



CITY OF HARDEEVILLE, SOUTH CAROLINA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2015

PREPARED BY: FINANCE DEPARTMENT

**CITY OF HARDEEVILLE, SOUTH CAROLINA
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INTRODUCTORY SECTION



November 3, 2015

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, 2015.

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

The City's financial statements have been audited by Baird and Company, CPAs, LLC, and 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, 2015 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, 2015 are fairly presented in conformity with GAAP. The independent auditors report is presented as the first component of the financial section of this report.

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



Profile of the Government

The City of Hardeeville was founded in 1911 and is located in the southern Lowcountry region of South Carolina, just north of Savannah, Georgia. The City currently occupies a land area of approximately 56 square miles and has a population of roughly 4,789 (2015 estimate). The City is empowered to levy a property tax on both real and personal properties located within its boundaries.

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

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

The annual budget serves as the foundation for the City's financial planning and control. All departments of City of Hardeeville are required to submit requests for appropriations to the manager on or before the last day in March each year. The City Manager uses these requests as the starting point for developing a proposed budget. The City Manager then presents this proposed budget to the council for review prior to May 15th. The council is required to hold public hearings on the proposed budget and to adopt a final budget by no later than June 30th, the close of the City's fiscal year. The appropriated budget is prepared by fund and department. Budgetary control (that is the level at which expenditures cannot legally exceed the appropriated amount) is maintained by the manager at the fund level and may be amended as necessary during the fiscal year. Budget-to-actual comparisons are provided in the report for each individual governmental fund for which an appropriated annual budget has been adopted. For the general fund, this comparison is presented on page 49 as part of the required supplementary information for governmental funds. The special revenue fund budgets are presented on pages 57-60 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 of Hardeeville is strategically located near the Hilton Head Island, Savannah and Beaufort/Port Royal tourism markets. Two major interchanges along Interstate 95, Exit 5 and Exit 8, are within the City limits and provide primary access to these destinations. Two major arterials, US Highway 278 (running east/west) and SC Highway 170 (running north/south) accommodate a majority of the traffic in both Jasper and Beaufort Counties. Much of Hardeeville's large-scale residential and commercial growth is occurring along these corridors. The City continuously works with other local agencies and the South Carolina Department of Transportation (SCDOT) to review traffic management plans.

The City of Hardeeville in recent years has been proactive in accommodating rapid growth that has been forecasted in the area. Growth management efforts have led to the creation of Planned Development Districts (PDDs), in which the City comes to terms with respective real estate developers for the proper allocation of land uses within the district. Currently, Hardeeville has fifteen (15) approved PDDs which constitute the great majority of the incorporated areas of the City. Five (5) of these PDDs are in active construction phases, with over 700 new residential units constructed in the past five years. The City has also experienced construction activity in non-PDD areas as well, with nearly 400 new housing units being built in the last seven years with new apartment complexes under construction now. In considering both PDD and non-PDD areas, the City has effectively doubled its housing inventory in the past decade. For the second year in a row, the U.S. Census Bureau has shown that the City is the fastest growing municipality in South Carolina and that trend is continuing into next year as well.

Non-residential development has also occurred in Hardeeville, with commercial and industrial uses locating or expanding operations in the City. Downtown Hardeeville continues to see new investment and revitalization of older structures. New businesses have also located in other areas of the City, taking advantage of increasing population and excellent road connectivity. The long-standing Hardeeville Industrial Park has recruited new tenants and has effectively utilized its rail spur connection with the main CSX railway. RiverPort, a 5,000-acre PDD has constructed 1,800 linear feet of a new parkway which will ultimately connect US 17 to I-95 with signage, infrastructure and landscaping to entice industrial developers. Additional industrial development will be facilitated by enhancing the connections with the existing Port of Savannah facilities in Garden City, Georgia as well as the future Jasper Ocean Terminal facility to the south of the City.

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

The Coastal Carolina Hospital facility, located in the City near Exit 8, opened in 2006 and is regionally affiliated with the Hilton Head Hospital and Tenet Healthcare. The hospital recently opened a new Obstetrics and Gynecology facility, added a state of the art MRI suite, and installed substantial new sterilization efforts. These improvements make Coastal Carolina Hospital a great asset to the citizens of Hardeeville and Jasper County.



The Sergeant Jasper County Park facility was upgraded by Jasper County in recent years and remains a popular destination for City residents and visitors alike. In 2016, construction will begin on a new K-12 Charter School facility in downtown Hardeeville that will serve up to 700 students.

Economic development remains the chief driver of the City's efforts at improving the quality of life for residents. A major cornerstone of this effort is the construction of a proposed Exit 3 off Interstate 95. This interchange would provide an additional route for freight traffic to existing and future port terminals, US Highway 17, and US Highway 321. Anticipated investment related to would also provide direct access to the RiverPort Planned Development District, which the City envisions as being a major site for commercial and industrial uses. Exit 3 currently sits on SCDOT's state transportation improvement project list, on the Lowcountry Council of Governments (LCOG) priority plan, and has received \$4 million in funding from Congress. The environmental impact study and interchange justification report are close to completion and Exit 3 construction should begin in 2017. 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 100% increase in current annual revenues for the City of Hardeeville. At build-out (in 30 years) these combined investments are expected to create over 28,000 permanent jobs—eclipsing the BMW plant in Spartanburg in terms of economic impact.

Long-term Financial Planning

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

This growth strategy is significantly governed by fiscal models to ensure the City maintains an adequate financial situation. The economic downturn has changed the previous growth projections. The City has adjusted its long-term planning accordingly.

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

Significant Accounting Policies

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



The City adopted GASB Statement No. 68, “*Accounting and Financial Reporting for Pensions*”, which required a restatement of the beginning net position in governmental activities of \$4,986,295 in accordance with generally accepted accounting principles.

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, 2014. This was the fourth 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,

Michael Czymbor
City Manager

Tamika Shiggs
Interim Finance Director



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

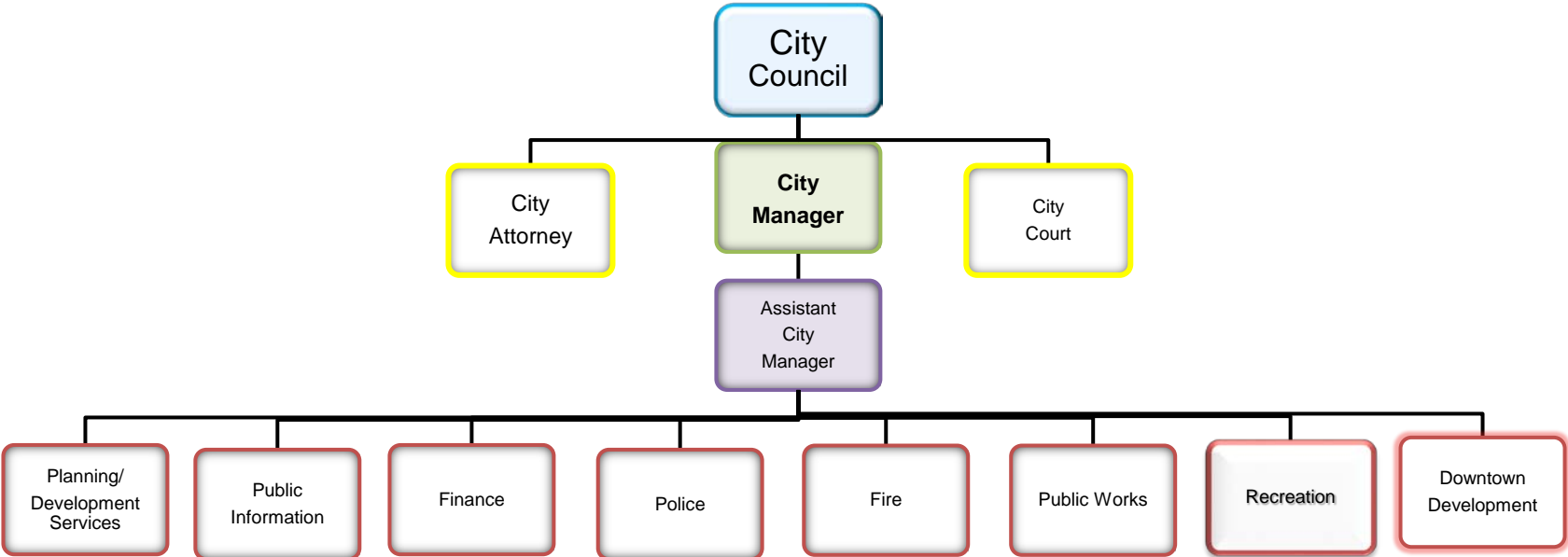
City of Hardeeville
South Carolina

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2014

Executive Director/CEO

CITY OF HARDEVILLE, SOUTH CAROLINA
ORGANIZATIONAL CHART



**CITY OF HARDEEVILLE, SOUTH CAROLINA
LIST OF PRINCIPAL OFFICIALS
JUNE 30, 2015**

TITLE	NAME
Mayor.....	Bronco Bostick
Mayor Pro-Tem.....	Scott Ready
Council Member	Michael Sweeney
Council Member.....	David Spisso
Council Member.....	Vacant
City Manager Interim.....	Juan Singleton (At June 30, 2015)
City Manager.....	Michael J. Czymbor (August 31, 2015 – Current)
City Clerk.....	Lori Pomarico
Finance.....	Tamika Shiggs
Planning/Permitting.....	Branan Snowden
Media Director.....	Juan Singleton
Parks Recreation.....	Addison Jarrell
Public Works.....	Rhett Lott
Fire.....	Steve Camp
Police.....	Sam Woodward
Court Judge.....	Nancy Gutierrez
Court Judge.....	Atiya Johnson

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

City of Hardeeville Council
City of Hardeeville, South Carolina

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of City of Hardeeville, South Carolina as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of City of Hardeeville, South Carolina, as of June 30, 2015, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual, Schedule of the Proportionate Share of the Net Pension Liability State Pension Plan and Schedule of Contributions State Pension Plan information on pages 11-18 and page 49-51 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Hardeeville, South Carolina's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, budgetary comparison schedules for nonmajor funds, schedule of court fines, assessments, and surcharges, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 3, 2015, on our consideration of City of Hardeeville, South Carolina's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Hardeeville, South Carolina's internal control over financial reporting and compliance.



BAIRD & COMPANY, CPAs, LLC
Certified Public Accountants

Augusta, Georgia
November 3, 2015

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, 2015. 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

- Hardeeville implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, which required a restatement of the beginning net position in governmental activities of \$4,986,295 and an end of year balance of \$5,014,409 for the net pension liability.
- The assets of Hardeeville exceed its liabilities at the close of the most recent fiscal year by \$16,939,332 (net position). Of this amount, \$13,120,424 represents the investment in capital assets less depreciation and debt on those assets and \$4,415,600 is restricted for other purposes. The remaining balance of (\$596,692) represents unrestricted net position. Hardeeville's total net position increased by \$2,487,996.
- As of the close of the current fiscal year Hardeeville's governmental funds reported a combined ending fund balance of \$9,307,989, an increase of \$1,369,783.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$2,864,719, or 40% of total general fund expenditures.

Overview of the Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

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

Government-wide Financial Analysis

As noted earlier, net position serves as a useful indicator of a public government's financial position. In the case of City of Hardeeville, South Carolina assets exceeded liabilities by \$16,939,332 in 2015. Comparative information is presented for the 2014 fiscal year report. The following table reflects the condensed government-wide statement of net position.

CITY OF HARDEEVILLE, SOUTH CAROLINA NET POSITION		
	Governmental Activities	
	2015	2014
Current and Other Assets	\$ 10,290,055	\$ 9,351,133
Capital Assets	15,909,021	14,699,699
Total Assets	<u>26,199,076</u>	<u>24,050,832</u>
Deferred Outflows of Resources	474,664	-
Long-term Liabilities Outstanding	8,446,971	3,393,834
Other Liabilities	782,431	1,219,367
Total Liabilities	<u>9,229,402</u>	<u>4,613,201</u>
Deferred Inflows of Resources	505,006	-
Net Position		
Net Investment in Capital Assets	13,120,424	11,829,740
Unrestricted	(596,692)	3,555,790
Restricted	4,415,600	4,052,101
Total Net Position	<u>\$ 16,939,332</u>	<u>\$ 19,437,631</u>

The portion of Hardeeville's net position \$13,120,424 (77%) reflects its investment in capital assets less the related debt on capital assets. These capital assets are not available for future spending. Although Hardeeville's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The changes in the net investment in capital assets can be attributed to the purchase of capital assets of \$1,755,685, the reduction in debt of \$81,361 less depreciation of \$546,362. See note 4 on page 35 for additional information related to capital assets.

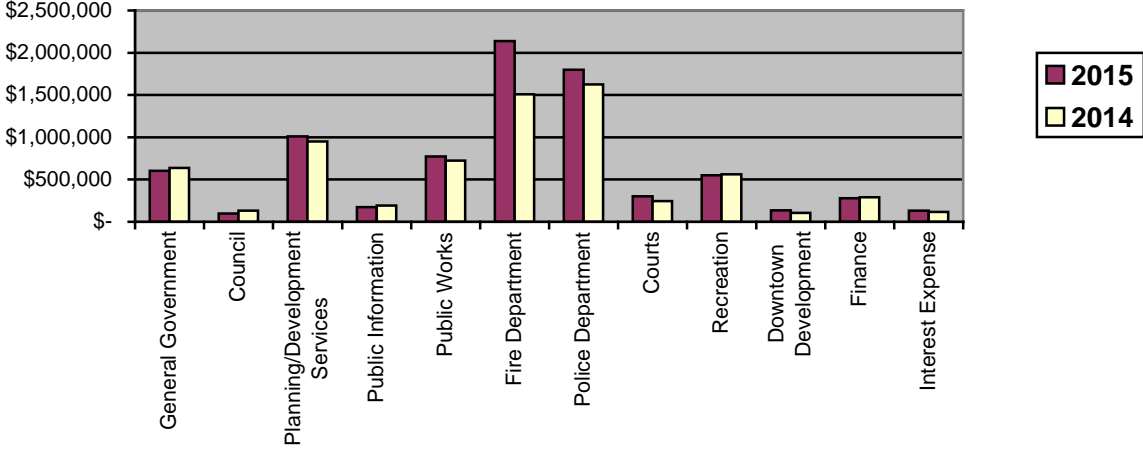
The restricted portion of net position of \$4,415,600 (26%) consists of \$207,156 for development agreements, \$3,948,078 restricted for economic development, \$125,810 in capital projects, and \$134,556 reported in nonmajor governmental funds. The remaining net position of (\$596,692) (-3%) is unrestricted.

Governmental activities. Hardeeville's total net position increased by \$2,487,996. Comparative information has been presented for the prior year. Line item analysis of this increase is shown in the following table.

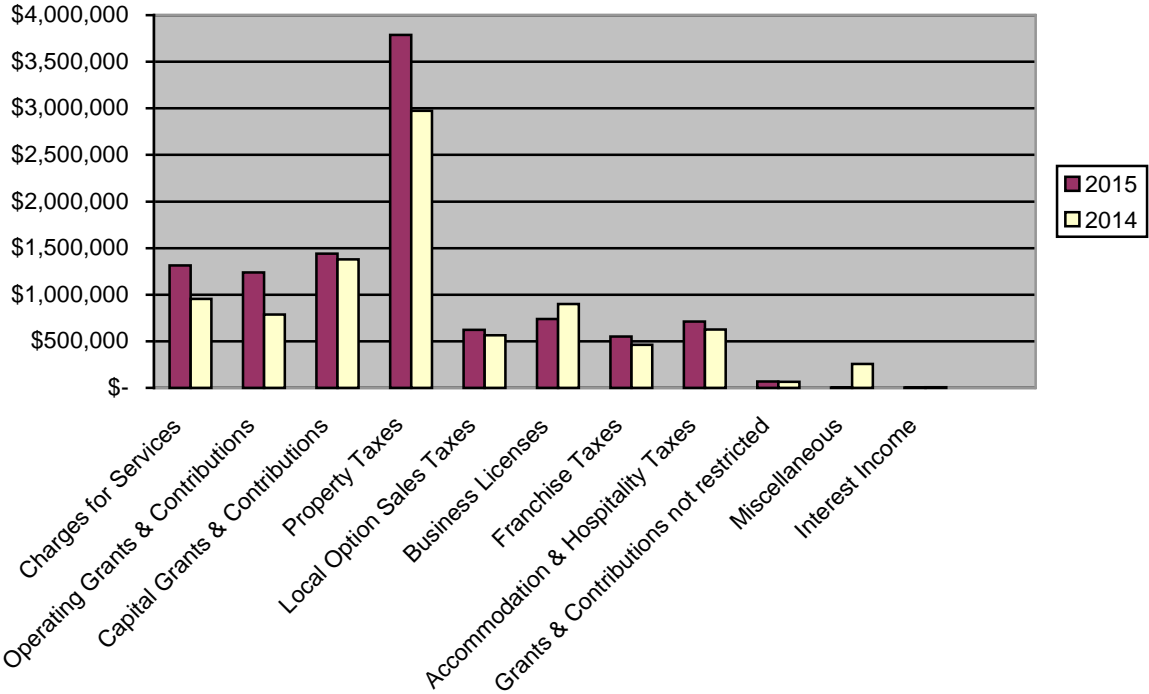
CITY OF HARDEEVILLE, SOUTH CAROLINA CHANGE IN NET POSITION			
Governmental Activities			
	2015		2014
Expenses			
General Government	\$ 604,914	\$	638,634
Council	97,183		130,165
Planning/Development Services	1,009,503		949,829
Public Information	172,056		190,610
Public Works	773,727		724,470
Fire Department	2,139,568		1,509,121
Police Department	1,797,422		1,625,361
Courts	301,040		244,817
Recreation	550,556		562,885
Downtown Development	134,921		104,486
Finance	279,811		289,378
Interest	130,114		117,433
Total expenses	<u>7,990,815</u>		<u>7,087,189</u>
Program Revenues			
Charges for Services	1,315,376		953,973
Operating Grants and Contributions	1,238,758		786,125
Capital Grants and Contributions	1,439,226		1,378,858
Total program revenues	<u>3,993,360</u>		<u>3,118,956</u>
General Revenues			
Property Taxes	3,787,080		2,973,707
Local Option Sales Taxes	624,140		565,872
Business Licenses	739,166		898,804
Franchise Taxes	549,557		460,726
Accommodation and Hospitality Taxes	710,491		625,245
Grants and contributions not restricted to specific programs	67,767		64,356
Interest Income	3,974		6,872
Miscellaneous	3,276		255,505
Total general revenues	<u>6,485,451</u>		<u>5,851,087</u>
Change in net position	2,487,996		1,882,854
Net position – beginning of year	19,437,631		17,554,777
Prior Period Adjustment	(4,986,295)		-
Net position – end of year	<u>\$ 16,939,332</u>	<u>\$</u>	<u>19,437,631</u>

The City's net position increased by \$2,487,996 during the current fiscal year. The change in net position resulted from an increase in property taxes related to growth within the City and development fees, with a favorable budget variance in expenditures for the general fund of \$582,716. Capital grants result from developer agreements which assess fees for future development.

Expenses – Governmental Activities



Revenues by Source – Governmental Activities



Financial Analysis of the Government's Funds

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

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

The major governmental funds consist of the general fund, development fund, and the capital projects fund. At the end of the current fiscal year, Hardeeville's governmental funds reported combined ending fund balances of \$9,307,989, an increase of \$1,369,783. This increase can be attributed to assessments for development in the amount of \$1,437,338 and positive revenue variances in the general fund which resulted from growth in the City.

Overall there was an increase of \$538,807 in the general fund. As noted above, this resulted from positive revenue variances because of growth in the City while keeping expenditures below budget. Expenditures were \$582,716 under the amended budget in the general fund.

The development fund increased \$508,430 which represents special developer assessments and not available to fund City operations. These funds are restricted by contractual agreements for specific projects within the City that vary with each agreement.

The capital projects fund decreased \$7,250 because of the scheduled debt service payments. Other projects included the construction of Fire Station 83 with development funds and the new capital lease for police vehicles.

Capital Assets and Debt Administration

Capital Assets. Hardeeville's investment in capital assets for its governmental type activities as of June 30, 2015 amounts to \$15,909,021 (net of accumulated depreciation). This investment in capital assets includes land and improvements, construction in progress, buildings and improvements, land improvements, furniture and equipment, vehicles, and infrastructure. Increases and decreases in Hardeeville's investment in capital assets for the current fiscal year were \$1,755,686 that included \$962,268 in building improvements, \$379,267 for police vehicles, \$143,452 in equipment for a John Deere alamo mower (\$132,860) and ATV prowler (\$10,592), \$193,026 in land for 16 Dasher Lane (\$50,263), 301 Main Street (\$42,763), and 20 E. Main Street (\$100,000), \$68,773 for drainage infrastructure, and \$8,900 for construction in progress for the library. Depreciation expense was \$546,362 for the year. Additional information on Hardeeville's capital assets can be found in note 4 on page 35.

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

	Governmental Activities	
	2015	2014
Construction in Progress	\$ 37,824	\$ 362,885
Land and Improvements	6,491,565	6,383,049
Buildings and Improvements	5,458,797	4,274,429
Furniture and Equipment	316,247	256,675
Vehicles	1,498,375	1,282,499
Infrastructure	2,106,213	2,140,162
Total	<u>\$ 15,909,021</u>	<u>\$ 14,699,699</u>

Long-term debt. At the end of the current fiscal year, Hardeeville had long-term debt outstanding in the amount of \$8,446,971 which represented a decrease of \$278,331. A new capital lease for \$386,419 was issued during the year for police vehicles and a John Deere alamo mower. Refer to note 5 on page 36 for a detailed discussion of long-term debt.

CITY OF HARDEEVILLE, SOUTH CAROLINA LONG-TERM OUTSTANDING DEBT

	Governmental Activities	
	2015	2014
Revenue Bonds	\$ 780,000	\$ 855,000
General Obligation Bonds	180,112	220,854
Compensated Absences	643,965	523,875
Leases Payable	1,828,485	1,794,105
Net Pension Liability*	5,014,409	5,331,468
Total	<u>\$ 8,446,971</u>	<u>\$ 8,725,302</u>

*GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, was implemented in the fiscal year ended June 30, 2015. The net position was restated for the net pension liability as of July 1, 2014.

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 2015-2016 the City Council has approved an annual budget in the amount of \$7,769,724 for the general fund. Millage of 136 was decreased by 6 mills from the prior year to 130 mills.
- The budget approved for the special revenue funds was \$458,000 for fiscal year 2015-2016.

Requests for information

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

BASIC
FINANCIAL STATEMENTS

**CITY OF HARDEEVILLE, SOUTH CAROLINA
STATEMENT OF NET POSITION
JUNE 30, 2015**

	PRIMARY GOVERNMENT GOVERNMENTAL ACTIVITIES
ASSETS	
Cash	\$ 4,008,980
Receivables	636,541
Cash Restricted	4,701,019
Due from Others	34,773
Property Held for Resale	908,742
Capital Assets, not being depreciated	2,893,357
Capital Assets, being depreciated	13,015,664
Total Assets	26,199,076
 DEFERRED OUTFLOWS OF RESOURCES	
Deferred Outflows Related to Pension	474,664
Total Deferred Outflows of Resources	474,664
Total Assets and Deferred Outflows of Resources	\$ 26,673,740
 LIABILITIES	
Accounts Payable	\$ 242,011
Salaries and Benefits Payable	168,766
Accrued Interest Payable	15,434
Unearned Revenues	321,447
Due to Others	34,773
Noncurrent Liabilities	
Due Within One Year	538,309
Due In More Than One Year	7,908,662
Total Liabilities	9,229,402
 DEFERRED INFLOWS OF RESOURCES	
Deferred Inflows Related to Pension	505,006
Total Deferred Inflows of Resources	505,006
 NET POSITION	
Net Investment in capital assets	13,120,424
Unrestricted	(596,692)
Restricted	
Developer Agreements	4,155,234
Bond Covenants	125,810
Other Purposes (page 47)	134,556
Total Net Position	16,939,332
Total Liabilities, Net Position, and Deferred Inflows of Resources	\$ 26,673,740

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, 2015**

<u>Functions/Programs</u>	<u>EXPENSES</u>	<u>CHARGES FOR SERVICES</u>	<u>OPERATING GRANTS AND CONTRIBUTIONS</u>	<u>CAPITAL GRANTS AND CONTRIBUTIONS</u>	<u>NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION</u>
					<u>TOTAL GOVERNMENTAL ACTIVITIES</u>
Governmental Activities					
General Government	\$ 604,914	\$ -	\$ -	\$ -	\$ (604,914)
Council	97,183	-	-	-	(97,183)
Planning/Development Services	1,009,503	940,129	421,349	642,537	994,512
Public Information	172,056	-	-	-	(172,056)
Public Works	773,727	-	-	-	(773,727)
Fire Department	2,139,568	2,775	719,128	796,689	(620,976)
Police Department	1,797,422	361,739	98,281	-	(1,337,402)
Courts	301,040	-	-	-	(301,040)
Recreation	550,556	10,733	-	-	(539,823)
Downtown Development	134,921	-	-	-	(134,921)
Finance	279,811	-	-	-	(279,811)
Interest Expense	130,114	-	-	-	(130,114)
Total Governmental Activities	<u>\$ 7,990,815</u>	<u>\$ 1,315,376</u>	<u>\$ 1,238,758</u>	<u>\$ 1,439,226</u>	<u>(3,997,455)</u>
General Revenues					
Property Taxes					3,787,080
Local Option Sales Taxes					624,140
Business Licenses					739,166
Franchise Taxes					549,557
Accommodation and Hospitality Taxes					710,491
Grants and contributions not restricted to specific programs					67,767
Interest Income					3,974
Miscellaneous					3,276
Total General Revenues					<u>6,485,451</u>
Change in net position					2,487,996
Net position, beginning of year					19,437,631
Prior Period Restatement					(4,986,295)
Net position, end of year restated					<u>\$ 16,939,332</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, 2015**

	<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	\$ 3,444,796	\$ 42	\$ -	\$ 564,142	\$ 4,008,980
Receivables	587,157	-	-	49,384	636,541
Restricted Cash	207,156	4,212,999	177,328	103,536	4,701,019
Due from Other Funds	34,773	-	-	-	34,773
Property Held for Resale	-	908,742	-	-	908,742
Total Assets	<u>\$ 4,273,882</u>	<u>\$ 5,121,783</u>	<u>\$ 177,328</u>	<u>\$ 717,062</u>	<u>\$ 10,290,055</u>
Liabilities					
Accounts Payable	\$ 225,488	\$ -	\$ -	\$ 16,523	\$ 242,011
Salaries and Benefits Payable	168,766	-	-	-	168,766
Unearned Revenues	10,684	259,245	51,518	-	321,447
Due to Other Funds	-	5,676	-	29,097	34,773
Total Liabilities	<u>404,938</u>	<u>264,921</u>	<u>51,518</u>	<u>45,620</u>	<u>766,997</u>
Deferred Inflows of Resources					
Unavailable Revenues - Property Taxes	215,069	-	-	-	215,069
Total Deferred Inflows of Resources	<u>215,069</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>215,069</u>
Fund Balances					
Unassigned	2,864,719	-	-	-	2,864,719
Assigned	582,000	42	-	396	582,438
Committed	-	-	-	536,490	536,490
Restricted	207,156	3,948,078	125,810	134,556	4,415,600
Nonspendable	-	908,742	-	-	908,742
Total Fund Balances	<u>3,653,875</u>	<u>4,856,862</u>	<u>125,810</u>	<u>671,442</u>	<u>9,307,989</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 4,273,882</u>	<u>\$ 5,121,783</u>	<u>\$ 177,328</u>	<u>\$ 717,062</u>	<u>\$ 10,290,055</u>

**CITY OF HARDEEVILLE, SOUTH CAROLINA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2015**

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

Total fund balances for governmental funds	\$ 9,307,989
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Capital assets used in Hardeeville's activities are not financial resources and therefore are not reported in the funds. Those assets consist of:

Construction in Progress	\$ 37,824	
Land and improvements, net of \$836,173 accumulated depreciation	6,491,565	
Buildings and improvements, net of \$882,568 accumulated depreciation	5,458,797	
Furniture and equipment, net of \$1,250,626 accumulated depreciation	316,247	
Vehicles, net of \$1,697,733 accumulated depreciation	1,498,375	
Infrastructure, net of \$651,803 accumulated depreciation	<u>2,106,213</u>	
Total Capital Assets		15,909,021

Deferred outflows and inflows of resources represents amounts applicable to future periods and, therefore, are not reported in the funds:

Deferred outflows of resources:

Related to pensions	474,664
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Deferred inflows of resources:

Related to pensions	(505,006)
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Related to receivables	<u>215,069</u>
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Total deferred outflows and inflows of resources	184,727
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Long-term liabilities applicable to Hardeeville's activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities --both current and long-term--are reported in the statement of net position.

Balances at June 30, 2015 are:

Interest Payable	(15,434)	
Compensated absences	(643,965)	
Long-term Debt Obligations	<u>(7,803,006)</u>	
Total Long-Term Liabilities		<u>(8,462,405)</u>

Total net position of governmental activities	<u>\$ 16,939,332</u>
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CITY OF HARDEEVILLE, SOUTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	GENERAL FUND	DEVELOPMENT FUND	CAPITAL PROJECT FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
Revenues					
Taxes	\$ 5,138,264	\$ -	\$ -	\$ 679,529	\$ 5,817,793
Fines, Fees, and Licenses	2,562,381	-	-	41,718	2,604,099
Special Assessments	-	640,649	796,689	-	1,437,338
Intergovernmental	67,767	-	421,349	-	489,116
Miscellaneous	101,719	2,240	2,981	19,991	126,931
Total Revenues	<u>7,870,131</u>	<u>642,889</u>	<u>1,221,019</u>	<u>741,238</u>	<u>10,475,277</u>
Expenditures					
Current:					
General Government	598,452	20	-	-	598,472
Council	97,183	-	-	-	97,183
Planning/Development Services	560,428	7,942	421,349	-	989,719
Public Information	161,193	-	-	-	161,193
Public Works	640,664	-	-	-	640,664
Fire Department	1,925,730	-	-	29,404	1,955,134
Police Department	1,654,102	-	-	9,394	1,663,496
Courts	231,792	-	-	-	231,792
Recreation	265,233	-	-	140,208	405,441
Downtown Development	134,827	-	-	-	134,827
Finance	257,871	-	-	-	257,871
Debt Service:					
Principal	237,105	-	75,000	155,675	467,780
Interest	24,970	-	48,338	59,346	132,654
Capital Outlay:					
General Government	250,263	8,900	-	-	259,163
Planning/Development Services	68,775	-	-	-	68,775
Police Department	-	-	243,004	-	243,004
Fire Department	136,263	117,597	787,433	-	1,041,293
Public Works	-	-	143,452	-	143,452
Total Expenditures	<u>7,244,851</u>	<u>134,459</u>	<u>1,718,576</u>	<u>394,027</u>	<u>9,491,913</u>
Excess (deficiency) of revenues over (under) expenditures	<u>625,280</u>	<u>508,430</u>	<u>(497,557)</u>	<u>347,211</u>	<u>983,364</u>
Other Financing Sources (Uses)					
Transfers Out	(118,388)	-	-	(31,915)	(150,303)
Transfers In	31,915	-	118,388	-	150,303
Issuance of Debt	-	-	386,419	-	386,419
Total Financing Sources (Uses)	<u>(86,473)</u>	<u>-</u>	<u>504,807</u>	<u>(31,915)</u>	<u>386,419</u>
Net change in fund balances	538,807	508,430	7,250	315,296	1,369,783
Fund balances, beginning of year	3,115,068	4,348,432	118,560	356,146	7,938,206
Fund balances, end of year	<u>\$ 3,653,875</u>	<u>\$ 4,856,862</u>	<u>\$ 125,810</u>	<u>\$ 671,442</u>	<u>\$ 9,307,989</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, 2015**

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

Net change in fund balances -- total governmental funds	\$ 1,369,783
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (\$1,755,686) exceeded depreciation (\$546,362) in the current period.	1,209,324
Proceeds of debt are reported as a revenue in governmental funds. However, in the government wide statements proceeds of debt are treated as a liability.	(386,419)
Repayment of debt principal is an expenditure in the governmental funds but reduces the liability in the statement of net position.	467,780
Interest is recorded as paid in the governmental funds but is accrued as a liability in the governmental statements.	2,540
Revenues recognized in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	3,533
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	(120,089)
Pension contributions	<u>(58,456)</u>
 Total change in net position of governmental activities	 <u><u>\$ 2,487,996</u></u>

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

**CITY OF HARDEEVILLE, SOUTH CAROLINA
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
JUNE 30, 2015**

	AGENCY FUNDS
ASSETS	
Cash	\$ 2,923,775
Total Assets	2,923,775
 LIABILITIES	
Due to Others	2,923,775
Total Liabilities	2,923,775
 NET POSITION	\$ -

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

CITY OF HARDEEVILLE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Government-Wide Financial Statements

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

Reporting Entity

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

Blended Component Unit

The Hardeeville Public Facilities Corporation Inc., a 501c3 corporation, serves all the citizens of the government and is governed by a board approved by the City Council. Fees and debt issuances are approved by City Council; therefore, the City is legally obligated to provide resources in case there are deficiencies in debt service payments and resources are not available from other remedies. The Hardeeville Public Facilities Corporation Inc. is blended into the Development Fund of the primary government because the component unit's governing body is substantively the same as the governing body of the primary government and there is either a financial benefit or burden relationship between the primary government and the component unit does not issue separate financial statements.

Discretely Presented Component Units

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

Basis of Presentation – Government-Wide Financial Statements

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

CITY OF HARDEVILLE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES –CONTINUED

Basis of Presentation – Government-Wide Financial Statements-continued

As a general rule, the effect of interfund activity has not been eliminated from the government-wide financial statements.

Basis of Presentation – Fund Financial Statements

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

The City reports the following major governmental funds:

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

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

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

Additionally, the City reports the following fund types:

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

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

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

CITY OF HARDEEVILLE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES –CONTINUED

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

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

Budgetary Information

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

CITY OF HARDEEVILLE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES –CONTINUED

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

Cash and cash equivalents and deposits

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

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

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

Receivables and Payables

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

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

The City Ordinance provides for the taxation of all real and personal property located within the City limits on the first day of January. Motor vehicle taxes are billed and collected by the County Treasurer on a monthly basis. Other personal and real property taxes are levied by the City in October of each year and become due and payable immediately upon receipt by the taxpayer. Real property taxes are delinquent after January 15th with penalties assessed of 3% if paid after January 15th, 10% if paid after January 31st, and 15% if paid after March 15th. Assessed property is subject to lien one year from the levy date if taxes remain unpaid. The property tax rate approved by ordinance for fiscal year 2015 is 136 mills.

Inventories and Prepaid Items

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

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

Capital Assets

Capital assets, which include property and equipment, are reported in the applicable governmental columns in the government-wide financial statements. Capital assets are defined by the City as property and equipment with an initial, individual cost of more than \$5,000 and buildings and infrastructure assets with an initial, individual cost of more than \$100,000 with an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend life of the asset are not capitalized.

CITY OF HARDEEVILLE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES –CONTINUED

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

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

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

Long-Term Obligations

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

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The statement of net position reports deferred outflows of resources related to its net pension liability.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The statement of net position reports deferred inflows related to its net pension liability.

CITY OF HARDEVILLE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES –CONTINUED

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

Net position flow assumptions

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

Fund balance flow assumptions

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

Fund balance policies

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

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

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

CITY OF HARDEEVILLE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES –CONTINUED

Revenues and expenditures/expenses

Program Revenues

Amounts reported as *program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

Property taxes

Property taxes are attached as an enforceable lien on real property and are levied as of January 1st. The tax levy is mailed on October 1st and is payable on January 15th without penalty, after that date the property is subject to lien and penalties and interest are assessed.

Compensated absences

Vacation

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

Sick Leave

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

Use of Estimates

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

CITY OF HARDEVILLE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES –CONTINUED

Revenues and expenditures/expenses-continued

Excess of Expenditures over Appropriations

For the year ended June 30, 2015, expenditures exceeded appropriations in the Direct Accommodation Tax of \$16,065. These over expenditures were funded by positive variances in revenues and carryover of prior year fund balance.

NOTE 2 DEPOSITS AND INVESTMENTS

As of June 30, 2015, 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, 2015, the bank balance of the City’s deposits was insured by the FDIC and by collateral pledged by the banks.

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

	<u>Amount</u>
Restricted for drug related expenditures	\$ 7,606
Restricted for tourism	95,929
Assigned for fire fighters pay	204,679
Assigned for public works facility	2,477
Restricted by bond covenants	124,773
Restricted by development agreements	4,213,000
Restricted for debt payment	1,148
Restricted for fire station construction (deferred)	51,407
Total Restricted Cash	<u>\$ 4,701,019</u>

CITY OF HARDEVILLE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 3 RECEIVABLES

Receivables at June 30, 2015, including the applicable allowances for uncollectible accounts, are as follows for the general fund and nonmajor governmental funds:

	General Fund	Other Nonmajor Funds	Total
Taxes Receivable	\$ 913,415	\$ 49,384	\$ 962,799
Fines, Fees, and Licenses	77,778	-	77,778
Intergovernmental Revenues	14,984	-	14,984
Miscellaneous	34,435	-	34,435
Allowance for Uncollectibles	(453,455)	-	(453,455)
Total	<u>\$ 587,157</u>	<u>\$ 49,384</u>	<u>\$ 636,541</u>

Government funds report deferred inflows of resources in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period in the amount of \$215,069 for delinquent taxes. Government funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of unearned revenue reported in governmental funds were as follows:

	Unearned
Phase 2 Transportation Study	\$ 5,500
Held for museum expenditures	5,043
Development fees not spent	259,245
State Traffic Education	141
Held for fire station construction	51,518
Total	<u>\$ 321,447</u>

CITY OF HARDEVILLE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

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, 2014</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2015</u>
<i>Capital assets not being depreciated</i>				
Land and improvements	\$ 2,662,507	\$ 193,026	\$ -	\$ 2,855,533
Construction in progress	362,885	8,900	333,961	37,824
Total capital assets, not being depreciated	<u>3,025,392</u>	<u>201,926</u>	<u>333,961</u>	<u>2,893,357</u>
<i>Capital assets being depreciated</i>				
Buildings and improvements	5,047,988	1,338,991	45,614	6,341,365
Land improvements	4,472,205	-	-	4,472,205
Furniture and equipment	1,441,468	143,452	18,047	1,566,873
Vehicles	2,911,435	379,268	94,594	3,196,109
Infrastructure	2,689,243	68,775	-	2,758,018
Total capital assets being depreciated	<u>16,562,339</u>	<u>1,930,486</u>	<u>158,255</u>	<u>18,334,570</u>
Less accumulated depreciation for:				
Buildings and improvements	773,559	111,860	2,851	882,568
Land improvements	751,663	84,510	-	836,173
Furniture and equipment	1,184,793	83,880	18,047	1,250,626
Vehicles	1,628,937	163,391	94,594	1,697,734
Infrastructure	549,081	102,723	-	651,804
Total accumulated depreciation	<u>4,888,033</u>	<u>546,364</u>	<u>115,492</u>	<u>5,318,905</u>
Total capital assets being depreciated, net	<u>11,674,306</u>	<u>1,384,122</u>	<u>42,763</u>	<u>13,015,665</u>
Governmental activities capital assets, net	<u>\$ 14,699,698</u>	<u>\$ 1,586,048</u>	<u>\$ 376,724</u>	<u>\$ 15,909,022</u>

Depreciation expense was \$546,362 for the year ended June 30, 2015. This amount was allocated to the functional departments as follows:

<u>Governmental Activities</u>	
General Government	\$ 71,902
Court	1,790
Finance	24,328
Fire	116,411
Planning	3,211
Police Department	68,391
Public Works	122,703
Recreation	137,626
Total	<u>\$ 546,362</u>

CITY OF HARDEVILLE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 5 LONG-TERM OBLIGATIONS

A schedule of changes in long-term indebtedness follows:

	Balance			Balance	Due
	June 30, 2014	Additions	Retirements	June 30, 2015	Within
					A Year
General Obligation Bonds	\$ 220,854	\$ -	\$ 40,742	\$ 180,112	\$ 42,405
Leases Payable	1,794,105	386,419	352,039	1,828,485	315,904
Revenue Bonds	855,000	-	75,000	780,000	80,000
Compensated Absences	523,875	354,381	234,291	643,965	100,000
Net Pension Liability*	5,331,468	533,120	850,179	5,014,409	-
Total	<u>\$ 8,725,302</u>	<u>\$ 1,273,920</u>	<u>\$ 1,552,251</u>	<u>\$ 8,446,971</u>	<u>\$ 538,309</u>

* Beginning net position was restated in accordance with generally accepted accounting principles for GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*.

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 \$25,652,869. The computation of legal debt limits is as follows:

Assessed value (\$25,652,869 X 8%)	\$ 2,052,230
General obligation debt at June 30, 2015	(180,112)
Amount available of debt limit	<u>\$ 1,872,118</u>

Operating Leases

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

A summary of long-term debt is as follows:

<u>General Obligation Bond</u>	<u>BALANCE</u>
\$550,000 general obligation bond dated December 19, 2003, due in fifteen annual payments of \$49,779 including interest of 4.09% beginning December 19, 2004, backed by the full faith and credit of the City.	<u>\$ 180,112</u>

CITY OF HARDEVILLE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

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, 2015 is as follows:

<u>Fiscal Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 42,405	\$ 7,374	\$ 49,779
2017	44,139	5,640	49,779
2018	45,944	3,835	49,779
2019	47,624	2,155	49,779
Total	<u>\$ 180,112</u>	<u>\$ 19,004</u>	<u>\$ 199,116</u>

Leases Payable

<u>Leases Payable</u>	<u>BALANCE</u>
\$2,473,000 lease payable on municipal complex payable monthly at \$15,216 including interest of 4.19% beginning January 7, 2004.	\$ 1,297,996
\$650,000 lease payable for fire truck payable in ten annual installments of \$79,701 including interest of 3.89% beginning August 5, 2006.	76,717
\$209,975 lease payable for police vehicles payable in sixty monthly payments of \$3,674 including interest of 1.9% beginning January 2014.	145,652
\$242,967 lease payable for five police vehicles payable in twenty quarterly payments with a five year fixed interest of 1.1% beginning August 2015.	231,148
\$132,560 lease payable for John Deere Alamo Mower payable in sixty payments of \$1,304.60 at an interest rate of 1.5% beginning June 2016.	76,972
Total	<u>\$ 1,828,485</u>

CITY OF HARDEEVILLE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 5 LONG-TERM OBLIGATIONS – CONTINUED

Equipment Under Capitalized Leases

The City has entered into the above lease agreements for leasing the recreational complex, the purchase of vehicles for the fire and police departments, and equipment to be used at public works. The cost of these assets is \$3,703,129 with accumulated amortization of \$978,950. 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, 2015 are as follows:

<u>Fiscal Year Ending</u>	<u>Payment</u>
2016	\$ 375,582
2017	295,355
2018	294,823
2019	268,805
2020	229,491
2021-2024	622,398
Total Minimum Lease Payments	2,086,454
Less Amount Representing Interest	(257,969)
Present Value of Minimum Lease Payment	<u>\$ 1,828,485</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.

\$ 780,000

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>
2016	\$ 80,000	\$ 37,925	\$ 117,925
2017	85,000	32,925	117,925
2018	90,000	27,925	117,925
2019	95,000	22,925	117,925
2021-2023	430,000	41,700	471,700
Total	<u>\$ 780,000</u>	<u>\$ 163,400</u>	<u>\$ 943,400</u>

CITY OF HARDEEVILLE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 5 LONG-TERM OBLIGATIONS – CONTINUED

Compensated Absences

Unused vacation leave liabilities are reported in the applicable governmental type activities columns in the government-wide financial statements. The City employees can accumulate paid time off at varying amounts based on length of service and position. As of June 30, 2015, accrued paid time off totaled \$643,965 which includes 19.65% 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, 2015 is \$12,130,000.

Pension Plan

The South Carolina Public Employee Benefit Authority (PEBA), which was created July 1, 2012, administers the various retirement systems and retirement programs managed by its Retirement Division. PEBA has an 11-member Board of Directors, appointed by the Governor and General Assembly leadership, which serves as co-trustee and co-fiduciary of the systems and the trust funds. By law, the Budget and Control Board, which consists of five elected officials, also reviews certain PEBA Board decisions regarding the funding of the Systems and serves as a co-trustee of the Systems in conducting that review. PEBA issues a Comprehensive Annual Financial Report (CAFR) containing financial statements and required supplementary information for the South Carolina Retirement Systems' Pension Trust Funds. The CAFR is publicly available on the Retirement Benefits' link on PEBA's website at www.peba.sc.gov, or a copy may be obtained by submitting a request to PEBA, PO Box 11960, Columbia, SC 29211-1960. PEBA is considered a division of the primary government of the state of South Carolina and therefore, retirement trust fund financial information is also included in the comprehensive annual financial report of the state.

Plan Description

The South Carolina Retirement System (SCRS), a cost-sharing multiple-employer defined benefit pension plan, was established effective July 1, 1945, pursuant to the provisions of Section 9-1-20 of the South Carolina Code of Laws for the purpose of providing retirement allowances and other benefits for employees of the state, its public school districts, and political subdivisions.

The South Carolina Police Officers Retirement System (PORS), a cost-sharing multiple-employer defined benefit pension plan, was established effective July 1, 1962, pursuant to the provisions of Section 9-11-20 of the South Carolina Code of Laws for the purpose of providing retirement allowances and other benefits for police officers and firemen of the state and its political subdivisions.

CITY OF HARDEEVILLE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 5 LONG-TERM OBLIGATIONS – CONTINUED

Membership

Membership requirements are prescribed in Title 9 of the South Carolina Code of Laws. A brief summary of the requirements under each system is presented below.

- SCRS - Generally, all employees of covered employers are required to participate in and contribute to the system as a condition of employment. This plan covers general employees and teachers and individuals newly elected to the South Carolina General Assembly beginning with the November 2012 general election. An employee member of the system with an effective date of membership prior to July 1, 2012, is a Class Two member. An employee member of the system with an effective date of membership on or after July 1, 2012, is a Class Three member.

- PORS - To be eligible for PORS membership, an employee must be required by the terms of his employment, by election or appointment, to preserve public order, protect life and property, and detect crimes in the state; to prevent and control property destruction by fire; or to serve as a peace officer employed by the Department of Corrections, the Department of Juvenile Justice, or the Department of Mental Health. Probate judges and coroners may elect membership in PORS. Magistrates are required to participate in PORS for service as a magistrate. PORS members, other than magistrates and probate judges, must also earn at least \$2,000 per year and devote at least 1,600 hours per year to this work, unless exempted by statute. An employee member of the system with an effective date of membership prior to July 1, 2012, is a Class Two member. An employee member of the system with an effective date of membership on or after July 1, 2012, is a Class Three member.

Benefits

Benefit terms are prescribed in Title 9 of the South Carolina Code of Laws. PEBA does not have the authority to establish or amend benefit terms without a legislative change in the code of laws. Key elements of the benefit calculation include the benefit multiplier, years of service, and average final compensation. A brief summary of benefit terms for each system is presented below.

- SCRS - A Class Two member who has separated from service with at least five or more years of earned service is eligible for a monthly pension at age 65 or with 28 years credited service regardless of age. A member may elect early retirement with reduced pension benefits payable at age 55 with 25 years of service credit. A Class Three member who has separated from service with at least eight or more years of earned service is eligible for a monthly pension upon satisfying the Rule of 90 requirement that the total of the member's age and the member's creditable service equals at least 90 years. Both Class Two and Class Three members are eligible to receive a reduced deferred annuity at age 60 if they satisfy the five- or eight-year earned service requirement, respectively. An incidental death benefit is also available to beneficiaries of active and retired members of employers who participate in the death benefit program.

The annual retirement allowance of eligible retirees or their surviving annuitants is increased by the lesser of one percent or five hundred dollars every July 1. Only those annuitants in receipt of a benefit on July 1 of the preceding year are eligible to receive the increase. Members who retire under the early retirement provisions at age 55 with 25 years of service are not eligible for the benefit adjustment until the second July 1 after reaching age 60 or the second July 1 after the date they would have had 28 years of service credit had they not retired.

CITY OF HARDEVILLE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 5 LONG-TERM OBLIGATIONS – CONTINUED

Benefits – Continued

- **PORS** - A Class Two member who has separated from service with at least five or more years of earned service is eligible for a monthly pension at age 55 or with 25 years of service regardless of age. A Class Three member who has separated from service with at least eight or more years of earned service is eligible for a monthly pension at age 55 or with 27 years of service regardless of age. Both Class Two and Class Three members are eligible to receive a deferred annuity at age 55 with five or eight years of earned service, respectively. An incidental death benefit is also available to beneficiaries of active and retired members of employers who participate in the death benefit program. Accidental death benefits are also provided upon the death of an active member working for a covered employer whose death was a natural and proximate result of an injury incurred while in the performance of duty.

The retirement allowance of eligible retirees or their surviving annuitants is increased by the lesser of one percent or five hundred dollars every July 1. Only those annuitants in receipt of a benefit on July 1 of the preceding year are eligible to receive the increase.

Contributions

Contributions are prescribed in Title 9 of the South Carolina Code of Laws. The PEBA Board may increase the SCRS and PORS employer and employee contribution rates on the basis of the actuarial valuations, but any such increase may not result in a differential between the employee and employer contribution rate that exceeds 2.9% of earnable compensation for SCRS and 5% for PORS. An increase in the contribution rates adopted by the board may not provide for an increase of more than one-half of one percent in any one year. If the scheduled employee and employer contributions provided in statute or the rates last adopted by the board are insufficient to maintain a thirty year amortization schedule of the unfunded liabilities of the plans, the board shall increase the contribution rates in equal percentage amounts for the employer and employee as necessary to maintain the thirty-year amortization period; and, this increase is not limited to one-half of one percent per year. Total employer contributions to the pension plan from the System were \$345,173 for the year ended June 30, 2015.

Required employee contribution rates for fiscal year 2014-2015 are as follows:

SCRS

Employee Class Two	8.00% of earnable compensation
Employee Class Three	8.00% of earnable compensation

PORS

Employee Class One	\$21 per month
Employee Class Two	8.41% of earnable compensation
Employee Class Three	8.41% of earnable compensation

CITY OF HARDEEVILLE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 5 LONG-TERM OBLIGATIONS – CONTINUED

Contributions – Continued

Required employer contributions for fiscal year 2014-2015 are as follows:

SCRS

Employer Class Two	10.75% of earnable compensation
Employer Class Three	10.75% of earnable compensation
Employer Incidental Death Benefit	0.15% of earnable compensation

PORS

Employer Class One	7.80% of earnable compensation
Employer Class Two	13.01% of earnable compensation
Employer Class Three	13.01% of earnable compensation
Employer Incidental Death Benefit	0.20% of earnable compensation
Employer Accidental Death Program	0.20% of earnable compensation

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Net Pension Liability

At June 30, 2015, the City of Hardeeville reported a liability of \$5,014,409 for its proportionate share of the net pension liability. The most recent annual actuarial valuation reports adopted by the PEBA Board and Budget and Control Board are as of July 1, 2013. The net pension liability of each defined benefit pension plan was therefore determined based on the July 1, 2013 actuarial valuations, using membership data as of July 1, 2013, projected forward to the end of the fiscal year, and financial information of the pension trust funds as of June 30, 2014, using generally accepted actuarial procedures. The net pension liability (NPL) is calculated separately for each system and represents that particular system's total pension liability determined in accordance with GASB No. 67 less that System's fiduciary net position.

For the year ended June 30, 2015, the City of Hardeeville recognized pension expense of \$397,031. At June 30, 2015, the City of Hardeeville reported deferred outflows and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 137,765	\$ -
Net difference between projected and actual earnings on pension plan investments	-	505,006
Contributions subsequent to the measurement date	336,899	-
Total	<u>\$ 474,664</u>	<u>\$ 505,006</u>

CITY OF HARDEEVILLE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 5 LONG-TERM OBLIGATIONS – CONTINUED

Net Pension Liability - Continued

The contributions applied to the pension liability of \$336,899 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. The following schedule reflects the amortization of remaining deferred outflows/(inflows) of resources at June 30, 2014. Average remaining services lives of all employees provided with pension through the pension plans at June 30, 2014 was 4.233 years for SCRS and 4.856 years for PORS.

<u>Year End June 30,</u>	<u>SCRS</u>	<u>PORS</u>
2015	\$ (29,486)	\$ (57,647)
2016	(29,486)	(57,647)
2017	(29,486)	(57,647)
2018	(45,585)	(60,257)
Net Balance of Deferred Outflows/(Inflows) of Resources	<u>\$ (134,043)</u>	<u>\$ (233,198)</u>

Actuarial Assumptions and Methods

Actuarial valuations involve estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and future salary increases. Amounts determined during the valuation process are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. South Carolina state statute requires that an actuarial experience study be completed at least once in each five-year period. The last experience study was performed on data through June 30, 2010, and the next experience study is scheduled to be conducted after the June 30, 2015 annual valuation is complete.

The following table provides a summary of the actuarial assumptions and methods used in the July 1, 2013, valuations for SCRS and PORS.

	SCRS	PORS
Actuarial Cost Method	Entry Age	Entry Age
Actuarial Assumptions:		
Investment rate of return	7.5%	7.5%
Projected salary increases	Levels off at 3.5%	Levels off at 4.0%
Includes inflation at	2.75%	2.75%
Benefits adjustments	Lesser of 1% or \$500	Lesser of 1% or \$500

CITY OF HARDEVILLE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 5 LONG-TERM OBLIGATIONS – CONTINUED

Actuarial Assumptions and Methods – Continued

The post-retiree mortality assumption is dependent upon the member's job category and gender. This assumption includes base rates which are automatically adjusted for future improvement in mortality using published Scale AA projected from the year 2000.

Former Job Class	Males	Females
Educators and Judges	RP-2000 Males (with White Collar adjustment) multiplied by 110%	RP-2000 Females (with White Collar adjustment) multiplied by 95%
General Employees and Members of the General Assembly	RP-2000 Males multiplied by 100%	RP-2000 Females multiplied by 90%
Public Safety, Firefighters and Member of the South Carolina National Guard	RP-2000 Males (with Blue Collar adjustment) multiplied by 115%	RP-2000 Females (with Blue Collar adjustment) multiplied by 115%

The long-term expected rate of return on pension plan investments for actuarial purposes is based upon the 30 year capital market outlook at the end of the third quarter 2012. The actuarial long-term expected rates of return represent best estimates of arithmetic real rates of return for each major asset class and were developed in coordination with the investment consultant for the Retirement System Investment Commission (RSIC) using a building block approach, reflecting observable inflation and interest rate information available in the fixed income markets as well as Consensus Economic forecasts. The actuarial long-term assumptions for other asset classes are based on historical results, current market characteristics and professional judgment.

The RSIC has exclusive authority to invest and manage the retirement trust funds' assets. As co-fiduciary of the Systems, statutory provisions and governance policies allow the RSIC to operate in a manner consistent with a long-term investment time horizon. The expected real rates of investment return, along with the expected inflation rate, form the basis for the target asset allocation adopted annually by the RSIC. For actuarial purposes, the long-term expected rate of return is calculated by weighting the expected future real rates of return by the target allocation percentage and then adding the actuarial expected inflation which is summarized in the table on the following page. For actuarial purposes, the 7.50% assumed annual investment rate of return used in the calculation of the total pension liability includes a 4.75% real rate of return and a 2.75% inflation component.

Asset Class	Target Asset Allocation	Expected Arithmetic Real Rate of Return	Long Term Expected Portfolio Real Rate of Return
Short Term	5.0%	0.90	0.03
Domestic Fixed Income	13.0%	7.40	0.26
Global Fixed Income	9.0%	4.90	0.27
Global Public Equity	31.0%	7.80	2.42
Global Tactical Asset Allocation Alternatives	10.0%	5.10	0.51
	32.0%	35.40	2.39
Total Expected Real Return	<u>100.0%</u>		<u>5.88</u>
Inflation for Actuarial Purposes			<u>2.75</u>
Total Expected Nominal Return			<u><u>8.63</u></u>

CITY OF HARDEVILLE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 5 LONG-TERM OBLIGATIONS – CONTINUED

Discount Rate

The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers in SCRS and PORS will be made based on the actuarially determined rates based on provisions in the South Carolina State Code of Laws. Based on those assumptions, each System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The following table presents the sensitivity of the net pension liability to changes in the discount rate.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

<u>System</u>	<u>1.0% Decrease (6.5%)</u>	<u>Discount Rate (7.5%)</u>	<u>1.0% Increase (8.5%)</u>
SCRS	\$ 3,099,072	\$ 2,394,841	\$ 1,807,310
PORS	\$ 3,660,699	\$ 2,619,511	\$ 1,758,015

Pension Plan Fiduciary Net Position

Detailed information regarding the fiduciary net position of the plans administered by PEBA is available in the separately issued CAFR containing financial statements and required supplementary information for SCRS and PORS. The CAFR of the Pension Trust Funds is publicly available on PEBA's Retirement Benefits' website at www.retirement.sc.gov, or a copy may be obtained by submitting a request to PEBA, PO Box 11960, Columbia, SC 29211-1960.

Payables to the Pension Plan

At June 30, 2015, the City of Hardeeville reported payables of \$197,170 that represents the amount due for the month of June.

NOTE 6 TRANSFERS BETWEEN FUNDS

The following is a schedule of transfers between funds:

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Transfers In	\$ 31,915	\$ 118,388	\$ -	\$ 150,303
Transfers Out	\$ 118,388	\$ -	\$ 31,915	\$ 150,303

The transfer of \$31,915 from the other governmental funds was from the victims fund for victims' officers reimbursement. The transfer of \$118,388 from the general fund to the capital projects fund was for a note payment on the Hargray building.

CITY OF HARDEEVILLE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 7 RISK MANAGEMENT

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

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

NOTE 8 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, 2015, 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 2015-16.

The City has a contract in the amount of \$2,137,302 for the environmental impact study underway for a proposed Exit 3 interchange.

NOTE 9 SUBSEQUENT EVENTS

The City has received a total of \$1,473,500 which is to be funded through Rural Development Loan for \$530,500, Community Development Block Grant Funds for \$500,000, County Funds for \$150,000, and Local Funds for \$293,000.

CITY OF HARDEEVILLE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 10 FUND BALANCES

The fund balance composition is as follows:

	<u>General Fund</u>	<u>Development Fund</u>	<u>Capital Projects Fund</u>	<u>Nonmajor Funds</u>
<u>Assigned</u>				
Capital plan	\$ 582,000	\$ -	\$ -	\$ -
Future development	-	42	-	396
Total Assigned	<u>582,000</u>	<u>42</u>	<u>-</u>	<u>396</u>
<u>Committed</u>				
Local accommodations tax ordinance	-	-	-	228,597
Local hospitality tax ordinance	-	-	-	307,893
Total Committed	<u>-</u>	<u>-</u>	<u>-</u>	<u>536,490</u>
<u>Restricted</u>				
Developer Agreements	207,156	3,948,078	-	-
Bond Ordinance	-	-	125,810	-
State for tourist related expenditures	-	-	-	95,930
State for fire department expenditures	-	-	-	26,227
Federal drug related expenditures	-	-	-	12,399
Total Restricted	<u>207,156</u>	<u>3,948,078</u>	<u>125,810</u>	<u>134,556</u>
<u>Nonspendable</u>				
Land held for development	-	657,000	-	-
Sewer capacity	-	251,742	-	-
Total Nonspendable	<u>\$ -</u>	<u>\$ 908,742</u>	<u>\$ -</u>	<u>\$ -</u>

NOTE 11 NET INVESTMENT IN CAPITAL ASSETS

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

Capital Assets	
Capital assets not being depreciated	\$ 2,893,357
Capital assets being depreciated	<u>13,015,664</u>
Total Capital Assets	15,909,021
Less debt	<u>(2,788,597)</u>
Net Investment in Capital Assets	<u><u>\$ 13,120,424</u></u>

CITY OF HARDEEVILLE, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 12 PROPERTY HELD FOR RESALE

Property held for resale consists of the following:

	Balance
Land	\$ 657,000
Sewer Capacity	251,742
Total	\$ 908,742

NOTE 13 – RESTATEMENT OF BEGINNING NET POSITION

In accordance with generally accepted accounting principles for fiscal year 2015, the City of Hardeeville made prior period adjustments due to the adoption of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, which require the restatement of the June 30, 2014 net position in Governmental Activities. The result is a decrease in net position at June 30, 2014 of \$4,986,295.

Net Position June 30, 2014, as Previously Reported	\$ 19,437,631
Pension Liability, Net	(4,986,295)
Net Position, June 30, 2014, as restated	\$ 14,451,336

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, 2015**

	BUDGETED AMOUNTS		ACTUAL	VARIANCE
	ORIGINAL	FINAL		FAVORABLE (UNFAVORABLE)
Revenues				
Taxes	\$ 4,583,866	\$ 5,049,584	\$ 5,138,264	\$ 88,680
Fines, Fees and Licenses	2,061,795	2,673,258	2,562,381	(110,877)
Intergovernmental	68,876	67,767	67,767	-
Miscellaneous	54,497	105,376	101,719	(3,657)
Total Revenues	<u>6,769,034</u>	<u>7,895,985</u>	<u>7,870,131</u>	<u>(25,854)</u>
Expenditures				
General Government	522,551	1,105,412	598,452	506,960
Council	135,074	97,183	97,183	-
Planning/Development Services	624,205	560,428	560,428	-
Public Information	196,981	161,193	161,193	-
Public Works	659,666	702,373	640,664	61,709
Fire Department	1,752,065	1,925,730	1,925,730	-
Police Department	1,705,682	1,614,350	1,654,102	(39,752)
Courts	286,545	231,792	231,792	-
Recreation	273,712	275,825	265,233	10,592
Downtown Development	100,117	134,827	134,827	-
Finance	294,717	257,871	257,871	-
Debt Service:				
Principal	260,382	260,382	237,105	23,277
Interest	44,900	44,900	24,970	19,930
Capital Outlay:				
General Government	-	250,263	250,263	-
Planning/Development Services	-	68,775	68,775	-
Fire Department	-	136,263	136,263	-
Total Expenditures	<u>6,856,597</u>	<u>7,827,567</u>	<u>7,244,851</u>	<u>582,716</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(87,563)</u>	<u>68,418</u>	<u>625,280</u>	<u>556,862</u>
Other Financing Sources (Uses)				
Transfers Out	(125,162)	(125,162)	(118,388)	6,774
Transfers In	212,725	56,744	31,915	(24,829)
Total Financing Sources (Uses)	<u>87,563</u>	<u>(68,418)</u>	<u>(86,473)</u>	<u>(18,055)</u>
Net change in fund balances	-	-	538,807	538,807
Fund balances, beginning of year	-	-	3,115,068	3,115,068
Fund balances, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,653,875</u>	<u>\$ 3,653,875</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.

**CITY OF HARDEEVILLE
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
STATE PENSION PLAN
LAST TEN FISCAL YEARS**

South Carolina Retirement System (SCRS)

Fiscal Year

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Proportion of the Net Pension Liability	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0.013910%
Proportionate Share of the Net Pension Liability	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	2,394,841
Covered-Employee Payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	1,093,704
Proportionate Share of the New Pension Liability as a Percentage of Its Covered-Employee Payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	218.97%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	59.90%

Police Officers Retirement System (PORS)

Fiscal Year

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Proportion of the Net Pension Liability	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0.13683%
Proportionate Share of the Net Pension Liability	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	2,619,568
Covered-Employee Payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	1,644,562
Proportionate Share of the New Pension Liability as a Percentage of Its Covered-Employee Payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	159.29%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	67.50%

**CITY OF HARDEEVILLE
SCHEDULE OF CONTRIBUTIONS
STATE PENSION PLAN
LAST TEN FISCAL YEARS**

South Carolina Retirement System (SCRS)

Fiscal Year

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Contractually Required Contribution	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	\$ 119,214
Contributions in Relation to the Contractually Required Contribution	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	119,214
Contribution Deficiency	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered-Employee Payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	\$ 1,093,704
Contributions as a Percentage of Covered-Employee Payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	10.90%

Police Officers Retirement System (PORS)

Fiscal Year

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Contractually Required Contribution	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	\$ 217,247
Contributions in Relation to the Contractually Required Contribution	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	217,247
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered-Employee Payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	\$ 1,644,562
Contributions as a Percentage of Covered-Employee Payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	13.21%

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, 2015**

	INDIRECT ACCOM TAX FUND	DIRECT ACCOM TAX FUND	LOCAL ACCOM TAX FUND	LOCAL HOSPITALITY TAX FUND	VICTIMS ASSISTANCE FUND
ASSETS					
Cash	\$ -	\$ -	\$ 219,789	\$ 283,840	\$ 29,097
Receivables	-	-	24,124	25,260	-
Restricted Cash	95,929	1	-	-	-
Total Assets	\$ 95,929	\$ 1	\$ 243,913	\$ 309,100	\$ 29,097
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts Payable	\$ -	\$ -	\$ 15,316	\$ 1,207	\$ -
Due to Other Funds	-	-	-	-	29,097
Total Liabilities	-	-	15,316	1,207	29,097
Fund Balances					
Restricted	95,929	1	-	-	-
Committed	-	-	228,597	307,893	-
Assigned	-	-	-	-	-
Total Fund Balances	95,929	1	228,597	307,893	-
Total Liabilities and Fund Balances	\$ 95,929	\$ 1	\$ 243,913	\$ 309,100	\$ 29,097

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**CITY OF HARDEEVILLE, SOUTH CAROLINA
 COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2015**

	<u>CONTINGENCY FUND</u>	<u>CELEBRATE HARDEEVILLE FUND</u>	<u>FIRE FUND</u>	<u>TOTAL</u>
ASSETS				
Cash	\$ 4,793	\$ 396	\$ 26,227	\$ 564,142
Receivables	-	-	-	49,384
Restricted Cash	7,606	-	-	103,536
Total Assets	<u>\$ 12,399</u>	<u>\$ 396</u>	<u>\$ 26,227</u>	<u>\$ 717,062</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts Payable	\$ -	\$ -	\$ -	\$ 16,523
Due to Other Funds	-	-	-	29,097
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>45,620</u>
Fund Balances				
Restricted	12,399	-	26,227	134,556
Committed	-	-	-	536,490
Assigned	-	396	-	396
Total Fund Balances	<u>12,399</u>	<u>396</u>	<u>26,227</u>	<u>671,442</u>
Total Liabilities and Fund Balances	<u>\$ 12,399</u>	<u>\$ 396</u>	<u>\$ 26,227</u>	<u>\$ 717,062</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, 2015**

	INDIRECT ACCOM TAX FUND	DIRECT ACCOM TAX FUND	LOCAL ACCOM TAX FUND	LOCAL HOSPITALITY TAX FUND	VICTIMS ASSISTANCE FUND
Revenues					
Taxes	\$ 77,506	\$ 22,887	\$ 278,831	\$ 300,305	\$ -
Fines, Fees and Licenses	-	-	-	-	31,916
Miscellaneous	-	-	144	254	-
Total Revenues	<u>77,506</u>	<u>22,887</u>	<u>278,975</u>	<u>300,559</u>	<u>31,916</u>
Expenditures					
Current:					
Police Department	-	-	-	-	-
Fire Department	-	-	-	-	-
Public Works/Recreation	45,400	36,065	8,322	48,365	-
Debt Service:					
Principal	-	-	78,161	77,514	-
Interest	-	-	29,350	29,996	-
Total Expenditures	<u>45,400</u>	<u>36,065</u>	<u>115,833</u>	<u>155,875</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>32,106</u>	<u>(13,178)</u>	<u>163,142</u>	<u>144,684</u>	<u>31,916</u>
Other Financing Sources (Uses)					
Transfers Out	-	-	-	-	(31,915)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(31,915)</u>
Net change in fund balances	32,106	(13,178)	163,142	144,684	1
Fund balances, beginning of year	63,823	13,179	65,455	163,209	(1)
Fund balances, end of year	<u>\$ 95,929</u>	<u>\$ 1</u>	<u>\$ 228,597</u>	<u>\$ 307,893</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, 2015**

	<u>CONTINGENCY FUND</u>	<u>CELEBRATE HARDEEVILLE FUND</u>	<u>FIRE FUND</u>	<u>TOTAL</u>
Revenues				
Taxes	\$ -	\$ -	\$ -	\$ 679,529
Fines, Fees and Licenses	9,802	-	-	41,718
Miscellaneous	76	-	19,517	19,991
Total Revenues	<u>9,878</u>	<u>-</u>	<u>19,517</u>	<u>741,238</u>
Expenditures				
Current:				
Police Department	9,394	-	-	9,394
Fire Department	-	-	29,404	29,404
Public Works/Recreation	-	2,056	-	140,208
Debt Service:				
Principal	-	-	-	155,675
Interest	-	-	-	59,346
Total Expenditures	<u>9,394</u>	<u>2,056</u>	<u>29,404</u>	<u>394,027</u>
Excess (deficiency) of revenues over (under) expenditures	<u>484</u>	<u>(2,056)</u>	<u>(9,887)</u>	<u>347,211</u>
Other Financing Sources (Uses)				
Transfers Out	<u>-</u>	<u>-</u>	<u>-</u>	<u>(31,915)</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(31,915)</u>
Net change in fund balances	484	(2,056)	(9,887)	315,296
Fund balances, beginning of year	11,915	2,452	36,114	356,146
Fund balances, end of year	<u>\$ 12,399</u>	<u>\$ 396</u>	<u>\$ 26,227</u>	<u>\$ 671,442</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, 2015**

	BUDGETED AMOUNTS		ACTUAL	VARIANCE
	ORIGINAL	FINAL		FAVORABLE (UNFAVORABLE)
Revenues				
Taxes	\$ 50,000	\$ 50,000	\$ 77,506	\$ 27,506
Total Revenues	<u>50,000</u>	<u>50,000</u>	<u>77,506</u>	<u>27,506</u>
Expenditures				
Current:				
Recreation	50,000	50,000	45,400	4,600
Total Expenditures	<u>50,000</u>	<u>50,000</u>	<u>45,400</u>	<u>4,600</u>
Excess (deficiency) of revenues over (under) expenditures	-	-	32,106	32,106
Fund balances, beginning of year	63,823	63,823	63,823	-
Fund balances, end of year	<u>\$ 63,823</u>	<u>\$ 63,823</u>	<u>\$ 95,929</u>	<u>\$ 32,106</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, 2015**

	<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	\$ 22,887	\$ 2,887
Total Revenues	<u>20,000</u>	<u>20,000</u>	<u>22,887</u>	<u>2,887</u>
Expenditures				
Current:				
Recreation	20,000	20,000	36,065	(16,065)
Total Expenditures	<u>20,000</u>	<u>20,000</u>	<u>36,065</u>	<u>(16,065)</u>
Excess (deficiency) of revenues over (under) expenditures	-	-	(13,178)	(13,178)
Fund balances, beginning of year	13,179	13,179	13,179	-
Fund balances, end of year	<u>\$ 13,179</u>	<u>\$ 13,179</u>	<u>\$ 1</u>	<u>\$ (13,178)</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, 2015**

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		<u>FAVORABLE</u> <u>(UNFAVORABLE)</u>
Revenues				
Taxes	\$ 178,000	\$ 178,000	\$ 278,831	\$ 100,831
Miscellaneous	-	-	144	144
Total Revenues	<u>178,000</u>	<u>178,000</u>	<u>278,975</u>	<u>100,975</u>
Expenditures				
Current:				
Recreation	70,000	70,000	8,322	61,678
Debt Service:				
Principal	78,500	78,500	78,161	339
Interest	29,500	29,500	29,350	150
Total Expenditures	<u>178,000</u>	<u>178,000</u>	<u>115,833</u>	<u>62,167</u>
Excess (deficiency) of revenues over (under) expenditures	-	-	163,142	163,142
Fund balances, beginning of year	65,455	65,455	65,455	-
Fund balances, end of year	<u>\$ 65,455</u>	<u>\$ 65,455</u>	<u>\$ 228,597</u>	<u>\$ 163,142</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, 2015**

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		<u>FAVORABLE (UNFAVORABLE)</u>
Revenues				
Taxes	\$ 160,000	\$ 160,000	\$ 300,305	\$ 140,305
Miscellaneous	-	-	254	254
Total Revenues	<u>160,000</u>	<u>160,000</u>	<u>300,559</u>	<u>140,559</u>
Expenditures				
Current:				
Recreation	52,000	52,000	48,365	3,635
Debt Service:				
Principal	78,000	78,000	77,514	486
Interest	<u>30,000</u>	<u>30,000</u>	<u>29,996</u>	<u>4</u>
Total Expenditures	<u>160,000</u>	<u>160,000</u>	<u>155,875</u>	<u>4,125</u>
Excess (deficiency) of revenues over (under) expenditures	-	-	144,684	144,684
Fund balances, beginning of year	163,209	163,209	163,209	-
Fund balances, end of year	<u>\$ 163,209</u>	<u>\$ 163,209</u>	<u>\$ 307,893</u>	<u>\$ 144,684</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
STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>BALANCE</u> <u>JUNE 30, 2014</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>BALANCE</u> <u>JUNE 30, 2015</u>
MUNICIPAL IMPROVEMENT DISTRICT - HH LAKES				
ASSETS				
Cash	\$ 2,324,932	\$ 1,010,616	\$ 411,773	\$ 2,923,775
Total Assets	<u>\$ 2,324,932</u>	<u>\$ 1,010,616</u>	<u>\$ 411,773</u>	<u>\$ 2,923,775</u>
LIABILITIES				
Due to Others	\$ 2,324,932	\$ 1,010,616	\$ 411,773	\$ 2,923,775
Total Liabilities	<u>\$ 2,324,932</u>	<u>\$ 1,010,616</u>	<u>\$ 411,773</u>	<u>\$ 2,923,775</u>

**CITY OF HARDEEVILLE, SOUTH CAROLINA
SCHEDULE OF COURT FINES, ASSESSMENTS, AND SURCHARGES
FOR THE YEAR ENDED JUNE 30, 2015**

Court Fines and Assessments

Court Fines Collected	\$ 232,632
Assessments	127,780
Surcharges	224,462
Total Court Fines and Assessments Collected	584,874

Surcharges and Assessments Remitted to State Treasurer

Surcharges	224,462
Assessments	127,780
Court Surcharges and Assessments Remitted to State Treasurer	352,242

Fines, Surcharges, and Assessments Retained by City

Fines	232,632
Surcharges	-
Assessments	-
Court Fines Retained by City	232,632

Funds Allocated to Victims Services

Carryover Funds from Prior Year	-
Surcharges Retained	3,708
Assessments Retained	28,207
Expenditures	(31,915)
Transfers from General Fund	-
Total Unexpended Victims Rights Assistance	\$ -

STATISTICAL SECTION

CITY OF HARDEEVILLE, SOUTH CAROLINA

STATISTICAL SECTION

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

<u>Contents</u>	<u>Page</u>
Financial Trends <i>These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.</i>	65-68
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>	69-72
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>	73-77
Demographic and Economic Information <i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place and to help make comparisons over time and with other governments.</i>	78-79
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>	80-82

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

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

Schedule 1 Schedule 1

	FISCAL YEAR									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
GOVERNMENTAL ACTIVITIES										
Net Investment in capital assets	\$ 4,458,201	\$ 4,586,945	\$ 5,940,023	\$ 9,367,064	\$ 9,679,115	\$ 10,198,084	\$ 10,292,986	\$ 10,978,201	\$ 11,829,740	\$ 13,120,424
Restricted	-	-	2,455,107	2,093,882	2,515,737	2,722,233	2,380,701	3,249,213	4,052,101	4,415,600
Unrestricted	597,758	1,838,666	259,726	519,772	697,696	1,818,948	3,141,876	3,327,367	3,555,794	(596,692)
Total Governmental Activities Net Position	<u>\$ 5,055,959</u>	<u>\$ 6,425,611</u>	<u>\$ 8,654,856</u>	<u>\$ 11,980,718</u>	<u>\$ 12,892,548</u>	<u>\$ 14,739,265</u>	<u>\$ 15,815,563</u>	<u>\$ 17,554,781</u>	<u>\$ 19,437,635</u>	<u>\$ 16,939,332</u>

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

Schedule 2

	FISCAL YEAR									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Expenses										
Governmental Activities:										
General Government	\$ 1,403,268	\$ 1,251,544	\$ 1,424,512	\$ 927,128	\$ 835,716	\$ 768,056	\$ 599,708	\$ 711,798	\$ 638,634	\$ 604,914
Council	77,318	88,599	91,352	98,117	120,995	115,685	130,601	112,466	130,165	97,183
Planning/Development Services	253,515	572,505	577,065	466,657	412,709	682,087	750,548	686,764	949,829	1,009,503
Public Information	145,871	178,695	189,273	111,052	125,531	131,592	176,483	182,726	190,610	172,056
Public Works	397,356	561,751	569,857	-	-	-	548,401	616,551	724,470	773,727
Fire Department	698,580	910,695	1,083,420	1,158,875	1,228,950	1,351,411	1,372,931	1,412,090	1,509,121	2,139,568
Police Department	1,389,712	1,204,715	1,464,601	1,539,200	1,471,700	1,395,248	1,493,381	1,491,476	1,625,361	1,797,422
Courts	909,165	758,810	587,909	211,584	211,051	235,894	246,588	259,294	244,817	301,040
Recreation	290,153	472,322	540,399	917,298	1,165,568	995,062	461,959	509,674	562,885	550,556
Downtown Development	-	-	-	311,733	57,829	-	-	-	104,486	134,921
Building Inspection	-	-	446,074	151,804	335,629	368,146	-	-	-	-
Finance	-	-	80,031	182,602	276,903	242,035	276,402	284,362	289,378	279,811
Interest Expense	235,727	248,076	402,042	390,099	232,645	219,369	194,678	176,724	117,433	130,114
Total Expenses	<u>5,800,665</u>	<u>6,247,712</u>	<u>7,456,535</u>	<u>6,466,149</u>	<u>6,475,226</u>	<u>6,504,585</u>	<u>6,251,680</u>	<u>6,443,925</u>	<u>7,087,189</u>	<u>7,990,815</u>
Revenues										
Governmental Activities:										
Program Revenues										
Charges for Services	2,701,713	2,797,283	-	-	-	-	-	-	-	-
Permits	-	-	686,437	508,455	501,883	402,830	493,743	742,147	566,336	869,472
Developer Review Fees	-	-	785,529	766,465	638,820	657,799	106,514	12,841	6,123	15,075
Fines	-	-	136,022	239,283	314,681	370,823	341,317	308,144	328,017	361,739
Other	-	-	643,397	106,718	84,138	27,730	68,418	67,384	53,497	69,090
Operating Grants and Contributions	41,825	376,815	316,089	967,281	1,045,726	1,247,729	927,072	821,607	786,125	1,238,758
Capital Grants and Contributions	856,882	584,357	2,280,032	3,669,568	613,557	987,767	547,947	738,639	1,378,858	1,439,226
General Revenues										
Taxes	2,017,647	2,416,831	3,729,189	3,103,908	3,472,393	3,758,883	3,805,041	4,405,241	4,625,550	6,410,434
Business Licenses	-	-	875,543	1,016,468	634,330	777,496	862,269	960,156	898,804	-
Grants and Contributions not restricted	49,142	52,972	58,544	60,097	38,097	55,869	54,276	70,230	64,356	67,767
Interest Income	33,763	12,460	119,795	9,872	28,995	581	14,810	338	6,872	3,974
Other	1,030,699	1,376,646	55,203	64,724	14,436	63,795	106,571	144,487	255,505	3,276
Total Revenues	<u>6,731,671</u>	<u>7,617,364</u>	<u>9,685,780</u>	<u>10,512,839</u>	<u>7,387,056</u>	<u>8,351,302</u>	<u>7,327,978</u>	<u>8,271,214</u>	<u>8,970,043</u>	<u>10,478,811</u>
Increase in Net Position	931,006	1,369,652	2,229,245	4,046,690	911,830	1,846,717	1,076,298	1,827,289	1,882,854	2,487,996
Net Position-Beginning	4,124,953	5,055,959	6,425,611	8,654,856	11,980,718	12,892,548	14,739,265	15,815,563	17,554,781	19,437,631
Prior Period Adjustment	-	-	-	(720,828)	-	-	-	(88,071)	-	(4,986,295)
Net Position-Ending	<u>\$ 5,055,959</u>	<u>\$ 6,425,611</u>	<u>\$ 8,654,856</u>	<u>\$ 11,980,718</u>	<u>\$ 12,892,548</u>	<u>\$ 14,739,265</u>	<u>\$ 15,815,563</u>	<u>\$ 17,554,781</u>	<u>\$ 19,437,635</u>	<u>\$ 16,939,332</u>

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

Schedule 3

	FISCAL YEAR									
	2006	2007	2008 Restated	2009	2010	2011*	2012	2013	2014	2015
GENERAL FUND										
Committed	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 368,881	\$ -
Unreserved	(53,630)	650,752	(13,729)	868,984	-	-	-	-	-	-
Unassigned	-	-	-	-	867,797	1,416,724	1,979,512	2,439,559	2,441,121	2,864,719
Restricted	-	-	-	-	-	-	-	-	-	207,156
Nonspendable	-	-	-	-	-	-	-	-	55,066	-
Assigned	-	-	-	-	-	311,920	370,667	388,486	250,000	582,000
Total General Fund	<u>\$ (53,630)</u>	<u>\$ 650,752</u>	<u>\$ (13,729)</u>	<u>\$ 868,984</u>	<u>\$ 867,797</u>	<u>\$ 1,728,644</u>	<u>\$ 2,350,179</u>	<u>\$ 2,828,045</u>	<u>\$ 3,115,068</u>	<u>\$ 3,653,875</u>
ALL OTHER GOVERNMENTAL FUNDS										
Reserved	\$ 449,096	\$ 696,245	\$ 1,126,512	\$ 1,975,442	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:										
Special Revenue Funds	787,035	650,627	591,289	380,527	-	-	-	-	-	-
Assigned	-	-	-	-	151	120,124	118,934	72	2,514	438
Committed	-	-	-	-	256,624	106,721	82,186	138,070	228,664	536,490
Restricted	-	-	-	-	1,688,290	1,854,491	2,380,701	3,111,142	3,683,220	4,208,444
Nonspendable	-	-	-	-	867,742	867,742	908,742	908,742	908,742	908,742
Total All Other Governmental Fund	<u>\$ 1,236,131</u>	<u>\$ 1,346,872</u>	<u>\$ 1,717,801</u>	<u>\$ 2,355,969</u>	<u>\$ 2,812,807</u>	<u>\$ 2,949,078</u>	<u>\$ 3,490,563</u>	<u>\$ 4,158,026</u>	<u>\$ 4,823,140</u>	<u>\$ 5,654,114</u>

* Implemented GASB Statement No. 54.

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

Schedule 4

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	FISCAL YEAR									
	2006	2007	2008 Restated	2009	2010	2011	2012	2013	2014	2015
Revenues										
Taxes	\$ 1,702,892	\$ 2,693,629	\$ 2,633,607	\$ 3,313,136	\$ 3,651,550	\$ 4,132,036	\$ 4,136,876	\$ 4,551,472	\$ 4,923,258	\$ 5,817,793
Fines, Fess and Licenses	3,461,172	4,097,059	6,281,313	2,208,297	1,931,212	1,962,492	2,124,065	2,500,675	2,313,503	2,604,099
Special Assessments	-	-	-	2,802,121	999,956	1,095,246	698,119	830,352	880,898	1,437,338
Donations	-	-	-	1,778,950	179,599	-	-	-	-	-
Intergovernmental	307,583	1,188,805	553,879	120,097	38,097	55,869	54,276	70,230	560,606	489,116
Miscellaneous	682,697	176,636	266,585	294,022	372,519	1,168,380	353,661	270,209	363,662	126,931
Total Revenues	6,154,344	8,156,129	9,735,384	10,516,623	7,172,933	8,414,023	7,366,997	8,222,938	9,041,927	10,475,277
Expenditures										
Governmental Activities:										
General Government	1,439,049	2,155,899	1,968,408	830,274	722,591	776,744	491,678	611,350	569,393	598,472
Council	77,318	88,599	91,352	98,117	120,995	115,685	130,601	112,466	130,165	97,183
Planning/Development Services	265,779	577,201	866,384	457,174	402,192	667,881	730,538	698,967	960,308	989,719
Public Information	162,499	162,109	197,798	116,449	114,452	121,085	168,401	175,207	181,599	161,193
Public Works	1,250,972	561,982	693,751	-	-	-	454,642	526,225	604,478	640,664
Fire Department	1,398,280	905,293	935,654	1,046,619	1,126,882	1,246,675	1,212,392	1,262,732	1,487,149	1,955,134
Police Department	1,595,776	1,350,623	1,431,990	1,395,511	1,327,652	1,282,339	1,395,529	1,436,147	1,608,594	1,663,496
Courts	906,335	749,549	582,828	208,016	207,340	230,334	239,677	265,132	265,132	231,792
Recreation	593,835	749,917	810,454	822,453	922,156	781,120	313,910	367,844	421,410	405,441
Downtown Development	-	51,690	144,255	368,787	79,067	359,252	-	199	87,012	134,827
Building Inspection	-	-	446,074	151,804	335,629	-	-	-	-	-
Finance	-	-	71,628	173,555	280,642	230,167	245,529	253,213	256,596	257,871
Debt Service										
Principal	-	-	467,297	550,406	586,872	614,274	450,919	746,881	518,776	467,780
Interest	-	-	-	224,963	215,978	221,871	195,024	190,456	135,564	132,654
Bond Issue Costs	-	-	-	120,099	-	-	-	-	-	-
Capital Outlay										
General Government	-	-	-	1,913,038	308,710	93,686	31,166	72,365	5,105	259,163
Planning/Development Services	-	-	-	-	-	91,888	-	137,228	75,058	68,775
Police Department	-	-	-	41,950	107,413	-	28,209	-	205,912	243,004
Fire Department	-	-	-	-	27,099	539,146	-	93,767	272,738	1,041,293
Public Works	-	-	-	1,741,526	56,104	44,758	89,827	33,413	500,213	143,452
Courts	-	-	-	-	35,805	-	-	-	-	-
Economic Development	-	-	1,320,964	-	-	-	-	-	-	-
Recreation	-	-	-	-	-	-	25,935	107,287	10,500	-
Finance	-	-	-	-	39,703	-	-	-	-	-
Total Expenditures	7,689,843	7,352,862	10,028,937	10,260,741	7,017,282	7,416,905	6,203,977	7,077,609	8,295,702	9,491,913
Excess (deficiency) of revenues over (under) expenditures	(1,535,499)	803,267	(293,553)	255,882	155,651	997,118	1,163,020	1,145,329	746,225	983,364
Other Financing Sources										
Issuance of Debt	1,630,041	11,856	-	1,265,000	300,000	-	-	-	205,912	386,419
Transfers Out	(790,049)	(119,113)	(80,652)	(610,016)	(191,781)	(170,393)	(194,922)	(149,952)	(125,630)	(150,303)
Transfers In	790,049	119,113	80,652	610,016	191,781	170,393	194,922	149,952	125,630	150,303
Total Other Financing Sources (Uses)	1,630,041	11,856	-	1,265,000	300,000	-	-	-	205,912	386,419
Net Change in Fund Balances	94,542	815,123	(293,553)	1,520,882	455,651	997,118	1,163,020	1,145,329	952,137	1,369,783
Fund Balances, Ending	1,087,959	1,182,501	1,997,624	1,704,071	3,224,953	3,680,604	4,677,722	5,840,742	6,986,071	7,938,206
Fund Balances, Beginning	\$ 1,182,501	\$ 1,997,624	\$ 1,704,071	\$ 3,224,953	\$ 3,680,604	\$ 4,677,722	\$ 5,840,742	\$ 6,986,071	\$ 7,938,208	\$ 9,307,989
Debt service as a percentage of noncapital expenditures	N/A	0.00%	5.37%	12.03%	12.46%	12.58%	10.71%	14.13%	9.06%	7.76%

**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	
2006	\$ 5,123,900	\$ 1,162,820	\$ 6,286,720	\$ 102,478,000	\$ 11,628,200	\$ 114,106,200	147.00
2007	5,030,650	1,118,150	6,148,800	93,057,910	10,649,049	103,706,959	153.00
2008	7,874,450	3,082,200	10,956,650	138,835,210	20,867,715	159,702,925	153.00
2009	12,014,590	2,399,840	14,414,430	292,042,114	39,378,102	331,420,216	153.00
2010	15,193,060	2,198,137	17,391,197	319,853,895	29,998,000	349,851,895	153.00
2011 *	13,796,000	1,982,748	15,778,748	269,209,691	19,827,480	289,037,171	153.00
2012	14,323,161	2,314,875	16,638,036	318,415,746	28,935,937	347,351,683	153.00
2013	17,593,700	3,231,678	20,825,378	335,923,096	25,853,424	361,776,520	147.00
2014	18,899,110	3,359,666	22,258,776	353,986,543	26,877,328	380,863,871	142.00
2015	21,419,240	4,233,629	25,652,869	438,228,003	23,941,766	462,169,769	136.00

* Reassessment year

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

Schedule 6

FISCAL YEAR ENDED JUNE 30,	CITY	OVERLAPPING RATES				
	DIRECT RATES	COUNTY	CHERRY	COUNTY	SCHOOL	SCHOOL
	BASIC RATE	OPERATIONS	POINT	DEBT	OPERATIONS	DEBT
			FIRE DISTRICT	SERVICE		SERVICE
2006	153.00	155.00	31.00	-	129.00	7.00
2007	153.00	109.50	31.00	-	133.50	7.50
2008	153.00	115.00	31.00	-	118.00	-
2009	153.00	119.00	31.00	-	123.00	7.00
2010	153.00	126.00	31.00	-	129.00	12.00
2011	153.00	123.00	31.00	3.00	131.50	19.00
2012	153.00	145.00	31.00	12.00	165.25	25.00
2013	147.00	143.00	33.00	12.00	172.00	25.00
2014	142.00	142.00	33.00	12.00	166.00	25.00
2015	136.00	142.00	32.00	12.00	164.00	25.00

Source: County Budget
The City does not have components to its tax rate.

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

TAXPAYER	2015			2006		
	TAXABLE ASSESSED VALUE	RANK	PERCENTAGE OF TOTAL CITY TAXABLE ASSESSED VALUE	TAXABLE ASSESSED VALUE	RANK	PERCENTAGE OF TOTAL CITY TAXABLE ASSESSED VALUE
Coastal Carolina Medical Center	\$ 1,375,940	1	5.36%	N/A	N/A	N/A
Courtney Bend	827,160	2	3.22%	N/A	N/A	N/A
SCE&G	778,380	3	3.03%	N/A	N/A	N/A
Toll SC III	707,560	4	2.76%	N/A	N/A	N/A
Del Webb Communities	389,810	5	1.52%	N/A	N/A	N/A
Blanchard Machinery	361,850	6	1.41%	N/A	N/A	N/A
Bourne Boulevard Partners	324,680	7	1.27%	N/A	N/A	N/A
Ecological Investments	184,540	8	0.72%	N/A	N/A	N/A
Carolina Oak Homes	166,370	9	0.65%	N/A	N/A	N/A
CAT Real Estate Holdings	155,460	10	0.61%	N/A	N/A	N/A
Total	<u>\$5,271,750</u>		<u>20.55%</u>	<u>-</u>		<u>0.00%</u>

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

Schedule 8

FISCAL YEAR ENDED JUNE 30,	TAXES LEVIED FOR THE REAL PROPERTY	COLLECTED WITHIN THE FISCAL YEAR OF THE LEVY		COLLECTIONS IN SUBSEQUENT YEARS	TOTAL COLLECTIONS TO DATE	
		AMOUNT	PERCENTAGE OF LEVY		AMOUNT	PERCENTAGE OF LEVY
2006	\$ 677,862	\$ 623,633	92.0%	\$ 36,605	\$ 660,238	97.4%
2007	854,398	704,730	82.5%	102,670	807,400	94.5%
2008	1,225,089	1,135,098	92.7%	14,010	1,149,108	93.8%
2009	1,844,137	1,735,668	94.1%	67,720	1,803,388	97.8%
2010	2,278,086	2,022,047	88.8%	147,976	2,170,023	95.3%
2011 *	2,326,994	2,019,348	86.8%	233,324	2,252,672	96.8%
2012	2,137,309	1,873,093	87.6%	234,444	2,107,537	98.6%
2013	2,597,427	2,346,569	90.3%	142,171	2,488,740	95.8%
2014	2,587,715	2,343,628	90.6%	197,420	2,541,048	98.2%
2015	2,759,426	2,737,223	99.2%	-	2,737,223	99.2%

* 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>					TOTAL PRIMARY GOVERNMENT	PERCENTAGE OF PERSONAL INCOME	PER CAPITAL
	NOTES PAYABLE	REVENUE BONDS	LEASES PAYABLE	GENERAL OBLIGATION BOND				
2006	\$ 535,569	N/A	\$ 4,840,262	\$ 593,056	\$ 5,863,887	12.0%	\$ 2,741	
2007	-	N/A	4,574,724	464,753	5,039,477	9.0%	2,343.94	
2008	-	N/A	4,107,892	435,774	4,543,666	9.6%	2,018.51	
2009	-	\$ 1,180,000	3,676,464	401,796	5,258,260	10.2%	1,711.12	
2010	300,000	1,120,000	3,202,399	368,436	4,990,835	9.1%	1,394.09	
2011	-	1,060,000	2,707,882	333,722	4,376,561	7.2%	1,445.36	
2012	274,957	995,000	2,358,062	297,623	3,925,642	6.7%	1,159.72	
2013	-	925,000	1,993,768	259,992	3,178,760	4.4%	839.39	
2014	-	855,000	1,794,105	220,854	2,869,959	8.0%	668.83	
2015	-	780,000	1,828,485	180,112	2,788,597	7.8%	582.29	

N/A Information is not available.

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

Schedule 10

FISCAL YEAR ENDED JUNE 30,	AMOUNT	PERCENTAGE OF ACTUAL TAXABLE VALUE OF PROPERTY	PER CAPITA
2006	\$ 493,056	N/A	\$ 266.52
2007	464,753	N/A	240.80
2008	435,774	3.98%	157.71
2009	401,796	2.80%	133.93
2010	368,436	2.12%	155.14
2011	333,722	2.37%	101.00
2012	297,623	1.79%	87.54
2013	259,992	1.25%	68.65
2014	220,885	0.99%	51.48
2015	180,112	0.70%	37.61

N/A Information is not available.

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

Schedule 11

<u>GOVERNMENTAL</u>	<u>DEBT OUTSTANDING</u>	<u>ESTIMATED PERCENTAGE APPLICABLE</u>	<u>AMOUNT APPLICABLE TO PRIMARY GOVERNMENT</u>
Debt repaid with property taxes			
Jasper County School District	\$ 34,246,299	17.5%	5,993,102
Jasper County	19,575,822	17.5%	3,425,769
Subtotal overlapping debt	<u>53,822,121</u>		<u>9,418,871</u>
City direct debt	<u>2,788,597</u>	100.00%	<u>2,788,597</u>
Total direct and overlapping debt	<u><u>\$ 56,610,718</u></u>		<u><u>\$ 12,207,468</u></u>

Source: County Financial Statements
School Financial Statements
Jasper County Assessor

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

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

Schedule 12

Legal Debt Margin Calculation for Fiscal Year 2015

Assessed Value	\$ 25,652,869
Debt limit (8% of assessed value)	2,052,230
Debt applicable to limit:	
General Obligation Bonds	<u>(180,112)</u>
Total net debt applicable to limit	<u>(180,112)</u>
Legal Debt Margin	<u><u>\$ 1,872,118</u></u>

	FISCAL YEAR									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Debt Limit	\$ 528,854	\$ 826,309	\$ 876,532	\$ 1,153,154	\$ 1,391,296	\$ 1,262,300	\$ 1,331,043	\$ 1,666,030	\$ 1,780,702	\$ 2,052,230
Total net debt applicable to limit	<u>(493,056)</u>	<u>(464,753)</u>	<u>(435,774)</u>	<u>(401,796)</u>	<u>(368,436)</u>	<u>(333,722)</u>	<u>(297,623)</u>	<u>(259,992)</u>	<u>(220,885)</u>	<u>(180,112)</u>
Legal debt margin	<u><u>\$ 35,798</u></u>	<u><u>\$ 361,556</u></u>	<u><u>\$ 440,758</u></u>	<u><u>\$ 751,358</u></u>	<u><u>\$ 1,022,860</u></u>	<u><u>\$ 928,578</u></u>	<u><u>\$ 1,033,420</u></u>	<u><u>\$ 1,406,038</u></u>	<u><u>\$ 1,559,817</u></u>	<u><u>\$ 1,872,118</u></u>
 Total net debt applicable to the limit as a percentage of debt limit	 93.23%	 56.24%	 49.72%	 34.84%	 26.48%	 26.44%	 22.43%	 15.61%	 12.00%	 8.78%

Source: Jasper County Assessor

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

FISCAL YEAR ENDED JUNE 30,	REVENUE BONDS			
	COLLECTIONS	DEBT SERVICE		COVERAGE
		PRINCIPAL	INTEREST	
2006	N/A	N/A	N/A	N/A
2007	N/A	N/A	N/A	N/A
2008	N/A	N/A	N/A	N/A
2009	\$ 288,808	\$ 85,000	\$ 40,936	229.33%
2010	273,215	60,000	64,938	218.68%
2011	264,904	60,000	61,938	217.24%
2012	258,044	65,000	57,240	211.10%
2013	242,145	70,000	55,688	192.66%
2014	239,288	70,000	52,188	195.84%
2015	234,726	75,000	48,388	190.23%

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

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

FISCAL YEAR ENDED JUNE 30,	POPULATION	PERSONAL INCOME (thousands of dollars)	PER CAPITA PERSONAL INCOME	SCHOOL ENROLLMENT	UNEMPLOYMENT RATE
2006	2,139	\$ 31,749	\$ 17,162	1,162	5.2%
2007	2,150	33,123	17,162	1,209	4.8%
2008	2,251	47,418	17,162	1,288	4.5%
2009	3,073	51,486	17,162	1,247	6.0%
2010	3,580	54,918	17,162	1,301	10.5%
2011	3,028	30,500	18,560	1,357	10.0%
2012	3,385	33,088	17,263	1,315	10.2%
2013	3,787	31,653	18,515	1,246	8.6%
2014	4,291	35,806	16,959	1,285	7.1%
2015	4,789	35,594	16,384	1,275	5.4%

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

N/A Information is not available.

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

<u>EMPLOYER</u>	<u>2015</u>			<u>2006</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	298	1	13.00%	N/A	N/A	N/A
Jasper County School District	125	2	5.45%	N/A	N/A	N/A
Cracker Barrel	105	3	4.58%	N/A	N/A	N/A
Del Webb	74	4	3.23%	N/A	N/A	N/A
City of Hardeeville	54	5	2.36%	N/A	N/A	N/A
Wilco Hess	51	6	2.23%	N/A	N/A	N/A
Waste Pro	40	7	1.75%	N/A	N/A	N/A
McDonalds	38	8	1.66%	N/A	N/A	N/A
Burger King	30	9	1.31%	N/A	N/A	N/A
Price Wise	30	10	1.31%	N/A	N/A	N/A
Total	<u>845</u>		<u>36.88%</u>	<u>0</u>		<u>0.00%</u>
Total city employees			2292			

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

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

FUNCTION/PROGRAM	FISCAL YEAR									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General Government	4.0	4.0	6.0	4.0	4.0	4.0	3.0	2.0	2.0	2.0
Council	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
Planning/Development Services	3.0	4.0	3.0	3.0	4.0	5.0	4.0	4.0	3.0	3.0
Downtown Development	-	-	-	-	-	-	-	-	1.0	1.0
Public Information	2.0	2.0	2.0	2.0	2.0	2.0	2.5	2.5	2.5	3.0
Fire Department	12.0	10.0	12.0	16.0	15.0	16.0	16.0	17.0	19.0	23.0
Police Department	17.0	12.0	17.0	18.0	17.0	19.0	20.0	20.0	19.0	21.0
Courts	3.0	3.0	4.0	5.5	3.5	3.5	3.5	3.0	2.5	2.0
Public Works/Recreation/Engineering*	7.0	7.0	8.0	7.0	7.0	9.5	-	-	-	-
Public Works	-	-	-	-	-	-	8.0	7.0	8.5	10.0
Recreation	-	-	-	-	-	-	2.5	2.5	2.5	2.0
Economic Development	-	1.0	1.0	1.0	1.0	1.0	-	-	-	-
Building Inspection	1.0	1.0	1.0	-	-	-	-	-	-	-
Finance	1.0	3.0	3.0	2.0	2.0	2.0	3.0	3.0	3.0	2.0
	55.0	52.0	62.0	63.5	60.5	67.0	67.5	66.0	68.0	74.0

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Source: City Human Resources

N/A Information is not available.

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

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

Schedule 17

	FISCAL YEAR									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Business Licenses Issued	N/A	573	514	597	439	454	488	589	644	462
Sales Reported for Licenses* (millions)	N/A	\$ 42	\$ 137	\$ 154	\$ 133	\$ 187	\$ 213	\$ 241	\$ 296	\$ 348
Commercial Building Permits	N/A	9	37	89	9	20	18	54	36	28
Valuation of Permits Issued* (thousands)	N/A	\$ 3,455	\$ 7,839	\$ 16,922	\$ 1,831	\$ 3,637	\$ 4,714	\$ 4,831	\$ 5,702	\$ 4,657
Residential Building Permits Issued	N/A	97	106	39	155	198	149	252	320	324
Valuation of Permits Issued* (thousands)	N/A	\$ 20,422	\$ 45,701	\$ 8,497	\$ 40,234	\$ 35,135	\$ 40,431	\$ 43,064	\$ 51,236	\$ 51,975

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

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

Schedule 18

FUNCTION/PROGRAM	FISCAL YEAR									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Police Department										
Patrol Units	15	15	17	21	21	21	21	21	22	24
Fire Department										
Engines in Operation	4	4	4	4	4	5	5	5	4	4
Rescue Vehicles in Operation	1	1	1	1	1	1	1	1	1	0
Ladder Trucks in Operation	1	1	1	1	1	1	1	1	1	1

Source: City Capital Assets records

COMPLIANCE SECTION

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of City of Hardeeville, South Carolina, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise City of Hardeeville, South Carolina's basic financial statements and have issued our report thereon dated November 3, 2015.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Baird & Company, CPAs, LLC

BAIRD & COMPANY, CPAs, LLC
Certified Public Accountants

Augusta, Georgia
November 3, 2015