

CITY OF HARDEEVILLE, SOUTH CAROLINA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2010

PREPARED BY THE FINANCE DEPARTMENT

**CITY OF HARDEEVILLE, SOUTH CAROLINA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
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INTRODUCTORY SECTION



December 13, 2010

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, 2010.

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 Cline Brandt Kochenower & Co., P.A., 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, 2010 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, 2010 are fairly presented in conformity with GAAP. The independent auditors report is presented as the first component of the financial section of this report.

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

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



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

Profile of the Government

The City founded in 1911 is located in the Southeastern part of South Carolina, just north of Savannah, Georgia. The City currently occupies a land area of 51.3 square miles and serves a population of 1,930. 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.

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, 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 38 as part of the required supplementary information for governmental funds. The special revenue fund budgets are presented on pages 44-47 as part of the supplementary information.

Factors Affecting Financial Condition

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

Local Economy

The City's fiscal year 2010 assessable base is \$17,391,197 up 21% from the assessable base of \$14,414,430 in fiscal year 2009. Per capita income for the City for census year 2000 was \$11,795 compared to \$17,683 for Jasper County as a whole and \$24,424 for South Carolina. Median household income in the City, according to the 2000 census records, was \$28,977.

The U.S. Census Bureau's 2009 population estimate for City of Hardeeville is 3,000. A recent study completed by Clemson University's Strom Thurmond Institute projected that City of Hardeeville will grow in population to 127,000 residents by 2026.

City of Hardeeville is the gateway to the Hilton Head Island and the Beaufort City tourism market because of Interstate 95 that runs north and south through the middle of the City for a distance of 5 miles with two interchanges. Two primary corridors, US 278 running east/west and SC 170 running north/south, accommodate a majority of the tourist traffic in both Jasper and Beaufort Counties. Most of City of Hardeeville's large scale residential and commercial growth is occurring along these corridors. City of Hardeeville and Beaufort City have adopted SC 170/US 278 Corridor Access Management Plans. The plans define access management standards, future signal locations, integration requirements and median requirements for the two corridors to accommodate development in these areas.

The City of Hardeeville has a variety of large and small residential, commercial, and industrial projects on the horizon. There are more than ten (10) Planned Development Districts approved and more than five (5) in process, in addition to other projects located throughout the city. Two of the major commercial projects include Okatie Crossings, a 282 acre mixed use development with up to 2.8 million square feet of commercial and 1,000 residential units, and Hardee Station, featuring several hotel and restaurant sites. Industrial projects include those such as the 100,000 square foot Antunes Commercial project within the Hardeeville Tract, and approximately ten (10) smaller operations in the Hardeeville Industrial Park, Deerfield Industrial Park, Exit 8 Commerce Park, and other prime locations throughout the City. Several multifamily projects, including 159-unit Shell Brook, 172-unit Fisherman's Cove, and 254-unit Courtney Bend, have come online as well. With the uncertainty of the markets and without developer input, absolute projections of other impending development cannot be precisely quantified.

The University of South Carolina (USCB) has constructed a four-year university campus in Jasper and Beaufort Counties along US 278. The Technical College of the Lowcountry (TCL) has also constructed a "New River Campus" along US 278.

An auto mall facility has been constructed in this area. Jaguar, Nissan, Dodge, Jeep/Chrysler, Hyundai, Infiniti, Mazda, and Porsche dealerships have been constructed there. A Ford/Lincoln/Mercury dealership, purported to be the largest of its kind in the nation, has also located in this area. The permitting of additional auto dealerships is in progress.

The states of Georgia and South Carolina have joined forces to develop a bi-state port authority to construct and operate a new deep water shipping terminal in City of Hardeeville on approximately 1,500 acres of land that is currently owned by the Georgia Department of Transportation. A joint project office is to be established while the process to create the bi-state authority proceeds. The project office will be responsible for obtaining permitting and gaining control of the property which is to be purchased jointly by both states. The new terminal will have a tremendous impact on the local economy and presents the potential for substantial financial benefit to City of Hardeeville. It has been estimated that the new marine terminal will produce 450 direct jobs and as many as 98,000 new jobs in the region.

A recent, positive development for the City is the acceptance by the South Carolina State Infrastructure Bank of the "Exit 3" project. This new exit and interchange will provide a direct route to US highway 17, improvements to the US 321 interchange, as well as access to the planned Riverport development. The Exit 3 project currently sits on the South Carolina Department of Transportation's state transportation improvement project list, on the LCCOG 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) the project is expected to create over 28,000 permanent jobs—eclipsing the BMW plant in Spartanburg in terms of economic impact.

Long-term Financial Planning

City of Hardeeville has spent much time and effort in the past three years trying to understand and manage 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.

The City also hired Clemson University to study the fiscal implications of the City's growth strategy on City of Hardeeville, Jasper County, and the Town of Ridgeland. The resulting fiscal impact model used in Clemson University's January 2006 Fiscal Impact Assessment estimates that additional revenue from the growth will cover the growth-related capital and operating expenditures of City of Hardeeville under every scenario analyzed.

With most of the planned residential and commercial development, City of Hardeeville and Jasper County and 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. The City has entered into one municipal improvement district bond that is for infrastructure and is payable solely from the special assessments in the development.

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. This is the first year that the City has prepared a comprehensive annual financial report.

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,

City Manager
Theodore "Ted" Felder

Finance Director
Dennis Averkin

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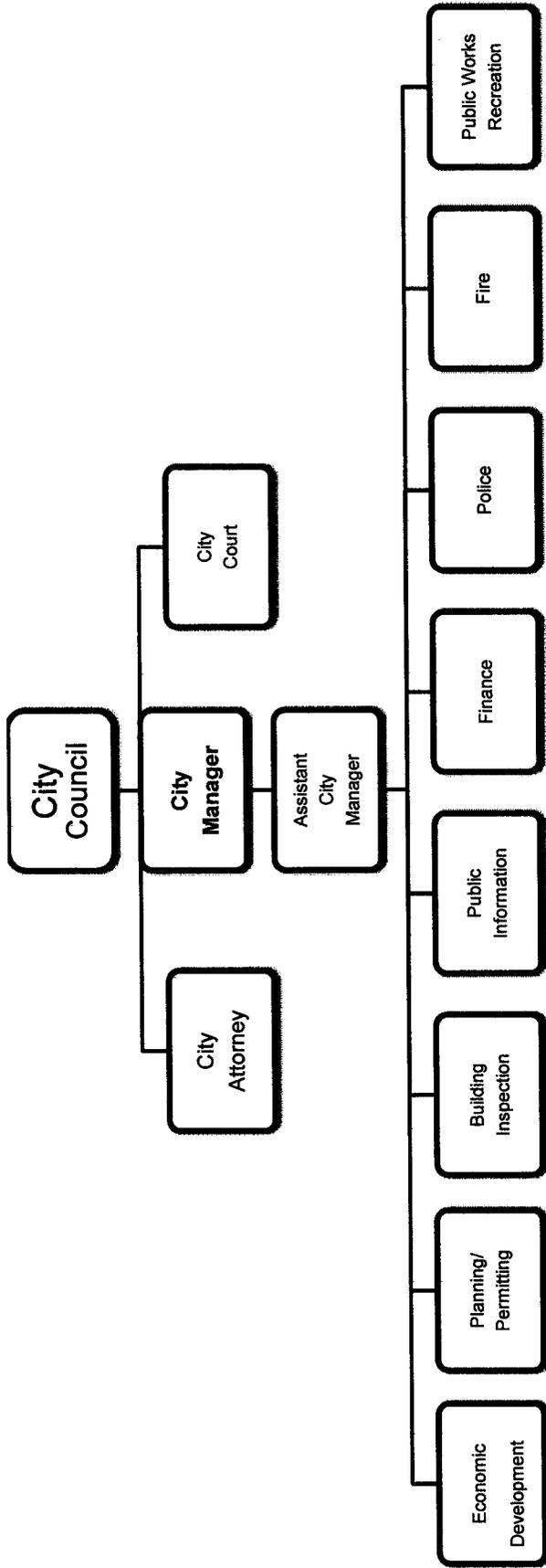
205 East Main Street
Post Office Box 609
Hardeeville, SC 29927



INCORP. 1911

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

CITY OF HARDEVILLE, SOUTH CAROLINA
ORGANIZATIONAL CHART



**CITY OF HARDEEVILLE, SOUTH CAROLINA
LIST OF PRINCIPAL OFFICIALS
JUNE 30, 2010**

TITLE	NAME
Mayor.....	Bronco Bostick
Mayor Pro-Tem.....	Michael Foskey
Council Member.....	Roy Powell
Council Member.....	Sal Arzillo
Council Member.....	Sherry Carroll
City Manager (resigned November 16, 2009).....	Kevin Griffin
City Manager (since November 16, 2009).....	Theodore B. "Ted" Felder
Assistant City Manager.....	Jeff Slocum
Finance/Permitting.....	Dennis Averkin
Planning.....	Brana Snowden
Economic Development.....	LeNolon Edge
Public Information.....	Juan Singleton
Public Works/Recreation.....	Addison Jarrell
Fire.....	Dan Morgan
Police.....	Richard Nagy
Court.....	John Carroll

FINANCIAL SECTION

Independent Auditors' Report

To the City Council
City of Hardeeville, South Carolina
Hardeeville, South Carolina

We have audited the accompanying financial statements of the governmental activities, each major fund and aggregate remaining fund information of the City of Hardeeville, South Carolina, as of and for the year ended June 30, 2010, which collectively comprise the City of Hardeeville, South Carolina's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the City of Hardeeville, South Carolina's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the government activities, each major fund and the aggregate remaining fund information of the City of Hardeeville, South Carolina, as of June 30, 2010, and the respective changes in financial position thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 13, 2010, on our consideration of the City of Hardeeville, South Carolina's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 10 through 17 and 40 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 State of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 schedules, schedule of court fines, assessments and surcharges, capital assets used in the operation of the governmental funds schedules and statistical section are presented for the purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund schedules and the schedule of court fines, assessments and surcharges have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections and schedule of capital assets have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.



December 13, 2010

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, 2010. 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 \$12,892,548 (net assets). Of this amount, \$9,679,115 represents the investment in capital assets less depreciation and debt on those assets and \$2,515,737 is restricted for other purposes. The remaining balance of \$697,696 represents unrestricted net assets. Hardeeville's total net assets increased by \$911,830.
- As of the close of the current fiscal year Hardeeville's governmental funds reported a combined ending fund balance of \$3,680,604, an increase of \$455,651.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$867,797, or 14 percent of total general fund expenditures.

Overview of the Financial Statements

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

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

The statement of net assets presents information on all of Hardeeville's assets and liabilities, with the difference between the two reported as net assets. Over time, increases and decreases in the net assets 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 assets changed during the most recent fiscal year. Changes in net assets 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, and development fund. Data from the other nine 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 assets 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 \$12,892,548 in 2010. Comparative information is presented for the 2009 fiscal year report. The following table reflects the condensed government-wide statement of net assets.

CITY OF HARDEEVILLE, SOUTH CAROLINA NET ASSETS		
	Governmental Activities	
	2010	2009
Current and Other Assets	\$ 4,467,543	\$ 3,815,229
Capital Assets	<u>14,372,880</u>	<u>14,382,188</u>
Total Assets	<u>18,840,423</u>	<u>18,197,417</u>
Long-term Liabilities Outstanding	5,532,833	5,779,424
Other Liabilities	<u>551,012</u>	<u>437,275</u>
Total Liabilities	<u>6,083,845</u>	<u>6,216,699</u>
Net Assets		
Investment in Capital Assets, Net of Related Debt	9,679,115	9,367,064
Unrestricted	697,696	519,772
Restricted	<u>2,515,737</u>	<u>2,093,882</u>
Total Net Assets	<u>\$ 12,892,548</u>	<u>\$ 11,980,718</u>

The portion of Hardeeville's net assets \$9,679,115 (76 percent) reflects its investment in capital assets less the related debt on capital assets. These capital assets are not available for future spending. Although Hardeeville's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The changes in capital assets can be attributed to the purchase of capital assets of \$574,834, the net reduction in debt of \$267,425 less depreciation of \$584,142. See note 4 on page 32 and note 5 on page 33 for details.

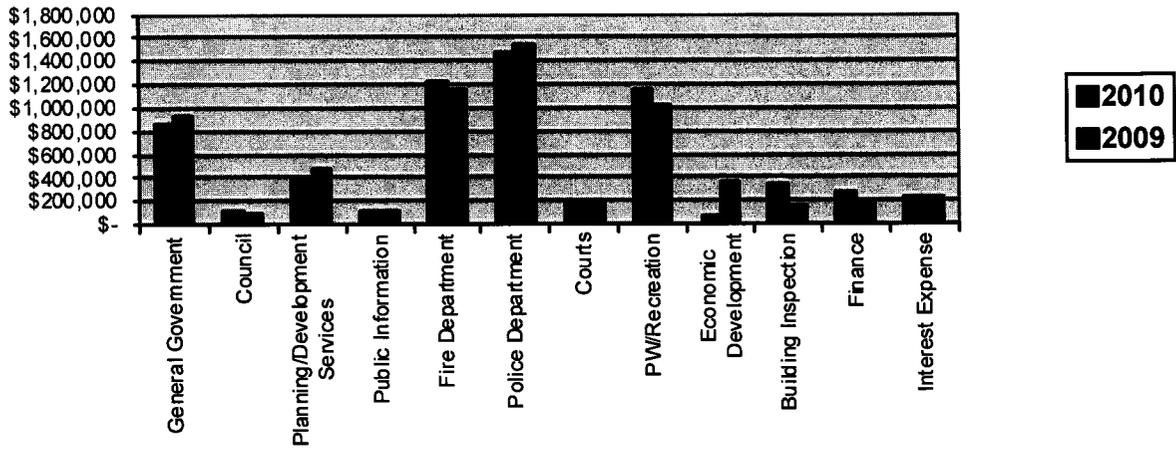
Other liabilities increased due to a reclassification of current portion of long-term debt. The restricted portion of net assets of \$2,515,737 consists of \$2,252,579 restricted for economic development and \$263,158 reported in special revenue funds. The remaining net assets of \$697,696 (5.4 percent) are unrestricted.

Governmental activities. Hardeeville's total net assets increased by \$911,830. Comparative information has been presented for the prior year. Line item analysis of this increase is shown in the following table.

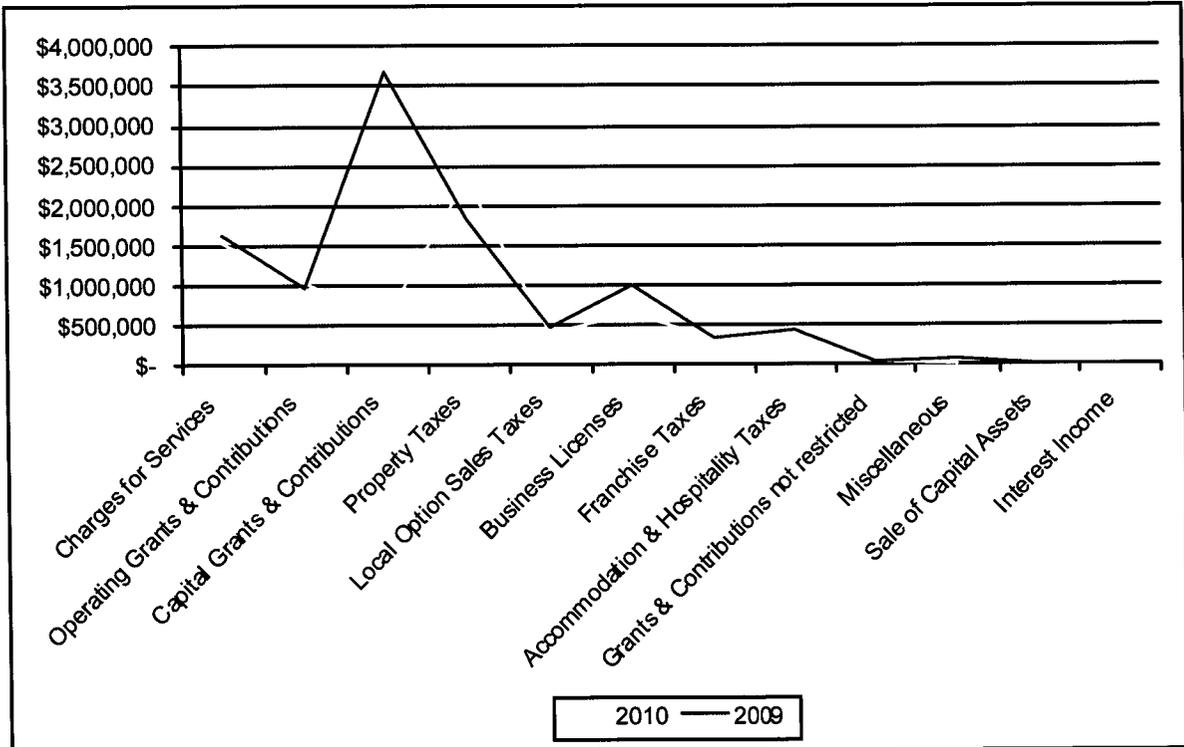
CITY OF HARDEEVILLE, SOUTH CAROLINA CHANGE IN NET ASSETS		
	Governmental Activities	
	2010	2009
Expenses		
General Government	\$ 835,716	\$ 935,106
Council	120,995	98,117
Planning/Development Services	411,673	466,065
Public Information	125,531	111,052
Fire Department	1,228,950	1,158,875
Police Department	1,471,700	1,539,834
Courts	211,051	211,584
Public Works/Recreation	1,165,568	1,026,432
Economic Development	58,865	372,787
Building Inspection	335,629	151,804
Finance	276,903	182,602
Interest	232,645	233,259
Total expenses	6,475,226	6,487,517
Program Revenues		
Charges for Services	1,539,522	1,620,921
Operating Grants and Contributions	1,045,726	967,281
Capital Grants and Contributions	613,557	3,669,568
Total program revenues	3,198,805	6,257,770
General Revenues		
Property Taxes	2,314,274	1,831,780
Local Option Sales Taxes	408,765	486,371
Business Licenses	634,330	1,016,468
Franchise Taxes	326,932	337,373
Accommodation and Hospitality Taxes	422,422	448,384
Grants and contributions not restricted to specific programs	38,097	60,097
Interest Income	28,995	9,872
Miscellaneous	14,436	86,092
Total general revenues	4,188,251	4,276,437
Increase in net assets	911,830	4,046,690
Net assets – beginning	11,980,718	8,654,856
Prior Period Adjustment	-	(720,828)
Net assets – ending	\$ 12,892,548	\$ 11,980,718

The City's net assets increased by \$911,830 during the current fiscal year. The increase resulted from capital grants of \$613,000 and an increase in delinquent taxes of \$214,000 which are deferred on the funds statement.

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, and the development fund. At the end of the current fiscal year, Hardeeville's governmental funds reported combined ending fund balances of \$3,680,604 an increase of \$455,651. This increase can be attributed to assessments for development in the development fund of \$430,000 and issuance of debt in the development fund of \$300,000 less \$215,000 actually spent.

Overall there was a positive variance in the budget of \$55,938. However, within the budget there were significant variances as follows. Building permit revenues were over budget by \$326,720. Since building inspections were subcontracted, the building expense was over budget \$250,629. Also, donations of \$179,599 were not budgeted revenue. The donation was in the form of property that is included in the capital outlay. Special assessment revenue was \$220,428 below budget due to a default by a developer of \$200,000. Included in the council budget was \$431,000 for contingency which was used to cover additional expenses in excess of budget in other departments.

The reserved portion of the development fund of \$1,898,178 consists of \$1,030,436 for economic development and \$867,742 as property held for resale. The reserved portion of the nonmajor funds of \$162,639 consists of \$162,639 for cash held for debt retirement. The general fund unreserved fund balance is \$867,797 which represents the general fund balance in its entirety and is available for spending at the City's discretion.

Capital Assets and Debt Administration

Capital Assets. Hardeeville's investment in capital assets for its governmental type activities as of June 30, 2010 amounts to \$14,372,880 (net of accumulated depreciation). This investment in capital assets includes land and improvements, construction in progress, buildings and improvements, land improvements, furniture and equipment, vehicles, and infrastructure. Increases in Hardeeville's investment in capital assets for the current fiscal year were \$574,834 that included \$284,339 for land, \$51,578 for construction in progress, \$170,317 for buildings and improvements, and \$68,600 for equipment. Depreciation expense was \$584,142 for the year. Additional information on Hardeeville's capital assets can be found in note 4 on page 32.

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

	Governmental Activities	
	2010	2009
Construction in Progress	\$ 51,578	\$ -
Land and Improvements	6,513,659	6,309,809
Buildings and Improvements	4,545,458	4,472,162
Furniture and Equipment	522,030	567,093
Vehicles	1,071,518	1,298,259
Infrastructure	1,668,637	1,734,865
Total	<u>\$ 14,372,880</u>	<u>\$ 14,382,188</u>

Long-term debt. At the end of the current fiscal year, Hardeeville had long-term debt outstanding in the amount of \$4,990,835 which represented a decrease of \$267,425. A \$300,000 note payable was issued during the year to finance the purchase of a library site. Refer to note 5 on page 33 for a detailed discussion of long-term debt.

CITY OF HARDEEVILLE, SOUTH CAROLINA LONG-TERM DEBT OUTSTANDING

	Governmental Activities	
	2010	2009
Revenue Bonds	\$ 1,120,000	\$ 1,180,000
Notes Payable	300,000	-
General Obligation Bonds	368,436	401,796
Leases Payable	3,202,399	3,676,464
Total	<u>\$ 4,990,835</u>	<u>\$ 5,258,260</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 accommodation taxes and state accommodation taxes. For fiscal year 2010-2011, the City Council has approved an annual budget in the amount of \$6,143,624, a decrease of \$529,797 over the prior year. However, millage of 153 remains unchanged from the prior year.
- The unemployment rate for the City is currently 10.2 percent, a decrease from 11.2 percent a year ago.
- The City has entered into several development agreements. These developments are dependent to a large degree on the national economy. Activity has increased in the current fiscal year.

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 ASSETS
JUNE 30, 2010**

		<u>PRIMARY GOVERNMENT GOVERNMENTAL ACTIVITIES</u>
ASSETS		
Cash	\$	1,513,007
Receivables		925,604
Cash Restricted		1,193,075
Property Held for Resale		867,742
Bond Issuance Costs		104,085
Capital Assets, not being depreciated		2,648,501
Capital Assets, being depreciated		11,724,379
Total Assets	\$	<u>18,976,393</u>
 LIABILITIES AND NET ASSETS		
Liabilities		
Accounts Payable	\$	183,135
Salaries and Benefits Payable		107,454
Accrued Interest Payable		68,699
Unearned Revenue		201,725
Noncurrent Liabilities		
Due Within One Year		909,312
Due In More Than One Year		4,613,520
Total Liabilities		<u>6,083,845</u>
Net Assets		
Invested in capital assets, net of related debt		9,679,115
Unrestricted		697,696
Restricted for:		
Economic Development		2,252,579
Other Purposes		263,158
Total Net Assets		<u>12,892,548</u>
Total Liabilities and Net Assets	\$	<u>18,976,393</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, 2010**

Functions/Programs	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS	TOTAL GOVERNMENTAL ACTIVITIES
Governmental Activities						
General Government	\$ 835,716	-	-	179,599	\$	(656,117)
Council	120,995	-	-	-		(120,995)
Planning/Development Services	411,673	1,140,703	-	-		729,030
Public Information	125,531	-	-	-		(125,531)
Fire Department	1,228,950	1,100	779,782	-		(448,068)
Police Department	1,471,700	314,681	265,944	-		(891,075)
Courts	211,051	-	-	-		(211,051)
Public Works/Recreation	1,165,568	83,038	-	-		(1,082,530)
Economic Development	58,865	-	-	433,958		375,093
Building Inspection	335,629	-	-	-		(335,629)
Finance	276,903	-	-	-		(276,903)
Interest Expense	232,645	-	-	-		(232,645)
Total Governmental Activities	\$ 6,475,226	\$ 1,539,522	\$ 1,045,726	\$ 613,557		(3,276,421)
General Revenues						
Property Taxes						2,314,274
Local Option Sales Taxes						408,765
Business Licenses						634,330
Franchise Taxes						326,932
Accommodation and Hospitality Taxes						422,422
Grants and contributions not restricted to specific programs						38,097
Interest Income						28,995
Miscellaneous						14,436
Total General Revenues						4,188,251
Change in net assets						911,830
Net assets, beginning						11,980,718
Net assets, ending						12,892,548

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

**CITY OF HARDEEVILLE, SOUTH CAROLINA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2010**

	<u>GENERAL FUND</u>	<u>DEVELOPMENT FUND</u>	<u>OTHER GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
ASSETS				
Cash	\$ 1,127,275	\$ 184,178	\$ 201,554	\$ 1,513,007
Receivables	845,128	24,501	55,975	925,604
Restricted Cash	-	1,030,436	162,639	1,193,075
Due from Other Funds	17,604	468,307	14,481	500,392
Property Held for Resale	-	867,742	-	867,742
Total Assets	<u>\$ 1,990,007</u>	<u>\$ 2,575,164</u>	<u>\$ 434,649</u>	<u>\$ 4,999,820</u>

LIABILITIES AND FUND BALANCES

Liabilities				
Accounts Payable	\$ 174,883	\$ 8,252	\$ -	\$ 183,135
Salaries and Benefits Payable	107,454	-	-	107,454
Deferred Revenue	364,605	163,630	-	528,235
Due to Other Funds	475,268	16,272	8,852	500,392
Total Liabilities	<u>1,122,210</u>	<u>188,154</u>	<u>8,852</u>	<u>1,319,216</u>
Fund Balances				
Unreserved	867,797	488,832	-	1,356,629
Reserved Fund Balance	-	1,898,178	162,639	2,060,817
Unreserved, reported in:	-	-	263,158	263,158
Nonmajor Special Revenue Funds	-	-	425,797	425,797
Total Fund Balances	<u>867,797</u>	<u>2,387,010</u>	<u>425,797</u>	<u>3,680,604</u>
Total Liabilities and Fund Balances	<u>\$ 1,990,007</u>	<u>\$ 2,575,164</u>	<u>\$ 434,649</u>	<u>\$ 4,999,820</u>

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

**CITY OF HARDEEVILLE, SOUTH CAROLINA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2010**

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

Total fund balances for governmental funds		\$ 3,680,604
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Capital assets used in Hardeeville's activities are not financial resources and therefore are not reported in the funds. Those assets consist of:

Construction in Progress	\$ 51,578	
Land and improvements, net of \$426,697 accumulated depreciation	6,513,659	
Buildings and improvements, net of \$360,731 accumulated depreciation	4,545,458	
Furniture and equipment, net of \$649,243 accumulated depreciation	522,030	
Vehicles, net of \$1,352,604 accumulated depreciation	1,071,518	
Infrastructure, net of \$261,596 accumulated depreciation	<u>1,668,637</u>	
Total Capital Assets		14,372,880

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 reported as deferred revenue in the funds.		326,510
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Expenditures relating to the issuance of bonds is reported as an expenditure in the funds statement but amortized over the life of the bond in the statement of net assets.		104,085
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Long-term liabilities applicable to the Hardeeville's activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities --both current and long-term--are reported in the statement of net assets.

Balances at June 30, 2010 are:

Interest Payable	(68,699)	
Compensated absences	(531,998)	
Current and Long-term Debt	<u>(4,990,834)</u>	
Total Long-Term Liabilities		<u>(5,591,531)</u>

Total net assets of governmental activities		<u>\$ 12,892,548</u>
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CITY OF HARDEEVILLE, SOUTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	GENERAL FUND	DEVELOPMENT FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
Revenues				
Taxes	\$ 3,256,953	\$ -	\$ 394,597	\$ 3,651,550
Fines, Fees, and Licenses	1,831,528	69,248	30,436	1,931,212
Special Assessments	569,572	430,384	-	999,956
Donations	179,599	-	-	179,599
Intergovernmental	38,097	-	-	38,097
Miscellaneous	340,078	3,819	28,622	372,519
Total Revenues	<u>6,215,827</u>	<u>503,451</u>	<u>453,655</u>	<u>7,172,933</u>
Expenditures				
Current:				
General Government	722,391	-	200	722,591
Council	120,995	-	-	120,995
Planning/Development Services	332,943	69,249	-	402,192
Public Information	114,452	-	-	114,452
Fire Department	1,126,882	-	-	1,126,882
Police Department	1,304,584	-	23,068	1,327,652
Courts	207,340	-	-	207,340
Public Works/Recreation	758,929	-	163,227	922,156
Economic Development	59,864	19,203	-	79,067
Building Inspection	335,629	-	-	335,629
Finance	280,642	-	-	280,642
Debt Service:				
Principal	300,623	-	266,803	567,426
Interest	64,276	-	171,148	235,424
Capital Outlay:				
General Government	139,896	168,814	-	308,710
Police Department	107,413	-	-	107,413
Fire Department	-	27,099	-	27,099
Public Works/Recreation	56,104	-	-	56,104
Courts	35,805	-	-	35,805
Finance	39,703	-	-	39,703
Total Expenditures	<u>6,108,471</u>	<u>284,365</u>	<u>624,446</u>	<u>7,017,282</u>
Excess (deficiency) of revenues over (under) expenditures	<u>107,356</u>	<u>219,086</u>	<u>(170,791)</u>	<u>155,651</u>
Other Financing Sources (Uses)				
Transfers Out	(150,162)	-	(41,619)	(191,781)
Transfers In	41,619	-	150,162	191,781
Issuance of Debt	-	300,000	-	300,000
Total Financing Sources (Uses)	<u>(108,543)</u>	<u>300,000</u>	<u>108,543</u>	<u>300,000</u>
Net change in fund balances	(1,187)	519,086	(62,248)	455,651
Fund balances, beginning of year	868,984	1,633,656	722,313	3,224,953
Prior Period Adjustment	-	234,268	(234,268)	-
Fund balances, end of year	<u>\$ 867,797</u>	<u>\$ 2,387,010</u>	<u>\$ 425,797</u>	<u>\$ 3,680,604</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, 2010**

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

Net change in fund balances -- total governmental funds	\$ 455,651
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 (\$574,834) was less than depreciation (\$584,142) in the current period.	(9,308)
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.	(300,000)
Repayment of debt principal is an expenditure in the governmental funds but reduces the liability in the statement of net assets.	567,426
Interest is recorded as paid in the governmental funds but is accrued as a liability in the governmental statements.	2,779
Revenues recognized in the statement of activities that were not reported as revenues in the funds.	214,123
Expenditures relating to the issuance of bonds is reported as an expenditure in the funds statement but amortized over the life of the bond in the statement of net assets.	(8,007)
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>(10,834)</u>
Total change in net assets of governmental activities	<u>\$ 911,830</u>

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

**CITY OF HARDEEVILLE, SOUTH CAROLINA
 STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
 AGENCY FUNDS
 JUNE 30, 2010**

	AGENCY FUNDS
ASSETS	
Cash	\$ 3,306,162
Total Assets	3,306,162
 LIABILITIES	
Due to Others	3,306,162
Total Liabilities	3,306,162
 NET ASSETS	\$ -

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

CITY OF HARDEEVILLE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

REPORTING ENTITY

Generally accepted accounting principles, as established by the Governmental Accounting Standards Board, require that the financial reporting entity's financial statements include the financial operation of the primary government organizations for which the primary government is financially accountable, and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The basic criteria for including organizations as component units within the reporting entity include imposition of will, and financial benefit or burden on a primary government and selection of governing authority. Based on the above criteria, the City of Hardeeville, South Carolina has included the Hardeeville Public Facilities Corporation Inc., a 501(c)3 corporation, which is blended into the Development Fund.

The accompanying financial statements present the combined financial positions and combined results of operations of the various fund types controlled by the council and the Manager.

The City is primarily funded through taxation, fines and fees. The operating revenues and expenditures are included in the General Fund. The accounting policies of the City conform to generally accepted accounting principles, as applicable to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information about the reporting government as a whole. Governmental activities are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable. The City reports only governmental activities, as there are no business type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. 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 that are restricted to meeting the operational or capital requirements of a particular function or segment.

Separate financial statements are provided for governmental funds and fiduciary funds even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

CITY OF HARDEEVILLE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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.

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.

Additionally, the City reports the following fund types:

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

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first then unrestricted resources, as they are needed.

CITY OF HARDEEVILLE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Assets, Liabilities, and Net Assets or Equity

Deposits and Investments

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 2010 is 153 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.

CITY OF HARDEEVILLE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Assets, Liabilities, and Net Assets or Equity - Continued

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.

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:

<u>Assets</u>	<u>Years</u>
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 other financing sources.

CITY OF HARDEEVILLE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Assets, Liabilities, and Net Assets or Equity - Continued

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Government-wide and fund financial statements must be presented using an all-inclusive format. That is, the results of the current period's activities are to be reported as an addition to (or a deduction from) equity at the beginning of the period to arrive at the closing equity balance. Thus changes in net assets on the government-wide statement of activities is added to (or deducted from) net assets – beginning of the fiscal year to arrive at net assets – end of the fiscal year.

Net assets are defined as the difference between assets and liabilities in the government-wide statement of net assets.

The government-wide statement of net assets reports all government assets; therefore, a significant portion of the net assets reported there typically reflect a government's investment in capital assets. To draw financial statement users' attention to this important information, GAAP requires the amount of net assets invested in capital assets to be reported as a separate category of net assets. Net assets invested in capital assets, net of related debt includes all capital assets less accumulated depreciation and outstanding principal of related debt.

Restrictions may be imposed on a portion of the City's net assets by parties outside the government (such as creditors, grantors, contributors). In some cases, such restricted assets are directly associated with particular liabilities (for instance, restricted assets associated with revenue bonds). An amount equal to these restricted assets, less any related liabilities, is reported as restricted net assets.

GAAP direct that the difference between total net assets and the two categories discussed above (invested in capital assets, net of related debt and restricted net assets) be reported as unrestricted net assets.

Comparative Data

Comparative total data for the prior year has not been presented.

**CITY OF HARDEEVILLE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Assets, Liabilities, and Net Assets or Equity - Continued

Expenses/Expenditures

Consistent with the current financial resources measurement focus, the governmental fund statement of activities reports expenditures rather than expenses. Expenditures in the fund financial statements are presented by character for the governmental funds. The character of an expenditure is based upon the periods it is presumed to benefit. Expenditures that primarily benefit the present period (current expenditures) are distinguished from those presumed to benefit both the present and future periods (debt service expenditures and capital outlay expenditures). GAAP also provides for a fourth character classification, intergovernmental expenditures, for situations where one governmental entity provides resources to another.

Government-wide expenses are reported by function. The government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting. As a result, there are important differences between the expenditures reported on the governmental fund financial statements and those expenses reported on the government-wide financial statements. For example, the governmental funds report capital outlay expenditures, while the government-wide financial statements report depreciation.

BUDGET AND BUDGETARY ACCOUNTING

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. During the year ended June 30, 2010, the City Council adopted supplemental appropriations of \$130,771.

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenses. Actual results may differ from these estimates.

EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended June 30, 2010, expenditures exceeded appropriations in the Indirect Accommodations Tax Fund reported in Other Governmental Funds in the amount of \$56,143. These overexpenditures were funded by greater than anticipated revenues and by available fund balance.

**CITY OF HARDEEVILLE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 2 DEPOSITS AND INVESTMENTS

As of June 30, 2010, 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, 2010, the bank balance of the City’s deposits was insured by the FDIC’s Transaction Guarantee Program. Under that program, all noninterest-bearing transaction accounts and low-interest NOW accounts are fully guaranteed by the FDIC for the entire amount in the account. Coverage under the Transaction Account Guarantee Program is in addition to and separate from the coverage available under the FDIC’s general deposit insurance rules.

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

	Amount
Restricted for the library project	\$ 134,431
Restricted by bond covenants	162,639
Restricted by development agreements	896,005
Total Restricted Cash	\$ 1,193,075

NOTE 3 RECEIVABLES

Receivables at June 30, 2010, including the applicable allowances for uncollectible accounts, are as follows for the fund and government-wide financial statements:

	General Fund	Development Fund	Other Nonmajor Funds
Taxes Receivable	\$ 700,774	\$ -	\$ 54,060
Fines, Fees, and Licenses	264,461	24,501	1,915
Intergovernmental Revenues	11,197	-	-
Miscellaneous	99,121	-	-
Allowance for Uncollectibles	(230,425)	-	-
Total	\$ 845,128	\$ 24,501	\$ 55,975

Government funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. 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 deferred revenue and unearned revenue reported in governmental funds were as follows:

	Unavailable	Unearned
Delinquent property taxes receivable	\$ 326,510	\$ -
Phase 2 Transportation Study	5,500	5,500
Development fees not spent	163,630	163,630
USFW Grant	1,500	1,500
Held for museum expenditures	5,043	5,043
Cops Grant	26,052	26,052
Total	\$ 528,235	\$ 201,725

**CITY OF HARDEEVILLE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

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, 2009</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2010</u>
<i>Capital assets not being depreciated</i>				
Land and improvements	\$ 2,312,584	\$ 284,339	\$ -	\$ 2,596,923
Construction in progress	-	51,578	-	51,578
Total capital assets, not being depreciated	<u>2,312,584</u>	<u>335,917</u>	<u>-</u>	<u>2,648,501</u>
<i>Capital assets being depreciated</i>				
Buildings and improvements	4,735,872	170,317	-	4,906,189
Land improvements	4,343,433	-	-	4,343,433
Furniture and equipment	1,102,673	68,600	-	1,171,273
Vehicles	2,424,122	-	-	2,424,122
Infrastructure	<u>1,930,233</u>	<u>-</u>	<u>-</u>	<u>1,930,233</u>
Total capital assets being depreciated	<u>14,536,333</u>	<u>238,917</u>	<u>-</u>	<u>14,775,250</u>
Less accumulated depreciation for:				
Buildings and improvements	263,710	97,021	-	360,731
Land improvements	346,208	80,489	-	426,697
Furniture and equipment	535,580	113,663	-	649,243
Vehicles	1,125,863	226,741	-	1,352,604
Infrastructure	<u>195,368</u>	<u>66,228</u>	<u>-</u>	<u>261,596</u>
Total accumulated depreciation	<u>2,466,729</u>	<u>584,142</u>	<u>-</u>	<u>3,050,871</u>
Total capital assets being depreciated, net	<u>12,069,604</u>	<u>(345,225)</u>	<u>-</u>	<u>11,724,379</u>
Governmental activities capital assets, net	<u>\$ 14,382,188</u>	<u>\$ (9,308)</u>	<u>\$ -</u>	<u>\$ 14,372,880</u>

Depreciation expense was \$584,142 for the year ended June 30, 2010. This amount was allocated to the functional departments as follows:

<u>Governmental Activities</u>	
General Government	\$ 96,921
Fire Department	94,973
Public Works/Recreation	243,979
Planning	13,670
Police Department	130,929
Public Information	3,073
Court	<u>597</u>
Total	<u>\$ 584,142</u>

**CITY OF HARDEEVILLE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 5 LONG-TERM OBLIGATIONS

A schedule of changes in long-term indebtedness follows:

	Balance June 30, 2009	Additions	Retirements	Balance June 30, 2010	Due Within A Year
General Obligation Bonds	\$ 401,796	\$ -	\$ 33,360	\$ 368,436	\$ 34,703
Leases Payable	3,676,464	-	474,065	3,202,399	459,725
Revenue Bonds	1,180,000	-	60,000	1,120,000	60,000
Note Payable	-	300,000	-	300,000	25,045
Tax Anticipation Note	-	600,000	600,000	-	-
Compensated Absences	521,164	330,000	319,166	531,998	329,839
Total	<u>\$ 5,779,424</u>	<u>\$ 1,230,000</u>	<u>\$ 1,486,591</u>	<u>\$ 5,522,833</u>	<u>\$ 909,312</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 \$17,391,197. The computation of legal debt limits is as follows:

Assessed value (\$17,391,197 X 8%)	\$ 1,391,296
General obligation debt at June 30, 2010	<u>(368,436)</u>
Amount in excess of debt limit	<u>\$ 1,022,860</u>

Operating Leases

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

A summary of long-term debt is as follows:

General Obligation Bond

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

<u>BALANCE</u>
<u>\$ 368,436</u>

The general obligation bond is payable from the general fund. The annual requirement to amortize the general obligation bond as of June 30, 2010 is as follows:

<u>Fiscal Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 34,703	\$ 15,076	\$ 49,779
2012	36,122	13,657	49,779
2013	37,600	12,179	49,779
2014	39,138	10,641	49,779
2015	40,738	9,041	49,779
2016 - 2019	180,135	18,981	199,116
Total	<u>\$ 368,436</u>	<u>\$ 79,575</u>	<u>\$ 448,011</u>

**CITY OF HARDEEVILLE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 5 LONG-TERM OBLIGATIONS – CONTINUED

Leases Payable

\$498,514 lease payable on a fire truck and response unit payable in nine annual payments of \$67,615 including interest of 4.12% beginning September 29, 2004.	\$ 244,742
\$2,473,000 lease payable on municipal complex payable monthly at \$15,216 including interest of 4.19% beginning January 7, 2004.	1,885,169
\$250,322 lease payable for recreation equipment payable in ten annual payments of \$31,232 including interest of 4.24% beginning July 2005.	138,108
\$800,000 lease payable for recreation equipment payable in ten annual payments of \$97,995 including interest of 3.87% beginning May 10, 2005.	356,806
\$650,000 lease payable for fire truck payable in ten annual installments of \$79,701 including interest of 3.89% beginning August 5, 2006. Jasper County is to make the first five payments.	419,303
\$350,000 lease for twelve vehicles and three tractors payable interest only of \$15,330 on April, 2007 and four payments of \$97,287 including interest of 4.38% beginning April 1, 2008.	93,712
\$241,897 lease payable for eleven vehicles payable in four payments of \$67,490 including interest of 4.54% beginning August 31, 2007.	<u>64,559</u>
 Total	 <u>\$ 3,202,399</u>

Equipment Under Capitalized Leases

The City has entered into the above lease agreements for leasing the municipal complex, the purchase of fire firefighting equipment, and equipment to be used at the recreation center and municipal complex. The cost of these assets is \$5,857,922 with accumulated amortization of \$1,466,765. 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, 2010 are as follows:

Fiscal Year Ending	Payment
2011	\$ 625,105
2012	460,330
2013	460,330
2014	460,330
2015	294,991
2016 - 2020	998,629
2021 - 2024	<u>735,144</u>
Total Minimum Lease Payments	4,034,859
Less Amount Representing Interest	<u>(832,460)</u>
Present Value of Minimum Lease Payment	<u>\$ 3,202,399</u>

**CITY OF HARDEEVILLE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 5 LONG-TERM OBLIGATIONS – CONTINUED

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.

\$ 1,120,000

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>
2011	\$ 60,000	\$ 60,480	\$ 120,480
2012	65,000	57,240	122,240
2013	70,000	53,730	123,730
2014	70,000	57,420	127,420
2015	75,000	42,050	117,050
2016 - 2020	450,000	142,540	592,540
2020 - 2024	<u>330,000</u>	<u>34,000</u>	<u>364,000</u>
Total	<u>\$ 1,120,000</u>	<u>\$ 447,460</u>	<u>\$ 1,567,460</u>

Notes Payable

The Hardeeville Public Facilities Corporation, Inc. took out a \$300,000 loan to purchase the site for the library, payable in ten annual payments of \$36,895.38 including interest at 3.95%. The city in turn took out a lease with the Hardeeville Public Facilities Corporation, Inc. to pay lease payments equal to the note payments. The annual requirements to amortize the note are as follows:

<u>Fiscal Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 25,045	\$ 11,850	\$ 36,895
2012	26,035	10,860	36,895
2013	27,063	9,832	36,895
2014	28,132	8,763	36,895
2015	29,243	7,652	36,895
2016 - 2020	<u>164,482</u>	<u>19,993</u>	<u>184,475</u>
Total	<u>\$ 300,000</u>	<u>\$ 68,950</u>	<u>\$ 368,950</u>

Tax Anticipation Note

The City took out a tax anticipation note in the amount of \$600,000 for cash flow purposes. This note was paid back in full after property taxes were collected.

Compensated Absences

Unused vacation leave liabilities are reported in the applicable governmental type activities columns in the government-wide financial statements. The City employees can accumulate vacation and sick leave at varying amounts based on length of service and position. As of June 30, 2010, accrued vacation and sick leave totaled \$531,998 including seventeen percent for employee benefits. All compensated absences are paid from the general fund.

**CITY OF HARDEEVILLE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

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, 2010 is \$14,853,000.

NOTE 6 PENSION PLAN OBLIGATIONS

The City participates in the South Carolina Retirement System. The South Carolina Retirement System is a cost-sharing multi-employer defined benefit pension plan administered by the Retirement Division of the State Budget and Control Board.

Both employees and employers are required to contribute to the plan under authority of Title 9 of the South Carolina Code of Laws. All employers contribute at the actuarially required contribution rates. A summary of the required contribution rates and the amounts contributed to the plan follows:

SOUTH CAROLINA RETIREMENT CONTRIBUTION INFORMATION	2010	2009	2008
Total Current Year Payroll	\$ 1,324,702	\$ 1,701,557	\$ 1,867,934
Covered Payroll	1,268,730	1,377,772	1,545,585
Employee Contributions	82,468	89,556	100,463
Employee Contribution Rate (based upon salary)	6.50%	6.50%	6.50%
Employer Contributions	117,230	127,306	140,031
Employer Contribution Rate (based upon salary)	9.24%	9.24%	9.06%
Group Life Contributions	1,902	2,068	2,318
Group Life Contribution Rate (based upon salary)	0.15%	0.15%	0.15%

SOUTH CAROLINA POLICE OFFICERS CONTRIBUTION INFORMATION	2010	2009	2008
Total Current Year Payroll	\$ 1,299,728	\$ 1,262,232	\$ 898,372
Covered Payroll	1,194,217	1,116,343	898,372
Retiree Salaries	105,511	145,889	-
Employee Contributions	84,482	82,262	58,394
Employee Contribution Rate (based upon salary)	6.5%	6.5%	6.5%
Employer Contributions	138,421	134,427	92,533
Employer Contribution Rate (based upon salary)	10.7%	10.7%	10.3%
Group Life Contributions	2,600	2,524	1,797
Group Life Contribution Rate (based upon salary)	0.2%	0.2%	0.2%

The South Carolina Retirement System offers retirement and disability benefits, cost of living adjustments on an ad-hoc basis, life insurance benefits, and survivor benefits. The plan's provisions are established under Title 9 of the South Carolina Code of Laws.

A Comprehensive Annual Financial Report containing financial statements and required supplementary information for the South Carolina Retirement System is issued and publicly available by writing the South Carolina Retirement System, Post Office Box 11980, Columbia, South Carolina 29211-1980.

**CITY OF HARDEEVILLE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

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	\$ 41,619	\$ 150,162	\$ 191,781
Transfers Out	150,162	41,619	191,781

The transfer of \$41,649 from the victims fund to the general fund was to reimburse the victims officer expenses. The transfer from the general fund to the capital projects fund of \$150,162 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.

NOTE 9 COMMITMENTS AND CONTINGENCIES

The City has the following commitments and contingencies at June 30, 2010:

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, 2010, 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. Given that we are going to be in negotiations in this coming year to address rural fire coverage for Jasper County in adjacent unincorporated areas, and a pending ISO consultant report detailing equipment and staffing needs that will be prepared in the Spring of 2011, it would be mere speculation as to whether staffing needs will increase or not. These are not capital items, but operational expenses that could be covered by personnel shifts within the existing projected budgets for this year and 2011-12.

**CITY OF HARDEEVILLE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 10 SUBSEQUENT EVENTS

A property was left off the tax rolls in 2009 in the amount of \$135,970. It was billed subsequent to year end and is included in deferred revenue on the funds statement. It is expected that this amount will be included twice in the year 2011 statement.

A major development has requested to be annexed into the City. This would add significant revenue to the City.

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

A member of management has terminated employment which could result in a large payout of accrued compensated absences.

Pursuant to the development agreement with Hilton Head Lakes, the City has ordered 2 (two) fire trucks and equipment costing \$835,000 which will be delivered in January 2011. The payment will come from the cash in the Hilton Head Lakes Fiduciary Fund.

The City expects to receive the money from another developer to build a fire station in the development. It is expected at this time that the fire station would be completed in the 2011-2012 fiscal year and that the budget for 2011-2012 would include amounts to man the fire station.

The property known as the Heyward House has been purchased for construction of a library. Preliminary design has been completed. The project is expected to cost \$1,421,447 financed with a CDBG grant of \$500,000 (applied for) with \$134,000 available in restricted cash. The balance of funding would come from the sale of the present library and the sale of land held for resale.

NOTE 11 RESERVED FUND BALANCE

The reserved fund balance in the development fund of \$1,898,178 represents cash and other assets of \$1,030,436 reserved by developer agreements to construct infrastructure to support the developments covered by the agreements. Additionally, land valued at \$657,000 and sewer capacity of \$210,742 is held for resale.

The reserved fund balance in other governmental funds is \$162,639 which represents the amount in the capital projects fund held for debt retirement.

**CITY OF HARDEEVILLE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 12 NET ASSETS

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

Capital Assets		
Capital assets not being depreciated		\$ 2,648,501
Capital assets being depreciated		11,724,379
Total Capital Assets		<u>14,372,880</u>
Debt		
Total debt	\$ (4,990,835)	
Cash on hand from bond	<u>297,070</u>	
Net debt		<u>(4,693,765)</u>
Capital Assets, Net of Related Debt		<u>\$ 9,679,115</u>

The restricted net assets for Economic Development is computed as follows:

Fund Balance - Development Fund	\$ 2,387,010
Less cash held that will be spent in 10-11 year	<u>(134,431)</u>
Restricted for Economic Development	<u>\$ 2,252,579</u>

The restricted net assets for Other Purposes is computed as follows:

Fund Balance - Other Governmental Funds	\$ 425,797
Less restricted cash on hand from bond proceeds	<u>(162,639)</u>
Restricted for Economic Development	<u>\$ 263,158</u>

NOTE 13 PRIOR PERIOD ADJUSTMENTS

A prior period adjustment was made to the nonmajor governmental funds to move certain assets and liabilities that were determined to be related to economic development.

	<u>Development Fund</u>	<u>Nonmajor Governmental Funds</u>
Fund Balance, Beginning of Year	\$ 1,633,656	\$ 722,313
Sewer Capacity & Developer Review Fees	<u>234,268</u>	<u>(234,268)</u>
Fund Balance, Re-Stated	<u>\$ 1,867,924</u>	<u>\$ 488,045</u>

NOTE 14 RELATED PARTY TRANSACTIONS

The property identified as the Heyward House property was purchased from a relative of a council member.

**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, 2010

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		<u>FAVORABLE</u> <u>(UNFAVORABLE)</u>
Revenues				
Taxes	\$ 3,309,508	\$ 3,309,508	\$ 3,256,953	\$ (52,555)
Fines, Fees and Licenses	1,569,500	1,569,500	1,831,528	262,028
Intergovernmental	111,000	111,000	38,097	(72,903)
Special Assessments	790,000	790,000	569,572	(220,428)
Donations	-	-	179,599	179,599
Miscellaneous	259,122	389,893	340,078	(49,815)
Total Revenues	<u>6,039,130</u>	<u>6,169,901</u>	<u>6,215,827</u>	<u>45,926</u>
Expenditures				
General Government	596,705	596,705	722,391	(125,686)
Council	539,127	576,163	120,995	455,168
Planning/Development Services	417,915	417,915	332,943	84,972
Public Information	127,665	127,665	114,452	13,213
Fire Department	1,106,403	1,106,403	1,126,882	(20,479)
Police Department	1,372,625	1,428,268	1,304,584	123,684
Courts	214,529	214,529	207,340	7,189
Public Works/Recreation	683,410	691,374	758,929	(67,555)
Economic Development	132,595	132,595	59,864	72,731
Building Inspection	85,000	85,000	335,629	(250,629)
Finance	310,646	310,646	280,642	30,004
Debt Service:				
Principal	301,182	301,182	300,623	559
Interest	64,280	64,280	64,276	4
Capital Outlay:				
General Government	20,000	20,000	139,896	(119,896)
Police Department	-	-	107,413	(107,413)
Public Works/Recreation	10,000	40,128	56,104	(15,976)
Courts	5,630	5,630	35,805	(30,175)
Total Expenditures	<u>5,987,712</u>	<u>6,118,483</u>	<u>6,068,768</u>	<u>49,715</u>
 Excess (deficiency) of revenues over (under) expenditures	 <u>51,418</u>	 <u>51,418</u>	 <u>147,059</u>	 <u>95,641</u>
 Other Financing Sources (Uses)				
Transfers Out	(124,938)	(124,938)	(150,162)	(25,224)
Transfers In	73,520	73,520	41,619	(31,901)
Total Financing Sources (Uses)	<u>(51,418)</u>	<u>(51,418)</u>	<u>(108,543)</u>	<u>(57,125)</u>
 Net change in fund balances	 -	 -	 38,516	 38,516
Fund balances, beginning of year	868,984	868,984	868,984	-
Fund balances, end of year	<u>\$ 868,984</u>	<u>\$ 868,984</u>	<u>\$ 907,500</u>	<u>\$ 38,516</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.

Capital Projects Fund

This fund is used to account for funds that are restricted for capital projects.

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, 2010**

ASSETS	INDIRECT ACCOM TAX FUND	DIRECT ACCOM TAX FUND	LOCAL ACCOM TAX FUND	LOCAL HOSPITALITY TAX FUND	VICTIMS ASSISTANCE FUND
Cash	\$ 23,394	\$ 1	\$ 23,283	\$ 72,917	\$ 3
Receivables	25,067	-	15,300	13,693	-
Restricted Cash	-	-	-	-	-
Property Held for Resale	-	-	-	-	-
Due from Other Funds	-	7,520	-	-	6,961
Total Assets	<u>\$ 48,461</u>	<u>\$ 7,521</u>	<u>\$ 38,583</u>	<u>\$ 86,610</u>	<u>\$ 6,964</u>

LIABILITIES AND FUND BALANCES

Liabilities	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts Payable	-	-	-	-	-
Deferred Revenue	-	-	-	-	-
Due to Other Funds	8,810	-	-	-	42
Total Liabilities	<u>\$ 8,810</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 42</u>
Fund Balances	39,651	7,521	38,583	86,610	6,922
Unreserved Fund Balance	-	-	-	-	-
Reserved Fund Balance	39,651	7,521	38,583	86,610	6,922
Total Fund Balances	<u>\$ 39,651</u>	<u>\$ 7,521</u>	<u>\$ 38,583</u>	<u>\$ 86,610</u>	<u>\$ 6,922</u>
Total Liabilities and Fund Balances	<u>\$ 48,461</u>	<u>\$ 7,521</u>	<u>\$ 38,583</u>	<u>\$ 86,610</u>	<u>\$ 6,964</u>

**CITY OF HARDEEVILLE, SOUTH CAROLINA
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2010**

ASSETS	CONTINGENCY FUND	CELEBRATE HARDEEVILLE FUND	CAPITAL PROJECTS FUND	FIRE FUND	TOTAL
Cash	\$ 58,171	\$ 151	\$ -	\$ 23,634	\$ 201,554
Receivables	1,915	-	-	-	55,975
Restricted Cash	-	-	162,639	-	162,639
Property Held for Resale	-	-	-	-	-
Due from Other Funds	-	-	-	-	14,481
Total Assets	<u>\$ 60,086</u>	<u>\$ 151</u>	<u>\$ 162,639</u>	<u>\$ 23,634</u>	<u>\$ 434,649</u>

LIABILITIES AND FUND BALANCES

Liabilities	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts Payable	-	-	-	-	-
Deferred Revenue	-	-	-	-	8,852
Due to Other Funds	-	-	-	-	8,852
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances	60,086	151	-	23,634	263,158
Unreserved Fund Balance	-	-	162,639	-	162,639
Reserved Fund Balance	60,086	151	162,639	23,634	425,797
Total Fund Balances	<u>\$ 60,086</u>	<u>\$ 151</u>	<u>\$ 162,639</u>	<u>\$ 23,634</u>	<u>\$ 434,649</u>
Total Liabilities and Fund Balances	<u>\$ 60,086</u>	<u>\$ 151</u>	<u>\$ 162,639</u>	<u>\$ 23,634</u>	<u>\$ 434,649</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, 2010**

	INDIRECT ACCOM TAX FUND	DIRECT ACCOM TAX FUND	LOCAL ACCOM TAX FUND	LOCAL HOSPITALITY TAX FUND	VICTIMS ASSISTANCE FUND
Revenues					
Taxes	\$ 71,943	\$ 16,726	\$ 130,347	\$ 175,581	\$ -
Fines, Fees and Licenses	-	-	-	-	30,436
Miscellaneous	5	-	10,566	9,780	2
Total Revenues	<u>71,948</u>	<u>16,726</u>	<u>140,913</u>	<u>185,361</u>	<u>30,438</u>
Expenditures					
Current:					
General Government	-	-	-	-	-
Police Department	-	-	-	-	30
Public Works/Recreation	106,143	17,072	19,564	20,408	-
Debt Service:					
Principal	-	-	103,401	103,402	-
Interest	-	-	53,105	53,105	-
Total Expenditures	<u>106,143</u>	<u>17,072</u>	<u>176,070</u>	<u>176,915</u>	<u>30</u>
Excess (deficiency) of revenues over expenditures	<u>(34,195)</u>	<u>(346)</u>	<u>(35,157)</u>	<u>8,446</u>	<u>30,408</u>
Other Financing Sources (Uses)					
Transfers Out	-	-	-	-	(41,619)
Transfers In	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(41,619)</u>
Net change in fund balances	(34,195)	(346)	(35,157)	8,446	(11,211)
Fund balances, beginning of year	73,846	7,867	73,740	78,164	18,133
Prior Period Adjustment	-	-	-	-	-
Fund balances, end of year	<u>\$ 39,651</u>	<u>\$ 7,521</u>	<u>\$ 38,583</u>	<u>\$ 86,610</u>	<u>\$ 6,922</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, 2010**

	CONTINGENCY FUND	CELEBRATE HARDEEVILLE FUND	CAPITAL PROJECTS FUND	FIRE FUND	TOTAL
Revenues					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 394,597
Fines, Fees and Licenses	-	-	-	-	30,436
Miscellaneous	1,889	-	6,371	9	28,622
Total Revenues	1,889	-	6,371	9	453,655
Expenditures					
Current:					
General Government	200	-	-	-	200
Police Department	23,038	-	-	-	23,068
Public Works/Recreation	-	40	-	-	163,227
Debt Service:					
Principal	-	-	60,000	-	266,803
Interest	-	-	64,938	-	171,148
Total Expenditures	23,238	40	124,938	-	624,446
Excess (deficiency) of revenues over (under) expenditures	(21,349)	(40)	(118,567)	9	(170,791)
Other Financing Sources (Uses)					
Transfers Out	-	-	-	-	(41,619)
Transfers In	-	-	150,162	-	150,162
Total Other Financing Sources (Uses)	-	-	150,162	-	108,543
Net change in fund balances	(21,349)	(40)	31,595	9	(62,248)
Fund balances, beginning of year	315,703	191	131,044	23,625	722,313
Prior Period Adjustment	(234,268)	-	-	-	(234,268)
Fund balances, end of year	\$ 60,086	\$ 151	\$ 162,639	\$ 23,634	\$ 425,797

**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, 2010**

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		<u>FAVORABLE (UNFAVORABLE)</u>
Revenues				
Taxes	\$ 50,000	\$ 50,000	\$ 71,943	\$ 21,943
Miscellaneous	-	-	5	5
Total Revenues	<u>50,000</u>	<u>50,000</u>	<u>71,948</u>	<u>21,948</u>
Expenditures				
Current:				
Public Works/Recreation	<u>50,000</u>	<u>50,000</u>	<u>106,143</u>	<u>(56,143)</u>
Total Expenditures	<u>50,000</u>	<u>50,000</u>	<u>106,143</u>	<u>(56,143)</u>
Excess (deficiency) of revenues over (under) expenditures	-	-	(34,195)	(34,195)
Fund balances, beginning of year	<u>73,846</u>	<u>73,846</u>	<u>73,846</u>	-
Fund balances, end of year	<u>\$ 73,846</u>	<u>\$ 73,846</u>	<u>\$ 39,651</u>	<u>\$ (34,195)</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, 2010**

	<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	\$ 16,726	\$ (3,274)
Total Revenues	<u>20,000</u>	<u>20,000</u>	<u>16,726</u>	<u>(3,274)</u>
Expenditures				
Current:				
Public Works/Recreation	<u>20,000</u>	<u>20,000</u>	<u>17,072</u>	<u>2,928</u>
Total Expenditures	<u>20,000</u>	<u>20,000</u>	<u>17,072</u>	<u>2,928</u>
Excess (deficiency) of revenues over (under) expenditures	-	-	(346)	(346)
Fund balances, beginning of year	<u>7,867</u>	<u>7,867</u>	<u>7,867</u>	-
Fund balances, end of year	<u>\$ 7,867</u>	<u>\$ 7,867</u>	<u>\$ 7,521</u>	<u>\$ (346)</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, 2010**

	BUDGETED AMOUNTS		ACTUAL	VARIANCE
	ORIGINAL	FINAL		FAVORABLE (UNFAVORABLE)
Revenues				
Taxes	\$ 180,000	\$ 180,000	\$ 130,347	\$ (49,653)
Miscellaneous	-	-	10,566	10,566
Total Revenues	<u>180,000</u>	<u>180,000</u>	<u>140,913</u>	<u>(39,087)</u>
Expenditures				
Current:				
Public Works/Recreation	50,000	50,000	19,564	30,436
Debt Service:				
Principal	85,000	85,000	103,401	(18,401)
Interest	45,000	45,000	53,105	(8,105)
Total Expenditures	<u>180,000</u>	<u>180,000</u>	<u>176,070</u>	<u>3,930</u>
Excess (deficiency) of revenues over (under) expenditures	-	-	(35,157)	(35,157)
Fund balances, beginning of year	73,740	73,740	73,740	-
Fund balances, end of year	<u>\$ 73,740</u>	<u>\$ 73,740</u>	<u>\$ 38,583</u>	<u>\$ (35,157)</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, 2010**

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		<u>FAVORABLE (UNFAVORABLE)</u>
Revenues				
Taxes	\$ 180,000	\$ 180,000	\$ 175,581	\$ (4,419)
Miscellaneous	-	-	9,780	9,780
Total Revenues	<u>180,000</u>	<u>180,000</u>	<u>185,361</u>	<u>5,361</u>
Expenditures				
Current:				
Public Works/Recreation	10,000	10,000	20,408	(10,408)
Debt Service:				
Principal	100,000	100,000	103,402	(3,402)
Interest	70,000	70,000	53,105	16,895
Total Expenditures	<u>180,000</u>	<u>180,000</u>	<u>176,915</u>	<u>3,085</u>
Excess (deficiency) of revenues over (under) expenditures	-	-	8,446	8,446
Fund balances, beginning of year	78,164	78,164	78,164	-
Fund balances, end of year	<u>\$ 78,164</u>	<u>\$ 78,164</u>	<u>\$ 86,610</u>	<u>\$ 8,446</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
 JUNE 30, 2010**

	<u>BALANCE</u> <u>JUNE 30, 2009</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>BALANCE</u> <u>JUNE 30, 2010</u>
MUNICIPAL IMPROVEMENT DISTRICT - HH LAKES	\$ 4,573,347	\$ 1,444,715	\$ 2,711,900	\$ 3,306,162

**CITY OF HARDEEVILLE, SOUTH CAROLINA
 SCHEDULE OF COURT FINES, ASSESSMENTS, AND SURCHARGES
 FOR THE YEAR ENDED JUNE 30, 2010**

Court Fines:	
Court Fines Collected	\$ 426,589
Court Fines Retained by City	<u>(223,127)</u>
Court Fines Remitted to the State Treasurer	<u>203,462</u>
Court Assessments:	
Court Assessments Collected	-
Court Assessments Retained by City	<u>-</u>
Court Assessments Remitted to State Treasurer	<u>-</u>
Court Assessments/Surcharges/Pullout:	
Court Assessments/Surcharges/Pullout Collected	131,636
Court Assessments/Surcharges/Pullout Collected Retained by City	<u>-</u>
Court Assessments/Surcharges/Pullout Remitted to State Treasurer	<u>131,636</u>
Victims Services:	
Court Assessments Allocated to Victim Services	25,568
Court Surcharges Allocated to Victim Services	<u>4,670</u>
Total Funds Allocated to Victim Services	30,238
Victims Services Expenditures	(41,649)
Interest Received on Account	<u>202</u>
Funds Used in Excess of Funds Received	(11,209)
Beginning of Year	<u>18,133</u>
End of Year	<u><u>\$ 6,924</u></u>

The cost of the court fine audit is \$500.

**CAPITAL ASSETS USED IN THE OPERATION
OF GOVERNMENTAL FUNDS**

**CITY OF HARDEEVILLE, SOUTH CAROLINA
 CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENT FUNDS
 COMPARATIVE SCHEDULES BY SOURCE
 JUNE 30, 2010 AND 2009**

	2010	2009
GOVERNMENTAL FUNDS CAPITAL ASSETS:		
Land and Improvements	\$ 6,940,356	\$ 6,656,017
Construction in Progress	51,578	-
Buildings and Improvements	4,906,189	4,735,872
Furniture and Equipment	1,171,273	1,102,673
Vehicles	2,424,122	2,424,122
Infrastructure	1,930,233	1,930,233
Total Governmental Funds Capital Assets	\$ 17,423,751	\$ 16,848,917

INVESTMENT IN GOVERNMENTAL FUNDS CAPITAL ASSETS BY SOURCE

Governmental Revenues	\$ 5,692,548	\$ 5,493,226
Bonds and Leases	5,182,075	5,013,261
Grants	5,421,748	5,342,450
Donations	1,127,380	999,980
Total Governmental Funds Capital Assets	\$ 17,423,751	\$ 16,848,917

**CITY OF HARDEEVILLE, SOUTH CAROLINA
 CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
 SCHEDULE OF CHANGES BY FUNCTION
 FOR THE YEAR ENDED JUNE 30, 2010**

FUNCTION	JULY 1, 2009	ADDITIONS	DELETIONS	TOTAL
General Government	\$ 3,608,622	\$ 348,413	-	\$ 3,957,035
Planning/Development Services	68,351	-	-	68,351
Public Information	15,365	-	-	15,365
Public Works/Recreation	10,402,720	56,104	-	10,458,824
Fire Department	1,934,086	27,099	-	1,961,185
Police Department/Court	819,773	143,218	-	962,991
Total	<u>\$ 16,848,917</u>	<u>\$ 574,834</u>	<u>-</u>	<u>\$ 17,423,751</u>

**CITY OF HARDEEVILLE, SOUTH CAROLINA
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENT FUNDS
SCHEDULE BY FUNCTION
JUNE 30, 2010**

<u>FUNCTION</u>	<u>LAND AND IMPROVEMENTS</u>	<u>BUILDINGS AND IMPROVEMENTS</u>	<u>FURNITURE AND EQUIPMENT</u>	<u>VEHICLES</u>	<u>INFRASTRUCTURE</u>	<u>TOTAL</u>
General Government	\$ 332,339	\$ 3,248,017	\$ 271,462	\$ 105,217	\$ -	\$ 3,957,035
Planning/Development Services	-	-	43,760	24,591	-	68,351
Public Information	-	-	-	15,365	-	15,365
Public Works/Recreation	6,596,017	1,137,930	662,743	131,901	1,930,233	10,458,824
Fire Department	12,000	298,649	95,189	1,555,347	-	1,961,185
Police Department	-	233,468	137,822	591,701	-	962,991
Total	<u>\$ 6,940,356</u>	<u>\$ 4,918,064</u>	<u>\$ 1,210,976</u>	<u>\$ 2,424,122</u>	<u>\$ 1,930,233</u>	<u>\$ 17,423,751</u>

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>	57-60
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>	61-64
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>	65-69
Demographic and Economic Information <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>	70-71
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>	72-74

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 ASSETS BY COMPONENTS
LAST SEVEN FISCAL YEARS**

Schedule 1

	FISCAL YEAR						
	2004	2005	2006	2007	2008	2009	2010
GOVERNMENTAL ACTIVITIES							
Invested in Capital Assets, Net of Related Debt	\$ 1,583,796	\$ 3,181,694	\$ 4,458,201	\$ 4,586,945	\$ 5,940,023	\$ 9,367,064	\$ 9,679,115
Restricted	755,527	-	-	-	2,455,107	2,093,882	2,515,737
Unrestricted	2,569,965	943,260	597,758	1,838,666	259,726	519,772	697,696
Total Governmental Activities Net Assets	<u>\$ 4,909,288</u>	<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>

**CITY OF HARDEEVILLE, SOUTH CAROLINA
CHANGES IN NET ASSETS
LAST SEVEN FISCAL YEARS
(accrual basis of accounting)**

Schedule 2

	FISCAL YEAR						
	2004	2005	2006	2007	2008	2009	2010
Expenses							
Governmental Activities:							
General Government	\$ 826,528	\$ 1,109,186	\$ 1,403,268	\$ 1,251,544	\$ 1,424,512	\$ 935,106	\$ 865,101
Council	55,908	80,082	77,318	88,599	91,352	98,117	120,995
Planning/Development Services	71,976	163,849	253,515	572,505	577,065	466,065	382,288
Public Information	-	190,833	145,871	178,695	189,273	111,052	125,531
Public Works/Engineering	264,495	308,280	397,356	561,751	569,857	-	-
Fire Department	453,140	695,925	698,580	910,695	1,083,420	1,158,875	1,228,950
Police Department	1,317,643	1,394,353	1,389,712	1,204,715	1,464,501	1,539,834	1,471,700
Courts	541,071	741,923	909,165	758,810	587,909	211,584	211,051
Public Works/Recreation	905,848	412,641	290,153	472,322	540,399	1,026,432	1,165,568
Economic Development	-	-	-	-	-	372,787	58,865
Building Inspection	-	-	-	-	446,074	151,804	335,629
Finance	-	-	-	-	80,031	182,602	276,903
Interest Expense	93,116	192,972	235,727	248,076	402,042	233,259	232,645
Total Expenses	<u>4,529,725</u>	<u>5,290,044</u>	<u>5,800,665</u>	<u>6,247,712</u>	<u>7,456,535</u>	<u>6,487,517</u>	<u>6,475,226</u>
Revenues							
Governmental Activities:							
Program Revenues	894,091	1,588,748	2,701,713	2,797,283		508,455	501,883
Charges for Services					686,437	766,465	638,820
Permits					785,529	843,397	314,681
Developer Review Fees					-	239,283	(1)
Fines					136,022	106,718	84,138
Other	9,821	24,630	41,825	376,815	316,069	967,281	1,045,726
Operating Grants and Contributions	48,560	59,489	856,862	584,357	2,280,032	3,669,568	613,557
Capital Grants and Contributions							
General Revenues	1,828,232	1,613,576	2,017,647	2,416,831	3,729,189	3,103,908	3,145,461
Taxes					875,543	1,016,468	961,262
Business Licenses					58,544	60,097	38,097
Grants and Contributions not restricted to specific programs	266,731	83,725	49,142	52,972	119,795	9,872	28,995
Earnings on Investments	126,367	46,859	33,763	12,460	55,203	86,092	14,436
Other	602,359	1,098,683	1,030,699	1,376,646	9,685,780	10,534,207	7,387,056
Total Revenues	<u>3,778,161</u>	<u>4,505,710</u>	<u>6,731,671</u>	<u>7,617,364</u>	<u>2,229,245</u>	<u>4,046,690</u>	<u>911,830</u>
Change in Net Assets	(751,564)	(784,394)	931,006	1,369,652	6,425,611	8,654,856	11,980,718
Net Assets-Beginning	5,660,852	4,909,288	4,124,953	5,055,959	-	(720,828)	-
Prior Period Adjustment							
Net Assets-Ending	<u>\$ 4,909,288</u>	<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>

* Public Works Engineering and Public Works Recreation were merged into one department beginning in fiscal year 2009.

** Permitting and Finance were merged into one department beginning fiscal year 2010.

(1) Decrease in fines due to netting state portion of fines against revenue.

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

	FISCAL YEAR						
	2004	2005	2006	2007	2008 Restated	2009	2010
GENERAL FUND							
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	14,421	14,925	(53,630)	650,752	(13,729)	868,984	867,797
Total General Fund	<u>\$ 14,421</u>	<u>\$ 14,925</u>	<u>\$ (53,630)</u>	<u>\$ 650,752</u>	<u>\$ (13,729)</u>	<u>\$ 868,984</u>	<u>\$ 867,797</u>
ALL OTHER GOVERNMENTAL FUNDS							
Reserved	\$ 2,255,361	\$ 219,975	\$ 449,096	\$ 696,245	\$ 1,126,512	\$ 1,975,442	\$ 2,060,817
Unreserved, reported in:							
Special Revenue Funds	1,287,886	853,060	787,035	650,627	591,289	380,527	751,990
Total All Other Governmental Funds	<u>\$ 3,543,247</u>	<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>

The City reorganized the functional areas and information prior to year 2004 would not be comparable.

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

	FISCAL YEAR						
	2004	2005	2006	2007	2008 Restated	2009	2010
Revenues							
Taxes	\$ 1,788,602	\$ 1,562,634	\$ 1,702,882	\$ 2,693,629	\$ 2,633,607	\$ 3,313,136	\$ 3,651,550
Fines, Fees, and Licenses	1,452,427	1,891,258	3,461,172	4,097,059	6,281,313	2,208,297	1,931,212
Special Assessments	-	-	-	-	-	2,802,121	999,956
Donations	-	50,165	307,563	1,188,805	553,879	1,778,950	179,599
Intergovernmental	465,705	864,733	682,697	176,636	266,585	120,097	38,087
Miscellaneous	3,753,348	4,488,790	6,154,344	8,156,129	9,735,384	294,022	372,519
Total Revenues							
						10,516,623	7,172,933
Expenditures							
Current							
General Government	1,282,959	1,526,582	1,439,049	2,155,899	1,968,408	630,274	751,976
Council	55,908	80,082	77,318	88,599	91,352	98,117	120,995
Planning/Development Services	95,781	165,800	265,779	577,201	866,384	457,174	372,807
Public Information	-	191,858	162,499	162,109	197,798	116,449	114,452
Public Works/Engineering	215,462	305,987	1,250,972	561,982	693,751	-	-
Fire Department	982,539	873,158	1,398,280	905,293	935,654	1,046,619	1,126,882
Police Department	1,545,848	1,446,986	1,595,776	1,350,990	1,431,990	208,016	1,327,652
Courts	540,311	739,378	906,335	749,549	582,928	207,340	207,340
Public Works/Recreation	3,374,795	1,878,989	593,835	749,917	810,454	822,453	922,156
Economic Development	-	-	-	51,690	144,255	368,787	79,067
Building Inspection	-	-	-	-	446,074	151,804	335,629
Finance	-	-	-	-	71,628	173,555	280,642 **
Debt Services							
Principal	-	-	-	-	467,297	550,406	567,426
Interest	-	-	-	-	-	224,963	235,424
Bond Issue Costs	-	-	-	-	-	120,099	-
Capital Outlay							
General Government	-	-	-	-	-	1,913,038	308,710
Police Department	-	-	-	-	-	41,950	107,413
Fire Department	-	-	-	-	-	-	27,099
Public Works/Recreation	-	-	-	-	-	1,741,526	56,104
Courts	-	-	-	-	-	-	35,805
Economic Development	-	-	-	-	1,320,964	-	-
Finance	-	-	-	-	-	-	38,709
Total Expenditures	8,093,623	7,208,820	7,689,843	7,352,862	10,028,937	10,260,741	7,017,282
Excess (deficiency) of revenues over (under) expenditures	(4,340,275)	(2,720,030)	(1,585,499)	803,267	(293,553)	255,882	155,651
Other Financing Sources (Uses)							
Issuance of Debt	4,555,664	250,322	1,630,041	11,856	-	1,265,000	300,000
Transfers In	736,006	1,494,693	790,049	119,113	80,652	610,016	191,781
Transfers Out	(736,006)	(1,494,693)	(790,049)	(119,113)	(80,652)	(610,016)	(191,781)
Total Other Financing Sources (Uses)	4,555,664	250,322	1,630,041	11,856	-	1,265,000	300,000
Net Change in Fund Balances	215,389	(2,469,708)	94,542	815,123	(293,553)	1,520,882	455,651
Fund Balances, Beginning	3,342,279	3,557,668	1,087,959	1,182,501	1,997,624	1,704,071	3,224,953
Fund Balances, Ending	\$ 3,557,668	\$ 1,087,960	\$ 1,182,501	\$ 1,997,624	\$ 1,704,071	\$ 3,224,953	\$ 3,680,604
Debt service as a percentage of noncapital expenditures	N/A	N/A	N/A	14.4 %	9.61 %	13.64 %	12.46 %

The City reorganized the functional areas and information prior to year 2004 would not be comparable.
N/A Information is not available.
* Public Works Engineering and Public Works Recreation were merged into one department beginning in fiscal year 2009.
** Permitting and Finance were merged into one department beginning in fiscal year 2010.

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

FISCAL YEAR ENDED JUNE 30,	CITY		OVERLAPPING RATES			
	DIRECT RATES		COUNTY OPERATIONS	SCHOOL OPERATIONS	SCHOOL DEBT SERVICE	
	BASIC RATE					
2001	128.00		156.60	113.92	16.00	
2002	147.00		131.00	108.87	17.53	
2003	147.00		133.00	109.50	22.50	
2004	147.00		138.50	118.30	22.30	
2005	147.00		163.00	127.00	4.50	
2006	153.00		155.00	129.00	7.00	
2007	153.00		109.50	133.50	7.50	
2008	153.00		115.00	118.00	-	
2009	153.00		119.00	123.00	7.00	
2010	153.00		126.00	129.00	12.00	

Source: County and City Finance Office
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**

Schedule 7

TAXPAYER	2010			2001		
	TAXABLE ASSESSED VALUE	RANK	PERCENTAGE OF TOTAL CITY TAXABLE ASSESSED VALUE	TAXABLE ASSESSED VALUE	RANK	PERCENTAGE OF TOTAL CITY TAXABLE ASSESSED VALUE
Del Webb Communities Inc	\$ 1,219,060	1	8.5%	N/A	N/A	N/A
Courtney Bend, LLC	1,014,700					
Toll SC III LP	368,340	2	4.6%	N/A	N/A	N/A
Bourne Blvd. Partners	227,640					
Forino Co LP	191,340	3	1.3%	N/A	N/A	N/A
Carolina Oak Homes LLC	165,730		0.7%			
Core Communities LLC	130,580	5	0.5%	N/A	N/A	N/A
Shree Hospitality Krishna Inc	100,340	6	0.7%	N/A	N/A	N/A
Shree Radha Krishna, Inc	95,420	7	0.6%	N/A	N/A	N/A
Gateway Properties LLC	85,110	8	0.6%	N/A	N/A	N/A
Total	\$ 3,598,260		17.5%	\$ -		-

Source: Jasper County Economic Development Board

N/A Information is not available.

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

FISCAL YEAR ENDED JUNE 30,	TAXES LEVIED FOR THE FISCAL YEAR	COLLECTED WITHIN THE FISCAL YEAR OF THE LEVY		COLLECTIONS IN SUBSEQUENT YEARS	TOTAL COLLECTIONS TO DATE	
		AMOUNT	PERCENTAGE OF LEVY		AMOUNT	PERCENTAGE OF LEVY
2001	N/A	N/A	N/A	N/A	N/A	N/A
2002	N/A	N/A	N/A	N/A	N/A	N/A
2003	\$ 640,958	\$ 575,056	89.7 %	\$ 54,365	\$ 629,421	98.2 %
2004	672,106	618,338	92.0	39,654	657,992	97.9
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	92.6	14,010	1,149,108	93.8
2009	1,844,137	1,735,668	94.2	67,658	1,803,326	97.8
2010	2,278,086	2,022,047	88.8	-	2,022,047	88.8

Source: City Finance Department
N/A Information is not available.

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

FISCAL YEAR ENDED JUNE 30,	GOVERNMENTAL ACTIVITIES							TOTAL PRIMARY GOVERNMENT	PERCENTAGE OF PERSONAL INCOME	PER CAPITA
	NOTES PAYABLE	REVENUE BONDS	LEASES PAYABLE	GENERAL OBLIGATION BOND						
2001	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
2002	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
2003	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
2004	\$ 423,746	N/A	\$ 3,731,945	\$ 550,000		\$ 4,705,691	11.3	%	\$ 2,561.61	
2005	288,037	N/A	3,833,244	522,495		4,643,776	10.3		2,521.05	
2006	535,569	N/A	4,840,262	493,056		5,868,887	12.0		3,172.37	
2007	-	N/A	4,574,724	464,753		5,039,477	9.0		2,611.12	
2008	-	N/A	4,107,892	435,774		4,543,666	6.0		1,644.46	
2009	-	\$ 1,180,000	3,676,464	401,796		5,258,260	N/A		1,752.75	
2010	300,000	1,120,000	3,202,399	368,436		4,990,835	N/A		1,559.64	

Note: Details of the City's outstanding debt can be found in the notes to the financial statements.
The special assessment debt outstanding of \$15,017,000 has been omitted because it will be payable from assessments on the property in the development.

See schedule 14 for personal income and population.
These ratios are calculated using personal income and population for the prior calendar year.
N/A Information is not available.

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

FISCAL YEAR ENDED JUNE 30,	AMOUNT	PERCENTAGE OF ACTUAL TAXABLE VALUE OF PROPERTY	PER CAPITA
2001	N/A	N/A	N/A
2002	N/A	N/A	N/A
2003	N/A	N/A	N/A
2004	\$ 550,000	N/A %	\$ 299.40
2005	522,495	N/A	283.66
2006	493,056	N/A	266.52
2007	464,753	N/A	240.80
2008	435,774	3.98%	157.71
2009	401,796	2.80%	133.93
2010	368,436	2.12%	115.14

Note: Details of the City's outstanding debt can be found in the notes to the financial statements.

**CITY OF HARDEVILLE, SOUTH CAROLINA
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF JUNE 30, 2010**

<u>GOVERNMENTAL UNIT</u>	<u>DEBT OUTSTANDING</u>	<u>ESTIMATED PERCENTAGE APPLICABLE</u>	<u>ESTIMATED SHARE OF OVERLAPPING DEBT</u>
Debt repaid with property taxes			
Jasper County School District	\$ 43,037,224	11.8% %	\$ 5,078,392
Jasper County	19,218,424	11.8%	2,267,774
Subtotal overlapping debt	<u>62,255,648</u>		<u>7,346,166</u>
City direct debt	<u>4,990,835</u>	100.00	<u>4,990,835</u>
Total direct and overlapping debt	<u>\$ 67,246,483</u>		<u>\$ 12,337,001</u>

Sources: City and County Finance Dept.
Debt outstanding data provided by each governmental unit.

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City. This process recognizes that, when considering the government's ability to issue and repay long-term, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

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

Legal Debt Margin Calculation for Fiscal Year 2010

Assessed Value	\$ 17,391,194
Debt limit (8% of assessed value)	1,391,296
Debt applicable to limit:	
General Obligation Bonds	(368,436)
Total net debt applicable to limit	(368,436)
Legal Debt Margin	\$ 1,022,860

		2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Debt Limit	\$	N/A	\$ N/A	\$ N/A	\$ 474,450	\$ 523,778	\$ 528,854	\$ 826,309	\$ 876,532	\$ 1,153,154	\$ 1,391,296
Total net debt applicable to limit	\$	N/A	N/A	N/A	(550,000)	(522,495)	(493,056)	(464,753)	(435,774)	(401,796)	(368,436)
Legal debt margin	\$	N/A	\$ N/A	\$ N/A	\$ (75,550)	\$ 1,283	\$ 35,798	\$ 361,556	\$ 440,758	\$ 751,358	\$ 1,022,860
Total net debt applicable to the limit as a percentage of debt limit	%	N/A	N/A	N/A	% 116.00	% 99.76	% 93.23	% 56.24	% 49.72	% 34.84	% 26.48

Under state finance law, the City's outstanding general obligation debt should not exceed 8 percent of the total assessed property value.

Source: City Audit Report

CITY OF HARDEVILLE, SOUTH CAROLINA
 PLEDGED-REVENUE COVERAGE
 LAST TEN FISCAL YEARS

FISCAL YEAR ENDED JUNE 30,	REVENUE BONDS				COVERAGE
	COLLECTIONS	DEBT SERVICE		INTEREST	
		PRINCIPAL	INTEREST		
2001	N/A	N/A	N/A	N/A	N/A
2002	N/A	N/A	N/A	N/A	N/A
2003	N/A	N/A	N/A	N/A	N/A
2004	N/A	N/A	N/A	N/A	N/A
2005	N/A	N/A	N/A	N/A	N/A
2006	N/A	N/A	N/A	N/A	N/A
2007	N/A	N/A	N/A	N/A	N/A
2008	N/A	N/A	N/A	N/A	N/A
2009	\$ 288,808	\$ 85,000	\$ 40,936	229.0 %	
2010	273,215	60,000	64,938	219.0	

* There was no pledged revenue coverage prior to year 2009.

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

FISCAL YEAR ENDED JUNE 30,	POPULATION	PERSONAL INCOME (thousands of dollars)	SCHOOL ENROLLMENT	UNEMPLOYMENT	
					RATE
2001	1,819	\$ 32,945	N/A	4.4	%
2002	1,817	34,321	N/A	5.1	
2003	1,810	36,855	N/A	5.8	
2004	1,837	41,628	N/A	5.4	
2005	1,842	45,147	N/A	5.2	
2006	1,850	48,557	1,162	4.8	
2007	1,930	50,657	1,209	4.6	
2008	2,763	75,890	1,288	5.7	
2009	3,000	N/A	1,247	11.2	
2010	3,200	N/A	1,301	10.2	

Data Source:
 US Bureau of the Census
 US Department of Commerce, Bureau of Economic Analysis
 Lowcountry Council of Governments
 South Carolina Department of Education
 South Carolina Employment Security Commission
 N/A Information is not available.

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

EMPLOYER	2010			2001		
	EMPLOYEES	RANK	PERCENTAGE OF TOTAL CITY EMPLOYMENT	EMPLOYEES	RANK	PERCENTAGE OF TOTAL COUNTY EMPLOYMENT
Coastal Carolina Medical Center	222	1	18.1 %	N/A	N/A	N/A %
Jasper County School District	125	2	10.2	N/A	N/A	N/A
The Greenery	100	3	8.2	N/A	N/A	N/A
Beverly Processing Inc.	77	4	6.3	N/A	N/A	N/A
Waste Pro USA Inc.	64	5	5.2	N/A	N/A	N/A
City of Hardeeville	55	6	4.5	N/A	N/A	N/A
Gale Contractors	50	7	4.1	N/A	N/A	N/A
Burger King	30	8	2.4	N/A	N/A	N/A
Shoneys	24	9	2.0	N/A	N/A	N/A
Price Wise	20	10	1.6	N/A	N/A	N/A
Total	767		62.6 %			

Source: County 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	FULL-TIME EQUIVALENT EMPLOYEES AS OF JUNE 30,									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
General Government	N/A	N/A	N/A	4.0	4.0	4.0	4.0	6.0	4.0	4.0
Council	N/A	N/A	N/A	5.0	5.0	5.0	5.0	5.0	5.0	5.0
Planning/Development Services	N/A	N/A	N/A	-	-	3.0	4.0	3.0	3.0	4.0
Public Information	N/A	N/A	N/A	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Fire Department	N/A	N/A	N/A	8.0	10.0	12.0	10.0	12.0	16.0	15.0
Police Department	N/A	N/A	N/A	18.0	19.0	17.0	12.0	17.0	18.0	17.0
Courts	N/A	N/A	N/A	3.0	2.0	3.0	3.0	4.0	5.5	3.5
Public Works/Recreation/Engineering	N/A	N/A	N/A	4.0	6.0	7.0	7.0	8.0	7.0	7.0
Economic Development	N/A	N/A	N/A	-	-	-	1.0	1.0	1.0	1.0
Building Inspection	N/A	N/A	N/A	1.0	1.0	1.0	1.0	1.0	-	-
Finance	N/A	N/A	N/A	-	-	1.0	3.0	3.0	2.0	2.0
Total	-	-	-	45.0	49.0	55.0	52.0	62.0	63.5	60.5

Source: City Human Resources

N/A Information is not available.

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

Schedule 17

	FISCAL YEAR									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Business Licenses Issued	N/A	N/A	N/A	N/A	N/A	N/A	573	514	597	439
Sales Reported for Licenses*	N/A	N/A	N/A	N/A	N/A	N/A	\$ 42,500	\$ 137,266	\$ 843,006	\$ 634,330
Commercial Building Permits Issued	N/A	N/A	N/A	N/A	N/A	N/A	9	37	89	9
Valuation of Permits Issued*	N/A	N/A	N/A	N/A	N/A	N/A	\$ 3,455	\$ 7,839	\$ 16,922	\$ 1,831
Residential Building Permits Issued	N/A	N/A	N/A	N/A	N/A	N/A	97	106	39	155
Valuation of Permits Issued*	N/A	N/A	N/A	N/A	N/A	N/A	\$ 20,422	\$ 45,701	\$ 8,497	\$ 40,234

N/A Information is not available.

* Figures are per 1,000 dollars.

Source: Various City Departments

**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>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Police Department										
Patrol Units	N/A	N/A	N/A	17	15	15	15	17	21	21
Fire Department										
Engines in Operation	N/A	N/A	N/A	2	4	4	4	4	4	4
Rescue Vehicles in Operation	N/A	N/A	N/A	1	1	1	1	1	1	1
Ladder Trucks in Operation	N/A	N/A	N/A	1	1	1	1	1	1	1

N/A Information is not available.

COMPLIANCE SECTION

Independent Auditors' Report On Internal Control Over
Financial Reporting And On Compliance And Other Matters
Based On An Audit Of Financial Statements Performed
Accordance With Government Auditing Standards

To the City Council
City of Hardeeville, South Carolina
Hardeeville, South Carolina

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Hardeeville, South Carolina, as of and for the year ended June 30, 2010, which collectively comprise the City of Hardeeville, South Carolina's basic financial statements and have issued our report thereon dated December 13, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered City of Hardeeville, South Carolina's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Hardeeville, South Carolina's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Hardeeville, South Carolina's internal control over financial reporting.

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 misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Hardeeville, South Carolina's financial statements are free of material misstatements, 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 statements 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*.

We noted certain matters that we reported to management of the City of Hardeeville, South Carolina in a separate letter dated December 13, 2010.

This report is intended solely for the information and use of the City Council, management, others within the organization, and the federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "C. B. Baudt & Co. PA". The signature is written in dark ink and is positioned above the date.

December 13, 2010