

CITY OF HARDEEVILLE, SOUTH CAROLINA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2011

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INTRODUCTORY SECTION



November 30, 2011

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, 2011.

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 Newsome and Company, P.C., a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended June 30, 2011 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, 2011 are fairly presented in conformity with GAAP. The independent auditors report is presented as the first component of the financial section of this report.

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



Profile of the Government

The City 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 3,000. 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 42 as part of the required supplementary information for governmental funds. The special revenue fund budgets are presented on pages 48-51 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 2011 assessable base is \$14,078,748, down 21% from the assessable base of \$17,391,197 in fiscal year 2010. As reported by the 2000 Census, per capita income for the City 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, was \$28,977. At the time of this report, figures from the 2010 Census had yet to be released, though it is anticipated that metrics will rise for both the City and County, due to new growth and development which has attracted higher income earners to the region.

The U.S. Census Bureau reported the 2010 population for the City of Hardeeville to be 2,952. For 2011, City Staff estimates the population to have increased to 3,300 based on new residential construction since the Census was undertaken. Future growth in population is expected to continue, primarily in master-planned communities in recently annexed areas. Upwards of 49,000 additional housing units could be built by 2035 under development agreements that the City has enacted with development companies.

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

The City of Hardeeville in recent years has been proactive in accommodating rapid growth that has been forecasted in the area. Growth management efforts have led to the creation of Planned Development Districts (PDDs), in which the City comes to terms with respective real estate developers for the proper allocation of land uses within the district. Currently, Hardeeville has fourteen (14) active PDDs which constitute the great majority of the incorporated areas of the City. Five (5) of these PDDs are in active construction phases, with nearly 500 new residential units constructed in these areas in the past five years. The City has also experienced construction activity in non-PDD areas as well, with nearly 400 new housing units being built in the last five years. In considering both PDD and non-PDD areas, the City has effectively doubled its housing inventory in the past decade.

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

Civic uses have also increased in recent years. Just beyond the City limits, the University of South Carolina - Beaufort (USCB) constructed a four-year university campus (Gateway Campus) along US Highway 278. The Technical College of the Lowcountry (TCL) has also constructed a "New River Campus" along US Highway 278 to complement its existing facility in Beaufort. The Coastal Carolina Hospital facility opened in 2006 and is regionally affiliated with the Hilton Head Hospital and Tenet

Healthcare. The Sergeant Jasper County Park facility was upgraded by Jasper County in recent years and remains a popular destination for City residents and visitors alike.

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

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

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

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

Significant Accounting Policies

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

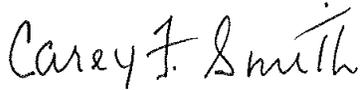
Awards and Acknowledgments

The Government Finance Officers Association of the United States and Canada (GFOA) awards a Certificate of Achievement in Financial Reporting. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report, the contents of which conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement in Financial Reporting was awarded to the City of Hardeeville, South Carolina for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2010. This was the first year that the City of Hardeeville has achieved this prestigious award.

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

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

Sincerely,



Carey Smith
Interim City Manager



Chanel Lewis
Director of Finance and Administration

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Hardeeville
South Carolina

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2010

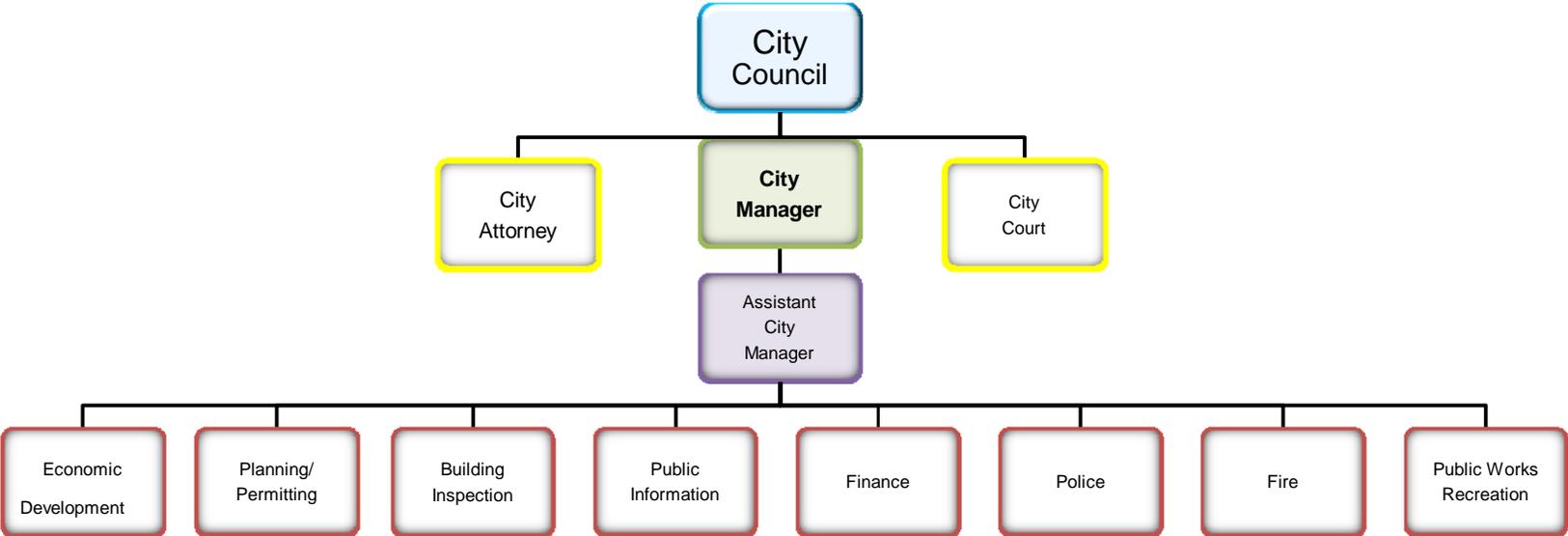
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

CITY OF HARDEEVILLE, SOUTH CAROLINA
ORGANIZATIONAL CHART



**CITY OF HARDEEVILLE, SOUTH CAROLINA
LIST OF PRINCIPAL OFFICIALS
JUNE 30, 2011**

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 March 2011).....	Theodore B. "Ted" Felder
Interim City Manager (since March 2011).....	Carey Smith
City Clerk.....	Lori Pamarico
Finance/Permitting.....	Chanel Lewis
Planning.....	Branan Rogerson
Economic Development.....	LeNolon Edge
Media Director.....	Juan Singleton
Public Works/Recreation.....	Addison Jarrell
Fire.....	Dan Morgan
Police.....	Richard Nagy
Court.....	John Carroll

FINANCIAL SECTION



DARRELL N. NEWSOME, CPA
NIKI C. WATCHINSKI
SARAH E. HOOPER
MARISSA A. BROCKMANN

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MEMBERS:
AMERICAN INSTITUTE
OF CERTIFIED PUBLIC ACCOUNTANTS
S.C. ASSOCIATION
OF CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S 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, 2011, 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, 2011, 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 November 30, 2011, 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 the budgetary comparison information on pages 11 through 18 and page 42 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide an assurance.

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

A handwritten signature in blue ink that reads "Newsome & Company, P.C." in a cursive style.

Newsome & Company, P.C.
Lexington, South Carolina
November 30, 2011

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, 2011. 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 \$14,739,265 (net assets). Of this amount, \$10,198,084 represents the investment in capital assets less depreciation and debt on those assets and \$2,722,233 is restricted for other purposes. The remaining balance of \$1,818,948 represents unrestricted net assets. Hardeeville's total net assets increased by \$1,846,717.
- As of the close of the current fiscal year Hardeeville's governmental funds reported a combined ending fund balance of \$4,677,722, an increase of \$997,118.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$1,416,724, or 25 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, development fund, and capital projects fund. Data from the other eight governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

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

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

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

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

Government-wide Financial Analysis

As noted earlier, net 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 \$14,739,265 in 2011. Comparative information is presented for the 2010 fiscal year report. The following table reflects the condensed government-wide statement of net assets.

CITY OF HARDEEVILLE, SOUTH CAROLINA NET ASSETS		
	Governmental Activities	
	2011	2010
Current and Other Assets	\$ 6,597,901	\$ 4,467,543
Capital Assets	<u>14,574,644</u>	<u>14,372,880</u>
Total Assets	<u>21,172,545</u>	<u>18,840,423</u>
Long-term Liabilities Outstanding	4,814,778	5,532,833
Other Liabilities	<u>1,618,502</u>	<u>551,012</u>
Total Liabilities	<u>6,433,280</u>	<u>6,083,845</u>
Net Assets		
Investment in Capital Assets, Net of Related Debt	10,198,084	9,679,115
Unrestricted	1,818,948	697,696
Restricted	<u>2,722,233</u>	<u>2,515,737</u>
Total Net Assets	<u>\$ 14,739,265</u>	<u>\$ 12,892,548</u>

The portion of Hardeeville's net assets \$10,198,084 (69 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 \$769,478, the reduction in debt of \$614,274 less depreciation of \$567,714. See note 4 on page 34 and note 5 on page 35 for details.

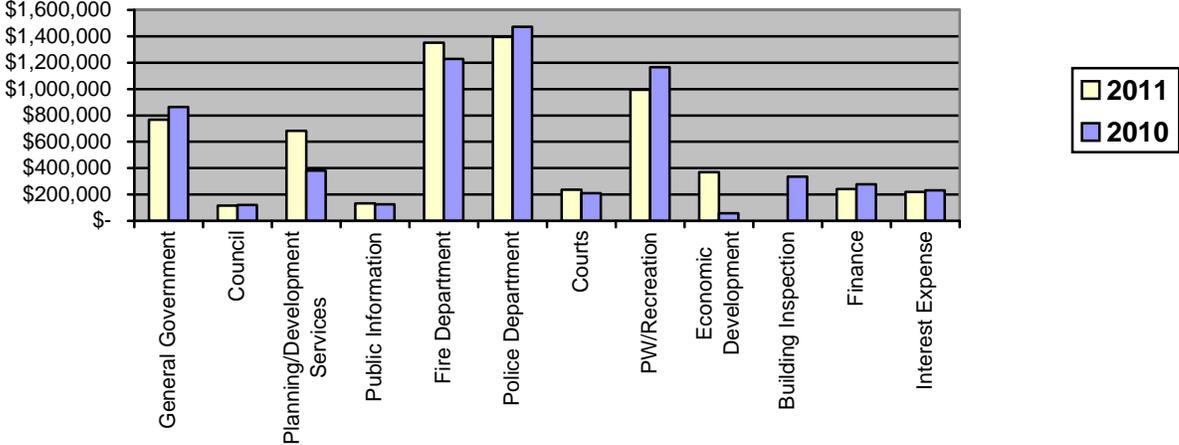
The restricted portion of net assets of \$2,722,233 consists of \$2,472,424 restricted for economic development and \$249,809 reported in other governmental funds. The increase in restricted assets resulted from the inclusion of the nonspendable portion of the development fund in the amount of \$867,742. The remaining net assets of \$1,818,948 (11.5 percent) are unrestricted.

Governmental activities. Hardeeville's total net assets increased by \$1,846,717. Comparative information has been presented for the prior year. Line item analysis of this increase is shown in the following table.

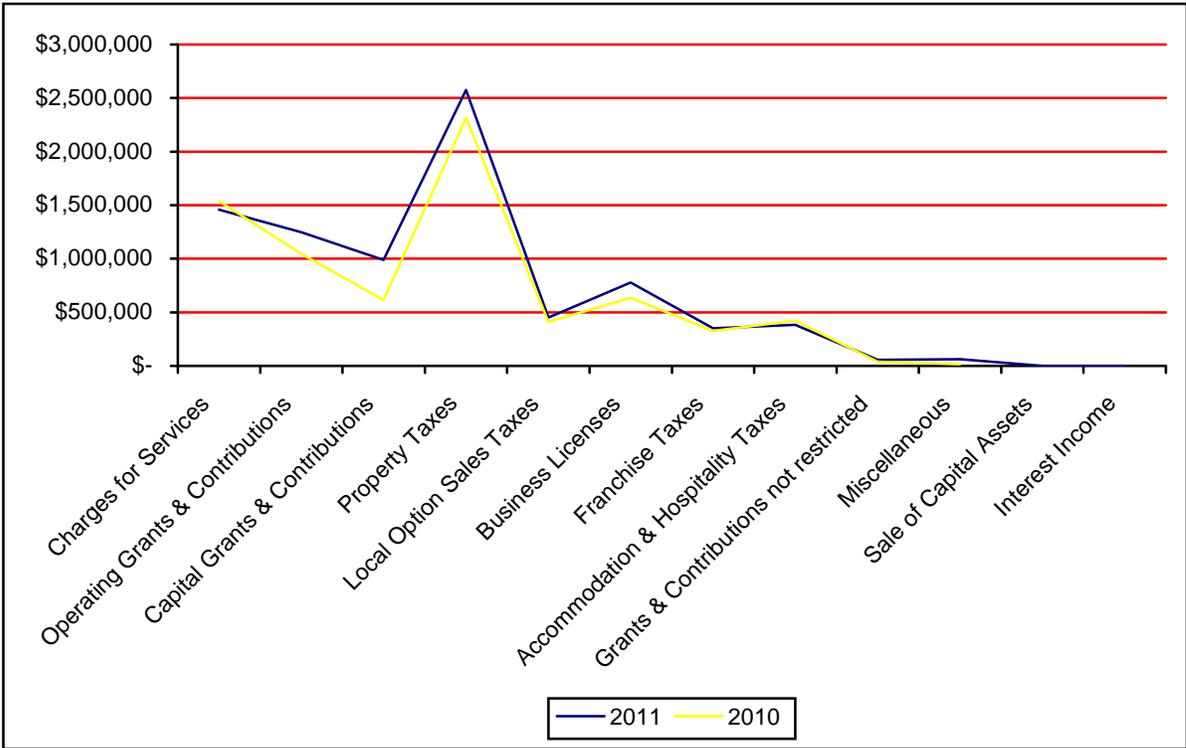
CITY OF HARDEEVILLE, SOUTH CAROLINA CHANGE IN NET ASSETS			
Governmental Activities			
	2011		2010
Expenses			
General Government	\$ 768,056	\$	835,716
Council	115,685		120,995
Planning/Development Services	682,087		411,673
Public Information	131,592		125,531
Fire Department	1,351,411		1,228,950
Police Department	1,395,248		1,471,700
Courts	235,894		211,051
Public Works/Recreation	995,062		1,165,568
Economic Development	368,146		58,865
Building Inspection	-		335,629
Finance	242,035		276,903
Interest	219,369		232,645
Total expenses	<u>6,504,585</u>		<u>6,475,226</u>
Program Revenues			
Charges for Services	1,459,182		1,539,522
Operating Grants and Contributions	1,247,729		1,045,726
Capital Grants and Contributions	987,767		613,557
Total program revenues	<u>3,694,678</u>		<u>3,198,805</u>
General Revenues			
Property Taxes	2,574,083		2,314,274
Local Option Sales Taxes	450,598		408,765
Business Licenses	777,496		634,330
Franchise Taxes	349,788		326,932
Accommodation and Hospitality Taxes	384,414		422,422
Grants and contributions not restricted to specific programs	55,869		38,097
Interest Income	581		28,995
Miscellaneous	63,795		14,436
Total general revenues	<u>4,656,624</u>		<u>4,188,251</u>
Increase in net assets	1,846,717		911,830
Net assets – beginning	<u>12,892,548</u>		<u>11,980,718</u>
Net assets – ending	<u>\$ 14,739,265</u>	<u>\$</u>	<u>12,892,548</u>

The City's net assets increased by \$1,846,717 during the current fiscal year. The increase resulted from capital grants of \$987,767 from developer agreements and an increase in taxes of \$259,000 over the prior year. Capital grants increased due to developer agreements. The Building Inspections are accounted for in Planning/Development Services.

Expenses – Governmental Activities



Revenues by Source – Governmental Activities



Financial Analysis of the Government's Funds

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

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

The major governmental funds consist of the general fund, development fund, and the capital projects fund. At the end of the current fiscal year, Hardeeville's governmental funds reported combined ending fund balances of \$4,677,722 an increase of \$997,118. This increase can be attributed to assessments for development in the amount of \$1,095,246 in the development fund and the general fund.

Overall there was a positive variance in the budget of \$806,847 in the general fund. However, within the budget there were significant variances as follows. Tax revenues were over budget in the amount of \$529,329. Council expenditures were under budget \$420,913 due to the discretionary line item not spent.

Capital Assets and Debt Administration

Capital Assets. Hardeeville's investment in capital assets for its governmental type activities as of June 30, 2011 amounts to \$14,574,644 (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 \$769,478 that included \$156,333 for construction in progress, \$515,651 for vehicles, and \$97,494 for equipment. Depreciation expense was \$567,714 for the year. Additional information on Hardeeville's capital assets can be found in note 4 on page 34.

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

	Governmental Activities	
	2011	2010
Construction in Progress	\$ 86,271	\$ 51,578
Land and Improvements	6,433,170	6,513,659
Buildings and Improvements	4,443,100	4,545,458
Furniture and Equipment	1,117,115	522,030
Vehicles	892,579	1,071,518
Infrastructure	1,602,409	1,668,637
Total	<u>\$ 14,574,644</u>	<u>\$ 14,372,880</u>

Long-term debt. At the end of the current fiscal year, Hardeeville had long-term debt outstanding in the amount of \$4,376,561 which represented a decrease of \$614,274. No new debt was issued during the year. Refer to note 5 on page 35 for a detailed discussion of long-term debt.

CITY OF HARDEEVILLE, SOUTH CAROLINA LONG-TERM DEBT OUTSTANDING

	Governmental Activities	
	2011	2010
Revenue Bonds	\$ 1,060,000	\$ 1,120,000
Notes Payable	274,957	300,000
General Obligation Bonds	333,722	368,436
Leases Payable	2,707,882	3,202,399
Total	<u>\$ 4,376,561</u>	<u>\$ 4,990,835</u>

Economic Factors and Next Year's Budget

- The City's annual budget includes the General Fund and four Special Revenue funds for local hospitality and accommodations taxes and state accommodations taxes. For fiscal year 2011-2012 the City Council has approved an annual budget in the amount of \$5,770,991, a decrease of \$372,633 over the prior year. However, millage of 153 remains unchanged from the prior year. A statewide reassessment of all real property has been done and will be reflected in next year's tax revenues.
- The unemployment rate for the City is currently 10.9 percent, an increase from 10.2 percent a year ago.
- The City has entered into a new development agreement. The development is dependent to a large degree on the national economy. A large portion of the Traditions development has been purchased by a new developer and renamed Hilton Head Lakes North. Since that time, activity has increased in the current fiscal year. There have been three annexations which includes an established business.

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, 2011**

		<u>PRIMARY GOVERNMENT GOVERNMENTAL ACTIVITIES</u>
ASSETS		
Cash	\$	2,029,191
Receivables		801,252
Cash Restricted		2,803,638
Property Held for Resale		867,742
Bond Issuance Costs		96,078
Capital Assets, not being depreciated		2,683,194
Capital Assets, being depreciated		11,891,450
Total Assets	\$	<u>21,172,545</u>
 LIABILITIES AND NET ASSETS		
Liabilities		
Accounts Payable	\$	277,382
Salaries and Benefits Payable		104,441
Accrued Interest Payable		58,190
Unearned Revenue		1,178,489
Noncurrent Liabilities		
Due Within One Year		550,188
Due In More Than One Year		4,264,590
Total Liabilities		<u>6,433,280</u>
Net Assets		
Invested in capital assets, net of related debt		10,198,084
Unrestricted		1,818,948
Restricted		2,722,233
Total Net Assets		<u>14,739,265</u>
Total Liabilities and Net Assets	\$	<u>21,172,545</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, 2011**

<u>Functions/Programs</u>	<u>EXPENSES</u>	<u>CHARGES FOR SERVICES</u>	<u>OPERATING GRANTS AND CONTRIBUTIONS</u>	<u>CAPITAL GRANTS AND CONTRIBUTIONS</u>	<u>NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS</u>
					<u>TOTAL GOVERNMENTAL ACTIVITIES</u>
Governmental Activities					
General Government	\$ 768,056	\$ -	\$ -	\$ -	\$ (768,056)
Council	115,685	-	-	-	(115,685)
Planning/Development Services	682,087	1,060,629	-	-	378,542
Public Information	131,592	-	-	-	(131,592)
Fire Department	1,351,411	9,931	1,075,601	515,651	249,772
Police Department	1,395,248	370,823	172,128	-	(852,297)
Courts	235,894	-	-	-	(235,894)
Public Works/Recreation	995,062	17,799	-	-	(977,263)
Economic Development	368,146	-	-	472,116	103,970
Finance	242,035	-	-	-	(242,035)
Interest Expense	219,369	-	-	-	(219,369)
Total Governmental Activities	<u>\$ 6,504,585</u>	<u>\$ 1,459,182</u>	<u>\$ 1,247,729</u>	<u>\$ 987,767</u>	<u>(2,809,907)</u>
General Revenues					
Property Taxes					2,574,083
Local Option Sales Taxes					450,598
Business Licenses					777,496
Franchise Taxes					349,788
Accommodation and Hospitality Taxes					384,414
Grants and contributions not restricted to specific programs					55,869
Interest Income					581
Miscellaneous					63,795
Total General Revenues					<u>4,656,624</u>
Change in net assets					1,846,717
Net assets, beginning					12,892,548
Net assets, ending					<u>\$ 14,739,265</u>

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

**CITY OF HARDEEVILLE, SOUTH CAROLINA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011**

	<u>GENERAL FUND</u>	<u>DEVELOPMENT FUND</u>	<u>CAPITAL PROJECTS FUND</u>	<u>OTHER GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
ASSETS					
Cash	\$ 1,650,683	\$ 176,596	\$ -	\$ 201,912	\$ 2,029,191
Receivables	655,291	95,288	-	50,673	801,252
Restricted Cash	286,948	1,367,074	1,149,616	-	2,803,638
Due from Other Funds	19,138	253,502	-	12,246	284,886
Property Held for Resale	-	867,742	-	-	867,742
Total Assets	<u>\$ 2,612,060</u>	<u>\$ 2,760,202</u>	<u>\$ 1,149,616</u>	<u>\$ 264,831</u>	<u>\$ 6,786,709</u>
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts Payable	\$ 246,150	\$ -	\$ -	\$ 31,232	\$ 277,382
Salaries and Benefits Payable	104,441	-	-	-	104,441
Deferred Revenue	274,473	167,805	1,000,000	-	1,442,278
Due to Other Funds	258,352	-	-	26,534	284,886
Total Liabilities	<u>883,416</u>	<u>167,805</u>	<u>1,000,000</u>	<u>57,766</u>	<u>2,108,987</u>
Fund Balances					
Unassigned	1,424,294	-	-	-	1,424,294
Assigned	304,350	119,973	-	151	424,474
Committed	-	-	-	106,721	106,721
Restricted	-	1,604,682	149,616	100,193	1,854,491
Nonspendable	-	867,742	-	-	867,742
Total Fund Balances	<u>1,728,644</u>	<u>2,592,397</u>	<u>149,616</u>	<u>207,065</u>	<u>4,677,722</u>
Total Liabilities and Fund Balances	<u>\$ 2,612,060</u>	<u>\$ 2,760,202</u>	<u>\$ 1,149,616</u>	<u>\$ 264,831</u>	<u>\$ 6,786,709</u>

**CITY OF HARDEEVILLE, SOUTH CAROLINA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2011**

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

Total fund balances for governmental funds \$ 4,677,722

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	\$ 86,271	
Land and improvements, net of \$507,186 accumulated depreciation	6,433,170	
Buildings and improvements, net of \$463,089 accumulated depreciation	4,443,100	
Furniture and equipment, net of \$788,943 accumulated depreciation	1,117,115	
Vehicles, net of \$1,531,543 accumulated depreciation	892,579	
Infrastructure, net of \$327,824 accumulated depreciation	<u>1,602,409</u>	
Total Capital Assets		14,574,644

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. 263,789

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. 96,078

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, 2011 are:

Interest Payable	(58,190)	
Compensated absences	(438,217)	
Current and Long-term Debt	<u>(4,376,561)</u>	
Total Long-Term Liabilities		<u>(4,872,968)</u>

Total net assets of governmental activities \$ 14,739,265

CITY OF HARDEEVILLE, SOUTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

	GENERAL FUND	DEVELOPMENT FUND	CAPITAL PROJECT FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
Revenues					
Taxes	\$ 3,775,220	\$ -	\$ -	\$ 356,816	\$ 4,132,036
Fines, Fees, and Licenses	1,924,211	-	-	38,281	1,962,492
Special Assessments	623,974	471,272	820,044	-	1,915,290
Intergovernmental	55,869	-	-	-	55,869
Miscellaneous	284,850	44,045	-	19,441	348,336
Total Revenues	<u>6,664,124</u>	<u>515,317</u>	<u>820,044</u>	<u>414,538</u>	<u>8,414,023</u>
Expenditures					
Current:					
General Government	774,829	-	-	1,915	776,744
Council	115,685	-	-	-	115,685
Planning/Development Services	651,307	16,574	-	-	667,881
Public Information	121,085	-	-	-	121,085
Fire Department	1,045,929	-	200,746	-	1,246,675
Police Department	1,269,164	-	-	13,175	1,282,339
Courts	230,334	-	-	-	230,334
Public Works/Recreation	691,366	-	-	89,754	781,120
Economic Development	77,645	281,607	-	-	359,252
Finance	230,167	-	-	-	230,167
Debt Service:					
Principal	338,949	-	60,000	215,325	614,274
Interest	62,244	-	61,938	97,689	221,871
Capital Outlay:					
General Government	-	11,749	81,937	-	93,686
Planning/Development Services	91,888	-	-	-	91,888
Fire Department	-	-	539,146	-	539,146
Public Works/Recreation	44,758	-	-	-	44,758
Total Expenditures	<u>5,745,350</u>	<u>309,930</u>	<u>943,767</u>	<u>417,858</u>	<u>7,416,905</u>
Excess (deficiency) of revenues over (under) expenditures	<u>918,774</u>	<u>205,387</u>	<u>(123,723)</u>	<u>(3,320)</u>	<u>997,118</u>
Other Financing Sources (Uses)					
Transfers Out	(114,160)	-	-	(56,233)	(170,393)
Transfers In	56,233	-	110,700	3,460	170,393
Total Financing Sources (Uses)	<u>(57,927)</u>	<u>-</u>	<u>110,700</u>	<u>(52,773)</u>	<u>-</u>
Net change in fund balances	860,847	205,387	(13,023)	(56,093)	997,118
Fund balances, beginning of year	867,797	2,387,010	162,639	263,158	3,680,604
Fund balances, end of year	<u>\$ 1,728,644</u>	<u>\$ 2,592,397</u>	<u>\$ 149,616</u>	<u>\$ 207,065</u>	<u>\$ 4,677,722</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, 2011**

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	\$ 997,118
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 (\$769,478) was less than depreciation (\$567,714) in the current period.	201,764
Repayment of debt principal is an expenditure in the governmental funds but reduces the liability in the statement of net assets.	614,274
Interest is recorded as paid in the governmental funds but is accrued as a liability in the governmental statements.	10,509
Revenues recognized in the statement of activities that were not reported as revenues in the funds.	(62,722)
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>93,781</u>
Total change in net assets of governmental activities	<u>\$ 1,846,717</u>

**CITY OF HARDEEVILLE, SOUTH CAROLINA
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
JUNE 30, 2011**

	AGENCY FUNDS
ASSETS	
Cash	\$ 2,431,495
Total Assets	<u>2,431,495</u>
LIABILITIES	
Due to Others	<u>2,431,495</u>
Total Liabilities	<u>2,431,495</u>
NET ASSETS	<u><u>\$ -</u></u>

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

CITY OF HARDEEVILLE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

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, 2011

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, 2011

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 2011 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, 2011

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 issuance of debt.

CITY OF HARDEEVILLE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Assets, Liabilities, and Net Assets or Equity - Continued

Fund Equity - Continued

The GASB has issued Statement No. 54, "*Fund Balance Reporting and Governmental Fund Type Definitions*". The objective of this Statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2010. The following categories of fund balance are now being used in the fund level financial statements of the government funds:

Nonspendable Fund Balance

The nonspendable fund balance classification includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, for example, inventories and prepaid amounts. It also includes the long-term amount of loans and notes receivable, as well as property acquired for resale.

Restricted Fund Balance

The restricted fund balance classification includes amounts that are either restricted externally by creditors, grantors, contributors, or laws or regulations of other governments or restricted by law through constitutional provisions or enabling legislation.

Committed Fund Balance

The committed fund balance classification includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the City's highest level of decision-making authority. Those committed amounts cannot be used for any other purpose unless the City removes or changes the specified use by taking the same type of action it employed to previously commit those amounts. Committed fund balances also incorporate contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements. The City recognizes committed fund balances that have been approved for specific purposes by City Council before the year end.

Assigned Fund Balance

The assigned fund balance classification includes amounts that are constrained by the City's intent to be used for specific purposes but are not restricted or committed. The authority for making an assignment is not required to be the City's highest level of decision-making authority and as such, the nature of the actions necessary to remove or modify an assignment does not require the City's highest level of authority. Assigned fund balance amounts in the City's financial statements represent amounts approved by City Council to be transferred and spend after year end. In the special revenue fund, assigned fund balances represent amounts to be spent for specific purposes.

Unassigned Fund Balance

The unassigned fund balance classification includes amounts that have not been assigned to other funds and has not been restricted, committed, or assigned for specific purposes within the general fund.

Based on the City's policies regarding fund balance classifications as noted above, the City considers amounts that are restricted, committed, or assigned to be spent when the corresponding expenditures that has been designated by City Council or donors has been made. After these fund balances have been depleted, unassigned fund balance will be considered to have been spent.

CITY OF HARDEEVILLE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Assets, Liabilities, and Net Assets or Equity - Continued

Fund Equity – Continued

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.

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.

**CITY OF HARDEEVILLE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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. There were no supplemental appropriations during the year.

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, 2011, expenditures exceeded appropriations in the Indirect Accommodations Tax Fund reported in Other Governmental Funds in the amount of \$10,900. These overexpenditures were funded by a loan from the general fund.

NOTE 2 DEPOSITS AND INVESTMENTS

As of June 30, 2011, 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, 2011, 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.

**CITY OF HARDEEVILLE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 2 DEPOSITS AND INVESTMENTS - CONTINUED

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

	<u>Amount</u>
Restricted for the library project	\$ 119,973
Restricted by bond covenants	119,154
Restricted by development agreements	2,247,101
Restricted for debt payment	30,462
Restricted for fire department expenses	<u>286,948</u>
Total Restricted Cash	<u>\$ 2,803,638</u>

NOTE 3 RECEIVABLES

Receivables at June 30, 2011, including the applicable allowances for uncollectible accounts, are as follows for the fund and government-wide financial statements:

	<u>General Fund</u>	<u>Development Fund</u>	<u>Other Nonmajor Funds</u>
Taxes Receivable	\$ 718,632	\$ -	\$ 50,673
Fines, Fees, and Licenses	63,028	54,217	-
Intergovernmental Revenues	57,959	-	-
Miscellaneous	91,823	41,071	-
Allowance for Uncollectibles	<u>(276,151)</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 655,291</u>	<u>\$ 95,288</u>	<u>\$ 50,673</u>

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:

	<u>Unavailable</u>	<u>Unearned</u>
Delinquent property taxes receivable	\$ 263,789	\$ -
Phase 2 Transportation Study	5,500	5,500
Development fees not spent	167,806	167,806
State Portion Fines	140	140
Held for fire station construction	1,000,000	1,000,000
Held for museum expenditures	<u>5,043</u>	<u>5,043</u>
Total	<u>\$ 1,442,278</u>	<u>\$ 1,178,489</u>

**CITY OF HARDEEVILLE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

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, 2010</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2011</u>
<i>Capital assets not being depreciated</i>				
Land and improvements	\$ 2,596,923	\$ -	\$ -	\$ 2,596,923
Construction in progress	<u>51,578</u>	<u>156,333</u>	<u>121,640</u>	<u>86,271</u>
Total capital assets, not being depreciated	<u>2,648,501</u>	<u>156,333</u>	<u>121,640</u>	<u>2,683,194</u>
<i>Capital assets being depreciated</i>				
Buildings and improvements	4,906,189	-	-	4,906,189
Land improvements	4,343,433	-	-	4,343,433
Furniture and equipment	1,171,273	734,785	-	1,906,058
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>14,775,250</u>	<u>734,785</u>	<u>-</u>	<u>15,510,035</u>
Less accumulated depreciation for:				
Buildings and improvements	360,731	102,358	-	463,089
Land improvements	426,697	80,489	-	507,186
Furniture and equipment	649,243	139,700	-	788,943
Vehicles	1,352,604	178,939	-	1,531,543
Infrastructure	<u>261,596</u>	<u>66,228</u>	<u>-</u>	<u>327,824</u>
Total accumulated depreciation	<u>3,050,871</u>	<u>567,714</u>	<u>-</u>	<u>3,618,585</u>
Total capital assets being depreciated, net	<u>11,724,379</u>	<u>167,071</u>	<u>-</u>	<u>11,891,450</u>
Governmental activities capital assets, net	<u>\$ 14,372,880</u>	<u>\$ 323,404</u>	<u>\$ 121,640</u>	<u>\$ 14,574,644</u>

Depreciation expense was \$567,714 for the year ended June 30, 2011. This amount was allocated to the functional departments as follows:

<u>Governmental Activities</u>	
General Government	\$ 117,133
Fire Department	98,632
Public Works/Recreation	241,996
Planning	13,671
Police Department	93,724
Public Information	768
Court	<u>1,790</u>
Total	<u>\$ 567,714</u>

**CITY OF HARDEEVILLE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 5 LONG-TERM OBLIGATIONS

A schedule of changes in long-term indebtedness follows:

	<u>Balance</u> <u>June 30, 2010</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2011</u>	<u>Due</u> <u>Within</u> <u>A Year</u>
General Obligation Bonds	\$ 368,436	\$ -	\$ 34,714	\$ 333,722	\$ 36,122
Leases Payable	3,202,399	-	494,517	2,707,882	349,066
Revenue Bonds	1,120,000	-	60,000	1,060,000	65,000
Note Payable	300,000	-	25,043	274,957	-
					-
Compensated Absences	531,998	258,311	352,092	438,217	100,000
Total	<u>\$ 5,522,833</u>	<u>\$ 258,311</u>	<u>\$ 966,366</u>	<u>\$ 4,814,778</u>	<u>\$ 550,188</u>

SHORT TERM OBLIGATIONS

	<u>Balance</u> <u>June 30, 2010</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2011</u>	<u>Due</u> <u>Within</u> <u>A Year</u>
Tax Anticipation Note	\$ -	\$ 450,000	\$ 450,000	\$ -	-
Total	<u>\$ -</u>	<u>\$ 450,000</u>	<u>\$ 450,000</u>	<u>\$ -</u>	<u>\$ -</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 \$14,078,748. The computation of legal debt limits is as follows:

Assessed value (\$15,778,748 X 8%)	\$ 1,262,300
General obligation debt at June 30, 2011	<u>(333,722)</u>
Amount in excess of debt limit	<u>\$ 928,578</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>\$ 333,722</u>

**CITY OF HARDEEVILLE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 5 LONG-TERM OBLIGATIONS – CONTINUED

The general obligation bond is payable from the general fund. The annual requirement to amortize the general obligation bond as of June 30, 2011 is as follows:

<u>Fiscal Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	42,405	7,374	49,779
2017 - 2019	137,719	11,587	149,306
Total	<u>\$ 333,722</u>	<u>\$ 64,479</u>	<u>\$ 398,201</u>

Leases Payable

<u>Leases Payable</u>	<u>BALANCE</u>
\$498,514 lease payable on a fire truck and response unit payable in nine annual payments of \$67,615 including interest of 4.12% beginning September 29, 2004.	\$ 187,211
\$2,473,000 lease payable on municipal complex payable monthly at \$15,216 including interest of 4.19% beginning January 7, 2004.	1,779,407
\$250,322 lease payable for recreation equipment payable in ten annual payments of \$31,232 including interest of 4.24% beginning July 2005.	112,732
\$800,000 lease payable for recreation equipment payable in ten annual payments of \$97,995 including interest of 3.87% beginning May 10, 2005.	272,619
\$650,000 lease payable for fire truck payable in ten annual installments of \$79,701 including interest of 3.89% beginning August 5, 2006.	355,913
Total	<u>\$ 2,707,882</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 \$1,713,361. 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, 2011 are as follows:

**CITY OF HARDEEVILLE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 5 LONG-TERM OBLIGATIONS – CONTINUED

<u>Fiscal Year Ending</u>	<u>Payment</u>
2012	\$ 460,330
2013	460,330
2014	460,330
2015	294,720
2016	263,488
2017 - 2021	918,935
2022 - 2024	<u>459,470</u>
Total Minimum Lease Payments	3,317,603
Less Amount Representing Interest	<u>(609,721)</u>
Present Value of Minimum Lease Payment	<u>\$ 2,707,882</u>

Revenue Bonds Payable

BALANCE

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

\$ 1,060,000

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>
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	80,000	37,925	117,925
2017 - 2021	475,000	115,875	590,875
2021-2024	<u>225,000</u>	<u>8,700</u>	<u>233,700</u>
Total	<u>\$ 1,060,000</u>	<u>\$ 372,940</u>	<u>\$ 1,432,940</u>

Notes Payable

The Hardeeville Public Facilities Corporation, Inc. took out a \$300,000 loan at 3.95% to purchase the site for the library. 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>
2012	\$ -	\$ 10,860	\$ 10,860
2013	<u>274,957</u>	<u>9,832</u>	<u>284,789</u>
Total	<u>\$ 274,957</u>	<u>\$ 20,692</u>	<u>\$ 295,649</u>

**CITY OF HARDEEVILLE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 5 LONG-TERM OBLIGATIONS – CONTINUED

Tax Anticipation Note

The City took out a tax anticipation note in the amount of \$450,000 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, 2011, accrued vacation and sick leave totaled \$438,217 including seventeen percent for employee benefits. All compensated absences are paid from the general fund.

Conduit Debt

The City issued \$15,470,000 of special assessment debt for improvements in the Hilton Head Lakes development. Payment is to be made solely from the assessments in the development, the City has no obligation. The balance at June 30, 2011 is \$14,689,000.

NOTE 6 PENSION PLAN

The City's retirement plans are as follows:

Description of Plans

As a condition of employment, all eligible City employees are required to participate in a pension plan. All firemen and law enforcement officers must belong to the South Carolina Police Officers' Retirement System (SCPORS). All other eligible employees must belong to the South Carolina Retirement System (SCRS). Both plans are a cost-sharing multiple-employer Public Employee Retirement System (PERS) administered by the Retirement Division of the State Budget and Control Board. Retirement costs are funded by withholding from the employees' salaries, and by a contribution from the City of a percentage of the employee' salaries. Both Retirement Systems are administered by the South Carolina Retirement System, which is a state agency. The City has no fiduciary responsibility for or further liability for either of the retirement plans beyond their current contributions, except as noted below, which are established to fund prior year's liabilities. A Comprehensive Annual Financial Report containing financial statements and required supplementary information for the South Carolina Retirement System and Police Officers Retirement System is issued and publicly available by writing the South Carolina Retirement System, Post Office Box 11960, Columbia, South Carolina 29211-1960.

Basic Provisions

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

**CITY OF HARDEEVILLE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 6 PENSION PLAN - CONTINUED

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

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

Funding Policy

South Carolina Retirement System (SCRS)

Effective July 1, 2007, the employer contribution rate became 9.39 percent which includes 0.15 percent towards group life insurance. City contributions to SCRS for the years ended June 30, 2009, 2010, and 2011 were \$129,374, \$119,132, and \$123,657, respectively equal to the actuarially required contributions for each year.

Police Officers Retirement System (SCPORS)

Effective July 1, 2010, the employer contribution rate became 11.33 percent which includes 0.20 percent towards group life insurance. Contributions to SCPORS for the years ended June 30, 2009, 2010, and 2011 were \$136,951, \$140,021, and \$146,312, respectively, equal to the actuarially required contribution rates for each year.

NOTE 7 TRANSFERS BETWEEN FUNDS

The following is a schedule of transfers between funds:

	General Fund	Other Governmental Funds	Total
Transfers In	\$ 56,233	\$ 114,160	\$ 170,393
Transfers Out	114,160	56,233	170,393

The transfer of \$56,233 from the other governmental funds represented \$48,663 from the victims fund for victims officers reimbursement and \$7,570 from the contingency fund to the general fund. The transfer of \$114,160 from the general fund to the capital projects fund of \$110,700 was for a note payment on the new building and \$3,460 to the victims fund.

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.

**CITY OF HARDEEVILLE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 8 RISK MANAGEMENT- CONTINUED

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 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, 2011, a developer was delinquent in the amount of \$50,000 and is currently in preforeclosure.

As of June 30, 2011, there were no outstanding liabilities of the City as a result of any term of the Development Agreements. Capital improvements to be made under the terms of the developer agreements are at the expense of the Developer. Timing of those improvements vary, but generally are tied to either a set number of residential units being built (usually 1,500 or more) or the implementation of the Municipal Improvement District to obtain bond funds at the expense of the developer. Some of the development agreements (Stratford) also provide for operational costs once the capital improvements are built; others, being based on units built and certified for occupancy will create ad valorem taxes to adequately cover the increased cost. These are not capital items, but operational expenses that could be covered by personnel shifts within the existing projected budgets for this year and 2011-12.

NOTE 10 SUBSEQUENT EVENTS

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

The City received \$1,000,000 from a developer to build a fire station. It is expected at this time that the fire station would be completed in the 2011-2012 fiscal year and that the budget for 2012-2013 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 \$119,000 available in restricted cash. The balance of funding would come from the sale of the present library and a lease purchase for the balance.

NOTE 11 FUND BALANCES

The assigned fund balance of \$424,474 represents \$301,350 in the general fund for fire department operations and city manager search in the 2012-2013 budget year, \$119,973 in the development fund for cash assigned by council from the residual of a loan for construction of a library, and \$151 in other governmental funds for cash in the Celebrate Hardeeville Fund.

The committed fund balance of \$106,721 represents \$21,180 in the local accommodations tax fund and \$85,541 in the local hospitality fund that are committed by City ordinance for tourism related expenditures.

**CITY OF HARDEEVILLE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 11 FUND BALANCES – CONTINUED

The restricted fund balance of \$1,854,491 represents \$1,604,682 in the development fund that is restricted by developer agreements, \$149,616 in the capital projects fund restricted for debt payment, and \$100,193 in other governmental funds that are restricted by external organizations.

The nonspendable fund balance of \$867,742 represents non-cash property held for resale in the development fund for land in the amount of \$657,000 and sewer capacity in the amount of \$210,742.

The beginning fund balances have been restated to comply with GASB Statement No. 54:

<u>Definition</u>	<u>General Fund</u>	<u>Development Fund</u>	<u>Capital Projects Fund</u>	<u>Non Major Funds</u>
Beginning of Year				
Unreserved	\$ 867,797	\$ 488,832	\$ -	\$ 263,158
Reserved	-	1,898,178	162,639	-
Total	<u>\$ 867,797</u>	<u>\$ 2,387,010</u>	<u>\$ 162,639</u>	<u>\$ 263,158</u>
Restated				
Unassigned	\$ 867,797	\$ -	\$ -	\$ -
Assigned	-	-	-	151
Committed	-	131,431	-	125,193
Restricted	-	1,387,837	162,639	137,814
Nonspendable	-	867,742	-	-
Total	<u>\$ 867,797</u>	<u>\$ 2,387,010</u>	<u>\$ 162,639</u>	<u>\$ 263,158</u>

NOTE 12 NET ASSETS

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

Capital Assets	
Capital assets not being depreciated	\$ 2,683,194
Capital assets being depreciated	11,891,450
Total Capital Assets	<u>14,574,644</u>
Debt	<u>(4,376,560)</u>
Capital Assets, Net of Related Debt	<u>\$ 10,198,084</u>

The restricted net assets \$2,722,233 includes the restricted portion of fund balance of \$1,604,682, the nonspendable portion of fund balance of \$867,742 in the development fund for economic development and the restricted fund balance of \$249,809 in the other governmental funds.

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, 2011**

	BUDGETED AMOUNTS		ACTUAL	VARIANCE
	ORIGINAL	FINAL		FAVORABLE (UNFAVORABLE)
Revenues				
Taxes	\$ 3,245,891	\$ 3,245,891	\$ 3,775,220	\$ 529,329
Fines, Fees and Licenses	2,012,563	2,012,563	1,924,211	(88,352)
Intergovernmental	33,000	33,000	55,869	22,869
Special Assessments	569,570	569,570	623,974	54,404
Miscellaneous	242,600	242,600	284,850	42,250
Total Revenues	<u>6,103,624</u>	<u>6,103,624</u>	<u>6,664,124</u>	<u>560,500</u>
Expenditures				
General Government	578,606	578,606	774,829	(196,223)
Council	536,598	536,598	115,685	420,913
Planning/Development Services	639,586	639,586	651,307	(11,721)
Public Information	116,941	116,941	121,085	(4,144)
Fire Department	1,045,854	1,045,854	1,045,929	(75)
Police Department	1,358,129	1,358,129	1,269,164	88,965
Courts	215,545	215,545	230,334	(14,789)
Public Works/Recreation	712,230	712,230	691,366	20,864
Economic Development	76,175	76,175	77,645	(1,470)
Finance	210,811	210,811	230,167	(19,356)
Debt Service:				
Principal	402,987	402,987	338,949	64,038
Interest	-	-	62,244	(62,244)
Capital Outlay:				
Planning/Development Services	-	-	91,888	(91,888)
Public Works/Recreation	100,000	100,000	44,758	55,242
Total Expenditures	<u>5,993,462</u>	<u>5,993,462</u>	<u>5,745,350</u>	<u>248,112</u>
Excess (deficiency) of revenues over (under) expenditures	<u>110,162</u>	<u>110,162</u>	<u>918,774</u>	<u>808,612</u>
Other Financing Sources (Uses)				
Transfers Out	(150,162)	(150,162)	(114,160)	36,002
Transfers In	40,000	40,000	56,233	16,233
Total Financing Sources (Uses)	<u>(110,162)</u>	<u>(110,162)</u>	<u>(57,927)</u>	<u>52,235</u>
Net change in fund balances	-	-	860,847	860,847
Fund balances, beginning of year	867,797	867,797	867,797	-
Fund balances, end of year	<u>\$ 867,797</u>	<u>\$ 867,797</u>	<u>\$ 1,728,644</u>	<u>\$ 860,847</u>

NOTES TO REQUIRED SUPPLEMENTARY SCHEDULE:

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

SUPPLEMENTARY INFORMATION

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

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

Indirect Accommodations Tax Fund

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

Direct Accommodations Tax Fund

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

Local Accommodations Tax Fund

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

Local Hospitality Tax Fund

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

Victims Assistance Fund

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

Contingency Fund

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

Celebrate Hardeeville

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

Fire Fund

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

**CITY OF HARDEEVILLE, SOUTH CAROLINA
 COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2011**

	INDIRECT ACCOM TAX FUND	DIRECT ACCOM TAX FUND	LOCAL ACCOM TAX FUND	LOCAL HOSPITALITY TAX FUND	VICTIMS ASSISTANCE FUND
ASSETS					
Cash	\$ 5,405	\$ 1	\$ 24,821	\$ 87,112	\$ 4,155
Receivables	24,653	-	11,975	14,045	-
Due from Other Funds	-	7,396	-	-	4,850
Total Assets	<u>\$ 30,058</u>	<u>\$ 7,397</u>	<u>\$ 36,796</u>	<u>\$ 101,157</u>	<u>\$ 9,005</u>
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts Payable	\$ -	\$ -	\$ 15,616	\$ 15,616	\$ -
Due to Other Funds	<u>17,529</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,005</u>
Total Liabilities	<u>17,529</u>	<u>-</u>	<u>15,616</u>	<u>15,616</u>	<u>9,005</u>
Fund Balances					
44 Restricted	12,529	7,397	-	-	-
Committed	-	-	21,180	85,541	-
Assigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Fund Balances	<u>12,529</u>	<u>7,397</u>	<u>21,180</u>	<u>85,541</u>	<u>-</u>
Total Liabilities and Fund Balances	<u>\$ 30,058</u>	<u>\$ 7,397</u>	<u>\$ 36,796</u>	<u>\$ 101,157</u>	<u>\$ 9,005</u>

**CITY OF HARDEEVILLE, SOUTH CAROLINA
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2011**

	CONTINGENCY FUND	CELEBRATE HARDEEVILLE FUND	FIRE FUND	TOTAL
ASSETS				
Cash	\$ 39,667	\$ 151	\$ 40,600	\$ 201,912
Receivables	-	-	-	50,673
Due from Other Funds	-	-	-	12,246
Total Assets	<u>\$ 39,667</u>	<u>\$ 151</u>	<u>\$ 40,600</u>	<u>\$ 264,831</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts Payable	\$ -	\$ -	\$ -	\$ 31,232
Due to Other Funds	-	-	-	26,534
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>57,766</u>
Fund Balances				
Restricted	39,667	-	40,600	100,193
Committed	-	-	-	106,721
Assigned	-	151	-	151
Total Fund Balances	<u>39,667</u>	<u>151</u>	<u>40,600</u>	<u>207,065</u>
Total Liabilities and Fund Balances	<u>\$ 39,667</u>	<u>\$ 151</u>	<u>\$ 40,600</u>	<u>\$ 264,831</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, 2011**

	INDIRECT ACCOM TAX FUND	DIRECT ACCOM TAX FUND	LOCAL ACCOM TAX FUND	LOCAL HOSPITALITY TAX FUND	VICTIMS ASSISTANCE FUND
Revenues					
Taxes	\$ 33,778	\$ 15,591	\$ 144,620	\$ 162,827	\$ -
Fines, Fees and Licenses	-	-	-	-	38,281
Miscellaneous	-	-	46	188	-
Total Revenues	<u>33,778</u>	<u>15,591</u>	<u>144,666</u>	<u>163,015</u>	<u>38,281</u>
Expenditures					
Current:					
General Government	-	-	-	-	-
Police Department	-	-	-	-	-
Public Works/Recreation	60,900	15,715	5,562	7,577	-
Debt Service:					
Principal	-	-	107,663	107,662	-
Interest	-	-	48,844	48,845	-
Total Expenditures	<u>60,900</u>	<u>15,715</u>	<u>162,069</u>	<u>164,084</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>(27,122)</u>	<u>(124)</u>	<u>(17,403)</u>	<u>(1,069)</u>	<u>38,281</u>
Other Financing Sources (Uses)					
Transfers Out	-	-	-	-	(48,663)
Transfers In	-	-	-	-	3,460
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(45,203)</u>
Net change in fund balances	(27,122)	(124)	(17,403)	(1,069)	(6,922)
Fund balances, beginning of year	39,651	7,521	38,583	86,610	6,922
Fund balances, end of year	<u>\$ 12,529</u>	<u>\$ 7,397</u>	<u>\$ 21,180</u>	<u>\$ 85,541</u>	<u>\$ -</u>

**CITY OF HARDEEVILLE, SOUTH CAROLINA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2011**

	CONTINGENCY FUND	CELEBRATE HARDEEVILLE FUND	FIRE FUND	TOTAL
Revenues				
Taxes	\$ -	\$ -	\$ -	\$ 356,816
Fines, Fees and Licenses	-	-	-	38,281
Miscellaneous	2,241	-	16,966	19,441
Total Revenues	<u>2,241</u>	<u>-</u>	<u>16,966</u>	<u>414,538</u>
Expenditures				
Current:				
General Government	1,915	-	-	1,915
Police Department	13,175	-	-	13,175
Public Works/Recreation	-	-	-	89,754
Debt Service:				
Principal	-	-	-	215,325
Interest	-	-	-	97,689
Total Expenditures	<u>15,090</u>	<u>-</u>	<u>-</u>	<u>417,858</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(12,849)</u>	<u>-</u>	<u>16,966</u>	<u>(3,320)</u>
Other Financing Sources (Uses)				
Transfers Out	(7,570)	-	-	(56,233)
Transfers In	-	-	-	3,460
Total Other Financing Sources (Uses)	<u>(7,570)</u>	<u>-</u>	<u>-</u>	<u>(52,773)</u>
Net change in fund balances	(20,419)	-	16,966	(56,093)
Fund balances, beginning of year	60,086	151	23,634	263,158
Fund balances, end of year	<u>\$ 39,667</u>	<u>\$ 151</u>	<u>\$ 40,600</u>	<u>\$ 207,065</u>

**CITY OF HARDEEVILLE, SOUTH CAROLINA
INDIRECT ACCOMMODATIONS TAX SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2011**

	BUDGETED AMOUNTS		ACTUAL	VARIANCE
	ORIGINAL	FINAL		FAVORABLE (UNFAVORABLE)
Revenues				
Taxes	\$ 50,000	\$ 50,000	\$ 33,778	\$ (16,222)
Total Revenues	<u>50,000</u>	<u>50,000</u>	<u>33,778</u>	<u>(16,222)</u>
Expenditures				
Current:				
Public Works/Recreation	<u>50,000</u>	<u>50,000</u>	<u>60,900</u>	<u>(10,900)</u>
Total Expenditures	<u>50,000</u>	<u>50,000</u>	<u>60,900</u>	<u>(10,900)</u>
Excess (deficiency) of revenues over (under) expenditures	-	-	(27,122)	(27,122)
Fund balances, beginning of year	<u>39,651</u>	<u>39,651</u>	<u>39,651</u>	<u>-</u>
Fund balances, end of year	<u>\$ 39,651</u>	<u>\$ 39,651</u>	<u>\$ 12,529</u>	<u>\$ (27,122)</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, 2011**

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		<u>FAVORABLE (UNFAVORABLE)</u>
Revenues				
Taxes	\$ 20,000	\$ 20,000	\$ 15,591	\$ (4,409)
Total Revenues	<u>20,000</u>	<u>20,000</u>	<u>15,591</u>	<u>(4,409)</u>
Expenditures				
Current:				
Public Works/Recreation	20,000	20,000	15,715	4,285
Total Expenditures	<u>20,000</u>	<u>20,000</u>	<u>15,715</u>	<u>4,285</u>
Excess (deficiency) of revenues over (under) expenditures	-	-	(124)	(124)
Fund balances, beginning of year	7,521	7,521	7,521	-
Fund balances, end of year	<u>\$ 7,521</u>	<u>\$ 7,521</u>	<u>\$ 7,397</u>	<u>\$ (124)</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, 2011**

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		<u>FAVORABLE</u> <u>(UNFAVORABLE)</u>
Revenues				
Taxes	\$ 180,000	\$ 180,000	\$ 144,620	\$ (35,380)
Miscellaneous	-	-	46	46
Total Revenues	<u>180,000</u>	<u>180,000</u>	<u>144,666</u>	<u>(35,334)</u>
Expenditures				
Current:				
Public Works/Recreation	50,000	50,000	5,562	44,438
Debt Service:				
Principal	85,000	85,000	107,663	(22,663)
Interest	<u>45,000</u>	<u>45,000</u>	<u>48,844</u>	<u>(3,844)</u>
Total Expenditures	<u>180,000</u>	<u>180,000</u>	<u>162,069</u>	<u>17,931</u>
Excess (deficiency) of revenues over (under) expenditures	-	-	(17,403)	(17,403)
Fund balances, beginning of year	38,583	38,583	38,583	-
Fund balances, end of year	<u>\$ 38,583</u>	<u>\$ 38,583</u>	<u>\$ 21,180</u>	<u>\$ (17,403)</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, 2011**

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		<u>FAVORABLE</u> <u>(UNFAVORABLE)</u>
Revenues				
Taxes	\$ 180,000	\$ 180,000	\$ 162,827	\$ (17,173)
Miscellaneous	-	-	188	188
Total Revenues	<u>180,000</u>	<u>180,000</u>	<u>163,015</u>	<u>(16,985)</u>
Expenditures				
Current:				
Public Works/Recreation	10,000	10,000	7,577	2,423
Debt Service:				
Principal	100,000	100,000	107,662	(7,662)
Interest	<u>70,000</u>	<u>70,000</u>	<u>48,845</u>	<u>21,155</u>
Total Expenditures	<u>180,000</u>	<u>180,000</u>	<u>164,084</u>	<u>15,916</u>
Excess (deficiency) of revenues over (under) expenditures	-	-	(1,069)	(1,069)
Fund balances, beginning of year	86,610	86,610	86,610	-
Fund balances, end of year	<u>\$ 86,610</u>	<u>\$ 86,610</u>	<u>\$ 85,541</u>	<u>\$ (1,069)</u>

NOTES TO OTHER SUPPLEMENTARY SCHEDULES:

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

FIDUCIARY FUNDS

Agency Funds

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

Municipal Improvement District HH Lakes

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

**CITY OF HARDEEVILLE, SOUTH CAROLINA
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
 AGENCY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2011**

	BALANCE		ADDITIONS		DELETIONS		BALANCE
	JUNE 30, 2010						JUNE 30, 2011
MUNICIPAL IMPROVEMENT DISTRICT - HH LAKES							
ASSETS							
Cash	\$ 3,306,162	\$ 1,320,837	\$ 2,195,504	\$ 2,431,495			
Total Assets	\$ 3,306,162	\$ 1,320,837	\$ 2,195,504	\$ 2,431,495			
LIABILITIES							
Due to Others	\$ 3,306,162	\$ 1,320,837	\$ 2,195,504	\$ 2,431,495			
Total Liabilities	\$ 3,306,162	\$ 1,320,837	\$ 2,195,504	\$ 2,431,495			

**CITY OF HARDEEVILLE, SOUTH CAROLINA
SCHEDULE OF COURT FINES, ASSESSMENTS, AND SURCHARGES
FOR THE YEAR ENDED JUNE 30, 2011**

Court Fines and Assessments	
Court Fines Collected	\$ 281,138
Assessments	305,595
Surcharges	195,993
Total Court Fines and Assessments Collected	<u>782,726</u>
Surcharges and Assessments Remitted to State Treasurer	
Surcharges	191,831
Assessments	271,477
Court Surcharges and Assessments Remitted to State Treasurer	<u>463,308</u>
Fines, Surcharges, and Assessments Retained by City	
Fines	281,138
Surcharges	-
Assessments	-
Court Fines Retained by City	<u>281,138</u>
Funds Allocated to Victims Services	
Carryover Funds from Prior Year	6,922
Surcharges Retained	4,162
Assessments Retained	34,118
Expenditures	(48,663)
Transfers from General Fund	3,461
Total Unexpended Victims Rights Assistance	<u>\$ -</u>

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

STATISTICAL SECTION

CITY OF HARDEEVILLE, SOUTH CAROLINA

STATISTICAL SECTION

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

<u>Contents</u>	<u>Page</u>
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>	56-59
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>	60-63
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>	64-68
Demographic and Economic Informatior <i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place and to help make comparisons over time and with other governments.</i>	69-70
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>	71-73

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 EIGHT FISCAL YEARS**

Schedule 1

	FISCAL YEAR							
	2004	2005	2006	2007	2008	2009	2010	2011
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	\$10,198,084
Restricted	755,527	-	-	-	2,455,107	2,093,882	2,515,737	2,722,233
Unrestricted	2,569,965	943,260	597,758	1,838,666	259,726	519,772	697,696	1,818,948
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>	<u>\$14,739,265</u>

**CITY OF HARDEEVILLE, SOUTH CAROLINA
CHANGE IN NET ASSETS
LAST EIGHT FISCAL YEARS**

Schedule 2

	FISCAL YEAR							
	2004	2005	2006	2007	2008	2009	2010	2011
Expenses								
Governmental Activities:								
General Government	\$ 826,528	\$ 1,109,186	\$ 1,403,268	\$ 1,251,544	\$ 1,424,512	\$ 935,106	\$ 865,101	\$ 768,056
Council	55,908	80,082	77,318	88,599	91,352	98,117	120,995	115,685
Planning/Development Services	71,976	163,849	253,515	572,505	577,065	466,065	382,288	682,087
Public Information	-	190,833	145,871	178,695	189,273	111,052	125,531	131,592
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	1,351,411
Police Department	1,317,643	1,394,353	1,389,712	1,204,715	1,464,601	1,539,834	1,471,700	1,395,248
Courts	541,071	741,923	909,165	758,810	587,909	211,584	211,051	235,894
Public Works/Recreation	905,848	412,641	290,153	472,322	540,399	1,026,432	1,165,568	995,062
Building Inspection	-	-	-	-	446,074	151,804	58,865	368,146
Finance	-	-	-	-	80,031	182,602	335,629	242,035
Interest Expense	93,116	192,972	235,727	248,076	402,042	233,259	276,903	219,369
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>6,114,730</u>	<u>6,242,581</u>	<u>6,504,585</u>
Revenues								
Governmental Activities:								
Program Revenues								
Charges for Services	894,091	1,588,748	2,701,713	2,797,283	-	-	-	-
Permits	-	-	-	-	686,437	508,455	501,883	402,830
Developer Review Fees	-	-	-	-	785,529	766,465	638,820	657,799
Fines	-	-	-	-	136,022	239,283	314,681	370,823
Other	-	-	-	-	643,397	106,718	84,138	27,730
Operating Grants and Contributions	9,821	24,630	41,825	376,815	316,089	967,281	1,045,726	1,247,729
Capital Grants and Contributions	48,560	59,489	856,882	584,357	2,280,032	3,669,568 (1)	613,557	987,767
General Revenues								
Taxes	1,828,232	1,613,576	2,017,647	2,416,831	3,729,189	3,103,908	3,145,461	3,758,883
Business Licenses	-	-	-	-	875,543	1,016,468	961,262	777,496
Grants and Contributions not restricted to specific programs	266,731	83,725	49,142	52,972	58,544	60,097	38,097	55,869
Earnings on Investments	128,367	46,859	33,763	12,460	119,795	9,872	28,995	581
Other	602,359	1,088,683	1,030,699	1,376,646	55,203	86,092	14,436	63,795
Total Revenues	<u>3,778,161</u>	<u>4,505,710</u>	<u>6,731,671</u>	<u>7,617,364</u>	<u>9,685,780</u>	<u>10,534,207</u>	<u>7,387,056</u>	<u>8,351,302</u>
Increase in Net Assets	(751,564)	(784,334)	931,006	1,369,652	2,229,245	4,046,690	911,830	1,846,717
Net Assets-Beginning	5,660,852	4,909,288	4,124,953	5,055,959	6,425,611	8,654,856	11,980,718	12,892,548
Prior Period Adjustment	-	-	-	-	-	(720,828)	-	-
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>\$12,701,546</u>	<u>\$12,892,548</u>	<u>\$14,739,265</u>

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

Schedule 3

	FISCAL YEAR							
	2004	2005	2006	2007	2008 Restated	2009	2010	2011*
GENERAL FUND								
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	14,421	14,925	(53,630)	650,752	(13,729)	868,984	-	-
Unassigned	-	-	-	-	-	-	867,797	1,416,724
Assigned	-	-	-	-	-	-	-	311,920
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>	<u>\$ 1,728,644</u>
ALL OTHER GOVERNMENTAL FUND								
Reserved	\$ 2,255,361	\$ 219,975	\$ 449,096	\$ 696,245	\$ 1,126,512	\$ 1,975,442	\$ -	\$ -
Unreserved, reported in:								
Special Revenue Funds	1,287,886	853,060	787,035	650,627	591,289	380,527	-	-
Assigned	-	-	-	-	-	-	151	120,124
Committed	-	-	-	-	-	-	256,624	106,721
Restricted	-	-	-	-	-	-	1,688,290	1,854,491
Nonspendable	-	-	-	-	-	-	867,742	867,742
Total All Other Governmental Fund	<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>	<u>\$ 2,949,078</u>

* Implemented GASB Statement No. 54.

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

Schedule 4

	FISCAL YEAR							
	2004	2005	2006	2007	2008 Restated	2009	2010	2011
Revenues								
Taxes	\$ 1,788,602	\$ 1,582,634	\$ 1,702,892	\$ 2,693,629	\$ 2,633,607	\$ 3,313,136	\$ 3,651,550	\$ 4,132,036
Fines, Fess and Licenses	1,452,427	1,991,258	3,461,172	4,097,059	6,281,313	2,208,297	1,931,212	1,962,492
Special Assessments	-	-	-	-	-	2,802,121	999,956	1,095,246
Donations	-	-	-	-	-	1,778,950	179,599	-
Intergovernmental	46,614	50,165	307,583	1,188,805	553,879	120,097	38,097	55,869
Miscellaneous	465,705	864,733	682,697	176,636	266,585	294,022	372,519	1,168,380
Total Revenues	<u>3,753,348</u>	<u>4,488,790</u>	<u>6,154,344</u>	<u>8,156,129</u>	<u>9,735,384</u>	<u>10,516,623</u>	<u>7,172,933</u>	<u>8,414,023</u>
Expenditures								
Governmental Activities:								
General Government	1,282,959	1,526,582	1,439,049	2,155,899	1,968,408	830,274	722,591	776,744
Council	55,908	80,082	77,318	88,599	91,352	98,117	120,995	115,685
Planning/Development Services	95,781	165,800	265,779	577,201	866,384	457,174	402,192	667,881
Public Information	-	191,858	162,499	162,109	197,798	116,449	114,452	121,085
Public Works/Engineering	215,482	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	1,246,675
Police Department	1,545,848	1,446,986	1,595,776	1,350,623	1,431,990	1,395,511	1,327,652	1,282,339
Courts	540,311	739,378	906,335	749,549	582,928	208,016	207,340	230,334
Public Works/Recreation	3,374,795	1,878,989	593,835	749,917	810,454	822,453	922,156	781,120
Economic Development	-	-	-	51,690	144,255	368,787	79,067	359,252
Building Inspection	-	-	-	-	446,074	151,804	335,629	-
Finance	-	-	-	-	71,628	173,555	280,642	230,167
Debt Service								
Principal	-	-	-	-	467,297	550,406	586,872	614,274
Interest	-	-	-	-	-	224,963	215,978	221,871
Bond Issue Costs	-	-	-	-	-	120,099	-	-
Capital Outlay								
General Government	-	-	-	-	-	1,913,038	308,710	93,686
Planning/Development Services	-	-	-	-	-	-	-	91,888
Police Department	-	-	-	-	-	41,950	107,413	-
Fire Department	-	-	-	-	-	-	27,099	539,146
Public Works/Recreation	-	-	-	-	-	1,741,526	56,104	44,758
Courts	-	-	-	-	-	-	35,805	-
Economic Development	-	-	-	-	1,320,964	-	-	-
Finance	-	-	-	-	-	-	39,703	-
Total Expenditures	<u>8,093,623</u>	<u>7,208,820</u>	<u>7,689,843</u>	<u>7,352,862</u>	<u>10,028,937</u>	<u>10,260,741</u>	<u>7,017,282</u>	<u>7,416,905</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(4,340,275)</u>	<u>(2,720,030)</u>	<u>(1,535,499)</u>	<u>803,267</u>	<u>(293,553)</u>	<u>255,882</u>	<u>155,651</u>	<u>997,118</u>
Other Financing Sources								
Issuance of Debt	4,555,664	250,322	1,630,041	11,856	-	1,265,000	300,000	-
Transfers Out	(736,006)	(1,484,693)	(790,049)	(119,113)	(80,652)	(610,016)	(191,781)	(170,393)
Transfers In	736,006	1,484,693	790,049	119,113	80,652	610,016	191,781	170,393
Total Other Financing Sources (Uses)	<u>4,555,664</u>	<u>250,322</u>	<u>1,630,041</u>	<u>11,856</u>	<u>-</u>	<u>1,265,000</u>	<u>300,000</u>	<u>-</u>
Net Change in Fund Balances	215,389	(2,469,708)	94,542	815,123	(293,553)	1,520,882	455,651	997,118
Fund Balances, Ending	3,342,279	3,557,668	1,087,959	1,182,501	1,997,624	1,704,071	3,224,953	3,680,604
Fund Balances, Beginning	<u>\$ 3,557,668</u>	<u>\$ 1,087,960</u>	<u>\$ 1,182,501</u>	<u>\$ 1,997,624</u>	<u>\$ 1,704,071</u>	<u>\$ 3,224,953</u>	<u>\$ 3,680,604</u>	<u>\$ 4,677,722</u>
Debt service as a percentage of noncapital expenditures	N/A	N/A	N/A	14.40%	9.61%	13.64%	12.46%	12.58%

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

Schedule 5

FISCAL YEAR ENDED JUNE 30,	ASSESSED VALUE			MARKET VALUE			TOTAL DIRECT TAX RATE
	REAL PROPERTY	PERSONAL PROPERTY	TOTAL	REAL PROPERTY	PERSONAL PROPERTY	TOTAL	
2002	N/A	N/A	N/A	N/A	N/A	N/A	147.00
2003	\$ 4,399,020	\$ 1,616,200	\$ 6,015,220	\$ 87,980,400	\$ 16,162,000	\$ 104,142,400	147.00
2004	4,830,060	1,756,730	6,586,790	96,601,200	17,597,300	114,198,500	147.00
2005	4,878,040	647,130	5,525,170	97,560,800	6,471,300	104,032,100	147.00
2006	5,123,900	1,162,820	6,286,720	102,478,000	11,628,200	114,106,200	147.00
2007	5,030,650	1,118,150	6,148,800	93,057,910	10,649,049	103,706,959	153.00
2008	7,874,450	3,082,200	10,956,650	138,835,210	20,867,715	159,702,925	153.00
2009	12,014,590	2,399,840	14,414,430	292,042,114	39,378,102	331,420,216	153.00
2010	15,193,060	2,198,137	17,391,197	319,853,895	29,998,000	349,851,895	153.00
2011 *	13,796,000	1,982,748	15,778,748	269,209,691	19,827,480	289,037,171	153.00

* Reassessment year

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

Schedule 6

FISCAL YEAR ENDED JUNE 30,	CITY DIRECT RATES	OVERLAPPING RATES				
	BASIC RATE	COUNTY OPERATIONS	CHERRY POINT FIRE DISTRICT	COUNTY DEBT SERVICE	SCHOOL OPERATIONS	SCHOOL DEBT SERICE
2002	147.00	131.00	31.00	-	108.87	17.53
2003	147.00	133.00	31.00	-	109.50	22.50
2004	147.00	138.50	31.00	-	118.30	22.30
2005	147.00	163.00	31.00	-	127.00	4.50
2006	153.00	155.00	31.00	-	129.00	7.00
2007	153.00	109.50	31.00	-	133.50	7.50
2008	153.00	115.00	31.00	-	118.00	-
2009	153.00	119.00	31.00	-	123.00	7.00
2010	153.00	126.00	31.00	-	129.00	12.00
2011	153.00	123.00	31.00	3.00	131.50	19.00

Source: County Budget

The City does not have components to its tax rate.

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

<u>TAXPAYER</u>	<u>2011</u>			<u>2002</u>		
	<u>TAXABLE ASSESSED VALUE</u>	<u>RANK</u>	<u>PERCENTAGE OF TOTAL CITY TAXABLE ASSESSED VALUE</u>	<u>TAXABLE ASSESSED VALUE</u>	<u>RANK</u>	<u>PERCENTAGE OF TOTAL CITY TAXABLE ASSESSED VALUE</u>
Blanchard Machinery	\$202,640	7	1.28%	N/A	N/A	N/A
SCE&G	778,380	4	4.93%	N/A	N/A	N/A
CAT Real Estate Holdings	199,550	8	1.26%	N/A	N/A	N/A
Ecological Investments	184,540	9	1.17%	N/A	N/A	N/A
Toll SC III	334,320	5	2.12%	N/A	N/A	N/A
Courtney Bend	1,014,700	2	6.43%	N/A	N/A	N/A
Del Webb Communities	980,800	3	6.22%	N/A	N/A	N/A
Bourne Boulevard Partners	324,680	6	2.06%	N/A	N/A	N/A
Carolina Oak Homes	166,370	10	1.05%	N/A	N/A	N/A
Coastal Carolina Medical Center	1,700,000	1	10.77%	N/A	N/A	N/A
Total	<u>\$5,885,980</u>		<u>37.29%</u>	<u>0</u>		<u>0.00%</u>

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

Schedule 8

FISCAL YEAR ENDED JUNE 30,	TAXES LEVIED FOR THE REAL PROPERTY	COLLECTED WITHIN THE FISCAL YEAR OF THE LEVY		COLLECTIONS IN SUBSEQUENT YEARS	TOTAL COLLECTIONS TO DATE	
		AMOUNT	PERCENTAGE OF LEVY		AMOUNT	PERCENTAGE OF LEVY
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	483,406	97.9%
2006	677,862	623,633	92.0%	36,605	660,238	97.4%
2007	854,398	704,730	82.5%	102,670	807,400	94.5%
2008	1,225,089	1,135,098	92.6%	14,010	1,149,108	93.8%
2009	1,844,137	1,735,668	94.2%	67,658	1,803,326	97.8%
2010	2,278,086	2,022,047	88.8%	147,976	2,170,023	95.0%
2011 *	2,326,994	2,019,348	87.0%	-	2,019,348	87.0%

* Reassessment year

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

Schedule 9

FISCAL YEAR ENDED JUNE 30,	<u>GOVERNMENTAL ACTIVITIES</u>							PERCENTAGE OF PERSONAL INCOME	PER CAPITAL
	NOTES PAYABLE	REVENUE BONDS	LEASES PAYABLE	GENERAL OBLIGATION BOND	TOTAL PRIMARY GOVERNMENT				
2002	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	
2004	\$ 423,746	N/A	\$ 3,731,945	\$ 550,000	\$ 4,705,691	11.3%	\$ 2,561.61		
2005	288,037	N/A	3,833,244	522,495	4,643,776	10.3%	2,521.05		
2006	535,569	N/A	4,840,262	593,056	5,863,887	12.0%	3,172.37		
2007	-	N/A	4,574,724	464,753	5,039,477	9.0%	2,611.12		
2008	-	N/A	4,107,892	435,774	4,543,666	9.6%	1,644.46		
2009	-	\$ 1,180,000	3,676,464	401,796	5,258,260	10.2%	1,752.75		
2010	300,000	1,120,000	3,202,399	368,436	4,990,835	9.1%	1,559.64		
2011 *	274,957	1,060,000	2,707,882	333,722	4,376,561	7.2%	1,326.00		

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

Schedule

FISCAL YEAR ENDED JUNE 30,	AMOUNT	PERCENTAGE OF ACTUAL TAXABLE VALUE OF PROPERTY	PER CAPITAL
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%	155.14
2011	333,722	2.37%	101.00

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

Schedule

<u>GOVERNMENTAL</u>	<u>AMOUNT</u>	<u>PERCENTAGE OF ACTUAL TAXABLE VALUE OF PROPERTY</u>	<u>PER CAPITAL</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>7,346,168</u>
City direct debt	<u>4,376,561</u>	100.00%	<u>4,376,561</u>
Total direct and overlapping debt	<u><u>\$ 66,632,209</u></u>		<u><u>\$ 11,722,729</u></u>

Source: County Financial Statements

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

Schedule 12

Legal Debt Margin Calculation for Fiscal Year 2011

Assessed Value	\$ 15,778,748
Debt limit (8% of assessed value)	1,262,300
Debt applicable to limit:	
General Obligation Bonds	<u>(333,722)</u>
Total net debt applicable to limit	<u>(333,722)</u>
Legal Debt Margin	<u>\$ 928,578</u>

	FISCAL YEAR									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Debt Limit	N/A	N/A	\$ 474,450	\$ 523,778	\$ 528,854	\$ 826,309	\$ 876,532	\$ 1,153,154	\$ 1,391,296	\$ 1,262,300
Total net debt applicable to limit	N/A	N/A	<u>(550,000)</u>	<u>(522,495)</u>	<u>(493,056)</u>	<u>(464,753)</u>	<u>(435,774)</u>	<u>(401,796)</u>	<u>(368,436)</u>	<u>(333,722)</u>
Legal debt margin	N/A	N/A	<u>\$ (75,550)</u>	<u>\$ 1,283</u>	<u>\$ 35,798</u>	<u>\$ 361,556</u>	<u>\$ 440,758</u>	<u>\$ 751,358</u>	<u>\$ 1,022,860</u>	<u>\$ 928,578</u>
Total net debt applicable to the limit as a percentage of debt limit	N/A	N/A	116.00%	99.76%	93.23%	56.24%	49.72%	34.84%	26.48%	26.44%

Source: Jasper County Assessor

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

FISCAL YEAR ENDED JUNE 30,	REVENUE BONDS			
	DEBT SERVICE			
	COLLECTIONS	PRINCIPAL	INTEREST	COVERAGE
2001	N/A	N/A	N/A	N/A
2002	N/A	N/A	N/A	N/A
2003	N/A	N/A	N/A	N/A
2004	N/A	N/A	N/A	N/A
2005	N/A	N/A	N/A	N/A
2006	N/A	N/A	N/A	N/A
2007	N/A	N/A	N/A	N/A
2008	N/A	N/A	N/A	N/A
2009	\$ 288,808	\$ 85,000	\$ 40,936	229.0 %
2010	273,215	60,000	64,938	219.0
2011	264,904	60,000	61,938	217.0

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)	PER CAPITA PERSONAL INCOME	SCHOOL ENROLLMENT	UNEMPLOYMENT RATE	
2002	1,817	N/A	N/A	N/A	5.1	%
2003	1,810	N/A	N/A	N/A	5.8	
2004	1,837	N/A	N/A	N/A	5.4	
2005	1,842	31,612	17,162	N/A	5.2	
2006	1,850	31,749	17,162	1,162	4.8	
2007	1,930	33,123	17,162	1,209	4.6	
2008	2,763	47,418	17,162	1,288	5.7	
2009	3,000	51,486	17,162	1,247	11.2	
2010	3,200	54,918	17,162	1,301	10.2	
2011	3,300	61,248	18,560	1,357	10.7	

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

N/A Information is not available.

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

<u>EMPLOYER</u>	<u>2010</u>			<u>2001</u>		
	<u>EMPLOYEES</u>	<u>RANK</u>	<u>PERCENTAGE OF TOTAL CITY EMPLOYMENT</u>	<u>EMPLOYEES</u>	<u>RANK</u>	<u>PERCENTAGE OF TOTAL CITY EMPLOYMENT</u>
Coastal Carolina Medical Center	222	1	18.11%	N/A	N/A	N/A
Jasper County School District	125	2	10.20%	N/A	N/A	N/A
The Greenery	100	3	8.16%	N/A	N/A	N/A
Beverly Processing Inc	77	4	6.28%	N/A	N/A	N/A
Waste Pro USA Inc	64	5	5.22%	N/A	N/A	N/A
City of Hardeeville	55	6	4.49%	N/A	N/A	N/A
Gale Contractors	50	7	4.08%	N/A	N/A	N/A
Burger King	30	8	2.45%	N/A	N/A	N/A
Shoney's	24	9	1.96%	N/A	N/A	N/A
Price Wise	20	10	1.63%	N/A	N/A	N/A
Total	<u><u>767</u></u>		<u><u>62.56%</u></u>	<u><u>0</u></u>		<u><u>0.00%</u></u>

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

Schedule 16

FUNCTION/PROGRAM	FISCAL YEAR									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General Government	N/A	N/A	4.0	4.0	4.0	4.0	6.0	4.0	4.0	4.0
Council	N/A	N/A	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
Planning/Development Services	N/A	N/A	0.0	0.0	3.0	4.0	3.0	3.0	4.0	5.0
Public Information	N/A	N/A	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Fire Department	N/A	N/A	8.0	10.0	12.0	10.0	12.0	16.0	15.0	16.0
Police Department	N/A	N/A	18.0	19.0	17.0	12.0	17.0	18.0	17.0	19.0
Courts	N/A	N/A	3.0	2.0	3.0	3.0	4.0	5.5	3.5	3.5
Public Works/Recreation/Engineering	N/A	N/A	4.0	6.0	7.0	7.0	8.0	7.0	7.0	9.5
Economic Development	N/A	N/A	0.0	0.0	0.0	1.0	1.0	1.0	1.0	1.0
Building Inspection	N/A	N/A	1.0	1.0	1.0	1.0	1.0	0.0	0.0	0.0
Finance	N/A	N/A	0.0	0.0	1.0	3.0	3.0	2.0	2.0	2.0
			45.0	49.0	55.0	52.0	62.0	63.5	60.5	67.0

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	2011
Business Licenses Issued	N/A	N/A	N/A	N/A	N/A	N/A	573	514	597	439	454
Sales Reported for Licenses* (millions)	N/A	N/A	N/A	N/A	N/A	N/A	\$ 42	\$ 137	\$ 154	\$ 133	\$ 187
Commercial Building Permits	N/A	N/A	N/A	N/A	N/A	N/A	9	37	89	9	20
Valuation of Permits Issued* (thousands)	N/A	N/A	N/A	N/A	N/A	N/A	\$ 3,455	\$ 7,839	\$ 16,922	\$ 1,831	\$ 3,637
Residential Building Permits Issued	N/A	N/A	N/A	N/A	N/A	N/A	97	106	39	155	198
Valuation of Permits Issued* (thousands)	N/A	N/A	N/A	N/A	N/A	N/A	\$ 20,422	\$ 45,701	\$ 8,497	\$ 40,234	\$ 35,135

Source: City Departments

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

Schedule 18

FUNCTION/PROGRAM	FISCAL YEAR									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Police Department										
Patrol Units	N/A	N/A	17	15	15	15	17	21	21	21
Fire Department										
Engines in Operation	N/A	N/A	2	4	4	4	4	4	4	5
Rescue Vehicles in Operation	N/A	N/A	1	1	1	1	1	1	1	1
Ladder Trucks in Operation	N/A	N/A	1	1	1	1	1	1	1	1

Source: City Capital Assets records

COMPLIANCE SECTION

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AMERICAN INSTITUTE
OF CERTIFIED PUBLIC ACCOUNTANTS
S.C. ASSOCIATION
OF CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITORS REPORT ON COMPLIANCE AND INTERNAL
CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING
STANDARDS***

To Management and the Board of Directors of the City of Hardeeville, South Carolina

In planning and performing our audit of the financial statements of the City of Hardeeville, South Carolina as of and for the year ended June 30, 2011, in accordance with auditing standards generally accepted in the United States of America, we considered the City of Hardeeville, South Carolina's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

This communication is intended solely for the information and use of management, the council, others within the City of Hardeeville, and state and federal regulatory agents and is not intended to be and should not be used by anyone other than these specified parties.

Newsome & Company, P.C.

Newsome & Company, P.C.
Lexington, South Carolina
November 30, 2011