAR</u> | | | | | | | | | |
|------------------------------|--------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | <u>2005</u> | <u>2006</u> | <u>2007</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> |
| Police Department | | | | | | | | | | |
| Patrol Units | 15 | 15 | 15 | 17 | 21 | 21 | 21 | 21 | 21 | 22 |
| Fire Department | | | | | | | | | | |
| Engines in Operation | 4 | 4 | 4 | 4 | 4 | 4 | 5 | 5 | 5 | 4 |
| 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

**CITY OF HARDEEVILLE, SOUTH CAROLINA
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED JUNE 30, 2014**

| <u>Federal Grantor/Pass-Through Grantor Program Title</u> | <u>Grant Number</u> | <u>Federal CFDA Number</u> | <u>Expenditures</u> |
|---|-------------------------|--------------------------------|--------------------------|
| <i>US Department of Housing and Urban Development</i> | | | |
| <i>Passed through the SC Department of Commerce</i> | | | |
| Community Development Block Grant | 4-CI-11-014 | 14.228 | \$ 491,250 |
| Community Development Block Grant | 4-W-13-003 | 14.228 | 5,000 |
| <i>US Department of Justice</i> | | | |
| Cops | 2013UMWX0127 | 16.710 | 57,925 |
| <i>US Department of Agriculture</i> | | | |
| Community Facilities Grant | | 10.766 | 8,175 |
| Total Expenditures of Federal Awards | | | <u><u>\$ 562,350</u></u> |

**CITY OF HARDEEVILLE, SOUTH CAROLINA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014**

Note 1 – Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Hardeeville, South Carolina under programs of the federal government for the year ended June 30, 2014. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non – Profit Organizations*. Because the schedule presents only a selected portion of the operations of the City of Hardeeville, South Carolina, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the City of Hardeeville, South Carolina.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principals contained in OMB Circular A-87, Cost Principals for State, Local and Indian Tribal Governments, wherein certain types of expenditures are not allowable or are limited to reimbursement.

Note 3 – Non-cash Awards

The City of Hardeeville, South Carolina did not receive any non-cash federal awards during the year ended June 30, 2014.

**CITY OF HARDEEVILLE, SOUTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014**

I. Summary of Auditors' Results

- A. The auditors' report expresses an unmodified opinion on the financial statements of the City of Hardeeville, South Carolina.
- B. Our audit of the financial statements disclosed no significant deficiencies or material weaknesses in internal control over financial reporting.
- C. No instances of noncompliance material to the financial statements of the City of Hardeeville, South Carolina, which would be required to be reported in accordance with Government Auditing Standards, were disclosed during the audit.
- D. No significant deficiencies in internal controls over major federal award programs were disclosed during the audit.
- E. The auditors' report on compliance for the major federal award programs of the City of Hardeeville, South Carolina expresses an unmodified opinion on all major federal programs.
- F. Our audit disclosed no audit findings which relate to the federal awards which are required to be reported under section 510(a) of OMB Circular A-133.
- G. Major federal program for the City of Hardeeville, South Carolina for the fiscal year ended June 30, 2014 are:

| <u>Program Name</u> | <u>CFDA#</u> |
|-----------------------------------|--------------|
| Community Development Block Grant | 14.228 |

- H. The threshold for determining Type A programs for the City of Hardeeville, South Carolina is \$300,000.
- I. The City of Hardeeville, South Carolina did not qualify as a low risk auditee.

**CITY OF HARDEEVILLE, SOUTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014**

II. Findings and Questioned Costs Related to the Audit of the Financial Statements of the City of Hardeeville, South Carolina:

There were no findings noted for the year ended June 30, 2014, which are required to be reported in accordance with *Government Auditing Standards*.

III Findings and Questioned Costs Related to the Audit of Federal Awards of the City of Hardeeville, South Carolina:

There were no findings noted for the year ended June 30, 2014, which are required to be reported in accordance with OMB Circular A-133 criteria.

IV. Prior Audit Findings Related to the Audit of the Financial Statements of the City of Hardeeville, South Carolina:

There were no findings noted for the year ended June 30, 2013 which are required to be reported in accordance with *Government Auditing Standards*.

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 the City of Hardeeville Council
City of 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 City of Hardeeville, South Carolina, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise City of Hardeeville, South Carolina's basic financial statements and have issued our report thereon dated December 16, 2014.

Internal Control Over Financial Reporting

In planning and performing our audits of the financial statements, we considered City of Hardeeville, South Carolina's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Hardeeville, South Carolina's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Hardeeville, South Carolina's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Hardeeville, South Carolina's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Baird & Company, CPAs, LLC

BAIRD & COMPANY, CPAs, LLC
Certified Public Accountants

Augusta, Georgia
December 16, 2014

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

City of Hardeeville Council
City of Hardeeville, South Carolina

Report on Compliance for Each Major Federal Program

We have audited City of Hardeeville, South Carolina's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of City of Hardeeville, South Carolina's major federal programs for the year ended June 30, 2014. City of Hardeeville, South Carolina's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of City of Hardeeville, South Carolina's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audits of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audits to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City of Hardeeville, South Carolina's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audits provide a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of City of Hardeeville, South Carolina's compliance.

Opinion on Each Major Federal Program

In our opinion, City of Hardeeville, South Carolina, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

Management of City of Hardeeville, South Carolina, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audits of compliance, we considered City of Hardeeville, South Carolina's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the

effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of City of Hardeeville, South Carolina's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Baird & Company, CPAs, LLC

BAIRD & COMPANY, CPAs, LLC
Certified Public Accountants

Augusta, Georgia
December 16, 2014