

City of Hardeeville, SC

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*COMPREHENSIVE ANNUAL
FINANCIAL REPORT*

For the Year Ended June 30, 2017

Prepared by: Finance Department

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Don Lilly- Accountant

Heather Crider- Accounts Payable Clerk

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INTRODUCTORY SECTION





November 9, 2017

To the Honorable Mayor, members of City Council and Citizens of the City of Hardeeville, South Carolina

State law requires that all general-purpose local governments publish within six (6) 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 auditing standards generally accepted in the United States by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the City of Hardeeville for the fiscal year ended June 30, 2017.

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 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, the 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 KRT, CPAs, PC, 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, 2017 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 unmodified opinion that the City's financial statements for the fiscal year ended June 30, 2017 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. The City of Hardeeville's MD&A can be found immediately following the report of the independent auditors.

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 56 square miles and has a population of roughly 6,000. The City is empowered to levy a property tax on both real and personal properties located within its boundaries.

The City operates under the Council-Manager form of government. Policymaking 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 the government's manager, municipal judge and attorney. The government's City 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 all department heads. The four (4) Councilmembers and Mayor are each elected to four-year staggered terms; with two (2) councilmembers being elected every two (2) years and then the other two (2) councilmembers and Mayor running during the next election. Municipal elections occur in November of even numbered years; for a term that will begin in January of the following year for a full four (4) calendar 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, and building and downtown development services.

The annual budget serves as the foundation for the City's financial planning and control. All departments of the 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 City 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 governmental fund component for which an appropriated annual budget has been adopted. For the general fund and development fund, this comparison is presented as part of the required supplementary information for governmental funds. The special revenue fund budgets are presented as part of the supplementary information.

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 a gateway to Hilton Head Island, Savannah, Bluffton and Beaufort/Port Royal tourism markets due in part to its access to regional roadways. Two major interchanges along Interstate 95, Exit 5 and Exit 8, are within City limits and provide primary access to these destinations. Two major arterials, US Highway 278 (running east/west) and SC Highway 17 (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), where the City establishes an agreement with prospective real estate developers for proper allocation of land uses within the district. Currently, the City has fifteen (15) active PDDs which constitute a vast majority of the incorporated areas of the City. Five (5) of these PDDs are in active construction phases, with over one thousand new residential units constructed in the past five (5) years. The City has also experienced construction activity in non-PDD areas as well, with nearly 500 new

housing units being built in the last six years. In considering both PDD and non-PDD areas, the City has effectively doubled its housing inventory in the past decade. In 2013 and 2014, the US Census Bureau reported that the City was the fastest growing municipality in South Carolina and the second fastest growing City in 2015; that trend is continuing into next year as well.

Non-residential development has been active in the City of Hardeeville, with commercial and industrial uses locating or expanding operations in the City. Downtown Hardeeville continues to see new investment and revitalization. The long-standing Hardeeville Industrial Park has recruited new tenants and effectively utilized its rail spur connection with the main CSX railway. Additional industrial development will be facilitated by enhancing the connections with the existing Port of Savannah facilities in Garden City, Georgia as well as the future Jasper Ocean Terminal Facility to the south of the City which may start construction in 2020. The City is also proceeding with the development of the Hardeeville Commerce Park. The 166-acre park, once all infrastructure and roadways are installed, will provide attractive land for light industrial and mixed-use development.

Just beyond 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, 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 new stabilization units. Coastal Carolina will also be building a stand-alone emergency room facility in late 2018. 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.

The City, in partnership with Friends of the Library and Jasper County, acquired resources via an USDA Rural Development loan, a Community Development Block Grant and countless donations to finalize the construction and provide most furnishings of a new library. The library is located at 30 Main Street in the City of Hardeeville. The site will be a component of the Allendale, Hampton, and Jasper Regional Library system. This new library has been a desire of the Hardeeville community for over three decades and on April 8, 2017 those dreams were realized at the grand opening of the 6,000 sq. ft. facility. After procuring \$1.9 Mill, the library is open to the public and offers use of a computer lab, conference rooms and large meeting room with full kitchen.

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 of 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 this development would provide direct access to the River Port PDD; which the City envisions as being a major site for commercial and industrial uses. The Exit 3 proposal is on the SCDOT's transportation improvement project list, on the Low Country Council of Governments (LCOG) priority plan and has received \$4 Million of Congressional funding. The environmental impact study and interchange justification report are close to completion and Exit 3 construction should begin in 2018. The economic impact will be considerable; in five (5) 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 an 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 40,000 permanent jobs; eclipsing the BMW plant in Spartanburg, SC – as it relates to economic impact.

In May of 2017, the MINTO Company partnered with Jimmy Buffet's Margaritaville and Sutton development announcing that they will be developing Latitude Margaritaville Hilton Head in Hardeeville. The senior active lifestyle development with 3,300 homes and 300,000 sq. ft. of commercial development will double the City's tax base and population.

Long-term Financial Planning

The City of Hardeeville has spent substantial time and effort, for over a decade, understanding and managing growth. One of the City's primary goals is to ensure pertinent planning and smart growth management tools are implemented so that the future cost of providing City services does not exceed the revenues generated. To that end, the City has developed a growth strategy that encourages most of the residential and commercial developments exist within the corporate boundaries of the City. This growth strategy is significantly governed by fiscal models to ensure the City maintains an adequate financial situation.

With most of the planned residential and commercial development, City of Hardeeville along with Jasper County and the Town of Ridgeland have partnered in negotiating some development agreement terms as it relates to developer fees. These fees, in additional property tax revenue generated from the development, help offset the initial cost of providing additional governmental services. The fees provide for school, library, police, fire and parks, recreation and tourism infrastructure and services. At the time that the residential and commercial development fees are realized as proposed, the City and its partnered entities 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 development investments. The agreements contain special assessments and impact fees to reimburse the City for costs associated with the developments.

Fund Balance Policy

The City's fund balance policy is established with the focus on long-term planning financial planning. The mandate is that the fund balance remain within, at a minimum, 25 percent of the current fiscal year's general fund expenditures.

Debt Administration

State statutes limit the amount of general obligation debt a governmental entity may issue to 8 percent of its total assessed valuation. The current debt limitation for the City of Hardeeville is \$2,400,438 which is in excess of the city's applicable outstanding debt of \$840,477; leaving a favorable capacity of \$1,559,961.

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, 2016. This was the sixth year that the City of Hardeeville has achieved this prestigious award.

A Certificate of Achievement is valid for a period of one (1) year only. We believe that our current report conforms to the same program requirements; therefore, we will submit this report to the GFOA in anticipation of this certificate and recognition.

The preparation of the CAFR is made possible by the cooperation of KRT, CPA's, PC auditing firm, the City Manager, Finance Department staff and department heads. We extend our sincere gratitude to them for their contributions in preparation of this report.

Regards,



Michael J. Cymbor
City Manager



Niema Gantt
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, 2016

Executive Director/CEO

**LIST OF PRINCIPAL OFFICIALS
JUNE 30, 2017**



Honorable Mayor Harry Williams

Mayor Pro Tem David Spisso

Councilmembers:

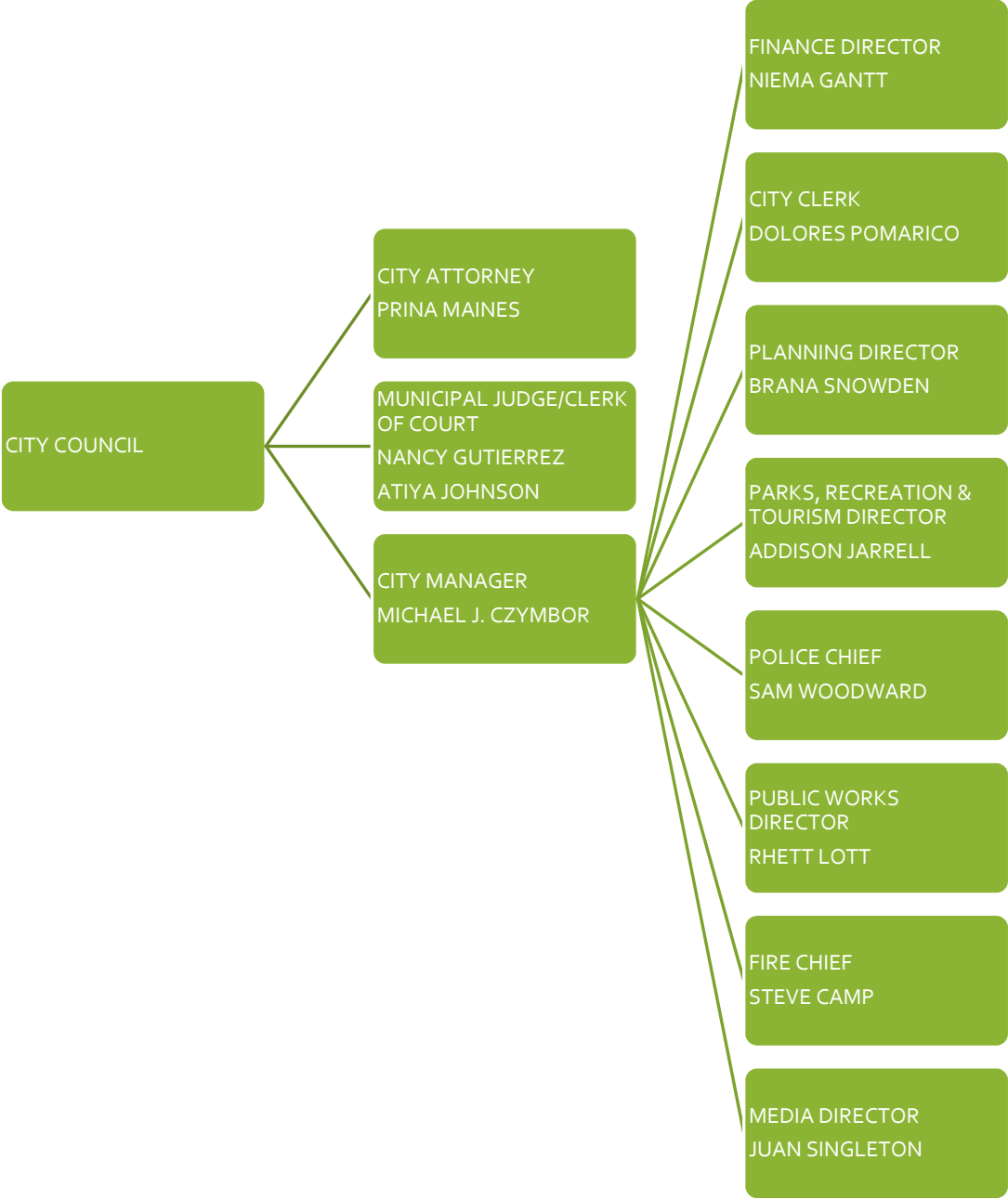
John Carroll

Carolyn Kassel

Mike Sweeney

City Manager.....	Michael J. Czymbor
City Attorney.....	Prina Maines
City Clerk.....	Dolores Pomarico
Finance Director.....	Niema Gantt
Planning Director.....	Brana Snowden
Police Chief.....	Sam Woodward
Fire Chief.....	Steve Camp
Parks, Recreation and Tourism Director.....	Addison Jarrell
Public Works Director.....	Rhett Lott
Public Information Director.....	Juan Singleton
Municipal Judge/Clerk of Court.....	Nancy Gutierrez
Associate Municipal Judge/Clerk of Court.....	Atiya Johnson

CITY OF HARDEEVILLE, SOUTH CAROLINA ORGANIZATIONAL CHART



FINANCIAL SECTION





INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, the discretely presented component units and the aggregate remaining fund information of the City of Hardeeville, South Carolina (City) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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, the discretely presented component units and the aggregate remaining fund information of the City, as of June 30, 2017, and the respective changes in financial position and the budgetary comparison statements for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis information on pages 11 - 18 and the required supplementary information other than management's discussion and analysis beginning on page 49 and pension plan schedules are presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, individual and combining fund financial statements and schedules, statistical section and supplementary section and the Schedule of Expenditures of Federal Awards, as required by audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements for Federal Awards* (Uniform Guidance), are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The individual and combining fund financial statements and schedules and supplementary section and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the individual and combining fund financial statements and schedules and supplementary section and the Schedule of Expenditures of Federal Awards as listed in the table of contents 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 9, 2017, on our consideration of the City'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 the City's internal control over financial reporting and compliance.

KRT, CPAs P.C.

Savannah, Georgia
November 9, 2017

CITY OF HARDEEVILLE, SC
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017

As management of the City of Hardeeville, South Carolina; we offer readers of City's financial statements this narrative overview and analysis of the financial activities of Hardeeville for the fiscal year ended June 30, 2017. 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

- Assets and deferred outflows of Hardeeville exceed its liabilities and deferred inflows at the close of the most recent fiscal year by \$21,411,161 (net position). Of this amount, \$14,644,350 represents the investment in capital assets less depreciation and debt on those assets. \$5,205,321 are for development fees collected and will be used for development investments. There is \$908,742 of property held for resale. Debt service totals \$126,588, \$287,147 is restricted for other purposes and the remaining balance of \$239,013 represents unrestricted net position.
- The City's total net position increased by \$2,006,900.
- The City's governmental funds reported a combined ending fund balance of \$12,503,889, an increase of \$967,973.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Hardeeville's basic financial statements. The City'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 the City's finances, in a manner similar to a private-sector business.

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

The statement of activities presents information showing how the City'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 the City that are supported by general revenues such as taxes and fees. The governmental activities include programs related to general government, council, building and zoning, public works, police, courts, parks, recreation and tourism, and fire protection. The City of Hardeeville currently has no business type activities.

CITY OF HARDEEVILLE, SC
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017

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. The City of 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 the City'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.

The City of 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.

City Council for the City of 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, development 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.

CITY OF HARDEEVILLE, SC
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017

Governmental Financial Analysis

As noted earlier, net position serves as a useful indicator of a public government's financial position. In the case of the City of Hardeeville, South Carolina assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$21,360,364 in 2017. Comparative information is presented for the current and prior fiscal year. The following table reflects the condensed government-wide statement of net assets.

CITY OF HARDEEVILLE, SOUTH CAROLINA - NET POSITION	Governmental Activities		
	2017	2016	% Change
Current and Other Assets	\$13,823,963	\$12,661,167	9%
Capital Assets	17,870,890	16,443,027	9%
Total Assets	<u>31,694,853</u>	<u>29,104,194</u>	9%
Deferred Outflows of Resources	1,616,553	616,221	162%
Total Assets and Deferred Outflows of Resources	<u>\$33,311,406</u>	<u>\$29,720,415</u>	12%
Long-term Liabilities Outstanding	10,622,707	9,190,280	16%
Other Liabilities	1,089,482	947,205	15%
Total Liabilities	<u>11,712,189</u>	<u>10,137,485</u>	16%
Deferred Inflows of Resources	188,056	178,669	5%
Total Liabilities and Deferred Inflows of Resources	<u>11,900,245</u>	<u>10,316,154</u>	15%
Net Position			
Net Investment in Capital Assets	14,644,350	13,603,946	8%
Restricted	6,527,798	5,859,467	11%
Unrestricted	239,013	(59,152)	-418%
Total Net Position	<u>\$33,311,406</u>	<u>\$19,404,261</u>	72%

The portion of the City's net position \$14,644,350, or 44 percent reflects its investment in capital assets less the related debt on capital assets. These capital assets are not available for future spending. Although the 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. See note 1 on page 27 for additional information related to capital assets.

The restricted portion of net position of \$6,527,798, or 20 percent, consists of \$5,205,321 for developer agreements, \$908,742 for property held for resale, \$126,588 for debt service and \$287,147 for other purposes. The remaining net position of \$239,013 is unrestricted.

Governmental activities. Hardeeville's total net position increased by \$858,011. Comparative information has been presented for the prior year. Line item analysis of this increase is shown in the following table.

CITY OF HARDEEVILLE, SC
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017

CITY OF HARDEEVILLE, SOUTH CAROLINA - CHANGES IN NET POSITION

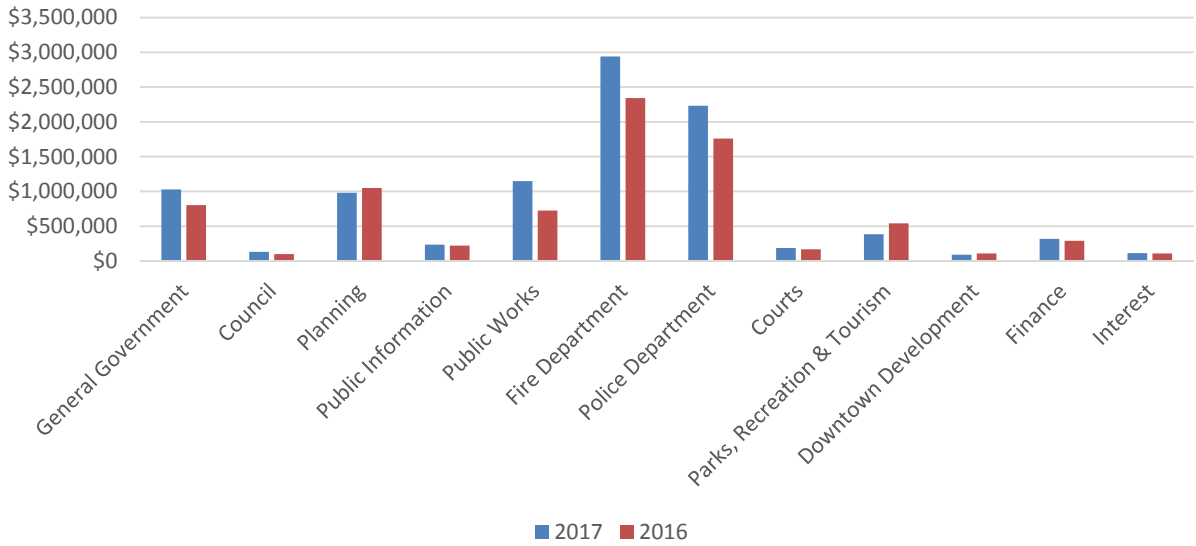
Governmental Activities

	2017	2016	% Change
Expenses:			
General Government	\$ 1,027,884	\$ 803,495	28%
Council	131,317	98,574	33%
Planning	981,187	1,049,565	-7%
Public Information	235,066	220,363	7%
Public Works	1,148,828	724,394	59%
Fire Department	2,940,302	2,341,791	26%
Police Department	2,231,292	1,760,288	27%
Courts	186,362	167,491	11%
Parks, Recreation & Tourism	384,577	540,235	-29%
Downtown Development	89,076	108,329	-18%
Finance	316,530	290,888	9%
Interest	112,704	107,741	5%
Total Expenses	<u>9,785,125</u>	<u>8,213,154</u>	<u>19%</u>
Program Revenues:			
Charges for Services	1,328,973	1,307,880	2%
Operating Grants and Contributions	1,155,791	1,366,334	-15%
Capital Grants and Contributions	1,596,553	1,085,244	47%
Total Program Revenues	<u>4,081,317</u>	<u>3,759,458</u>	<u>9%</u>
General Revenues:			
Property Taxes	4,241,067	3,823,684	11%
Local Option Sales Taxes	726,131	674,446	8%
Business Licenses	990,114	781,807	27%
Franchise Taxes	605,833	540,326	12%
Accommodation and Hospitality Taxes	905,474	848,436	7%
Grants and contributions not restricted to specific programs	0	70,859	-100%
Interest Income	9,294	4,877	91%
Miscellaneous	232,795	174,190	34%
Total General Revenues	<u>7,710,708</u>	<u>6,918,625</u>	<u>11%</u>
Change in Net Position	2,006,900	2,464,929	-19%
Net Position, July 1st	<u>19,404,261</u>	<u>16,939,332</u>	<u>15%</u>
Net Position, June 30th	<u>\$ 21,411,161</u>	<u>\$ 19,404,261</u>	<u>10%</u>

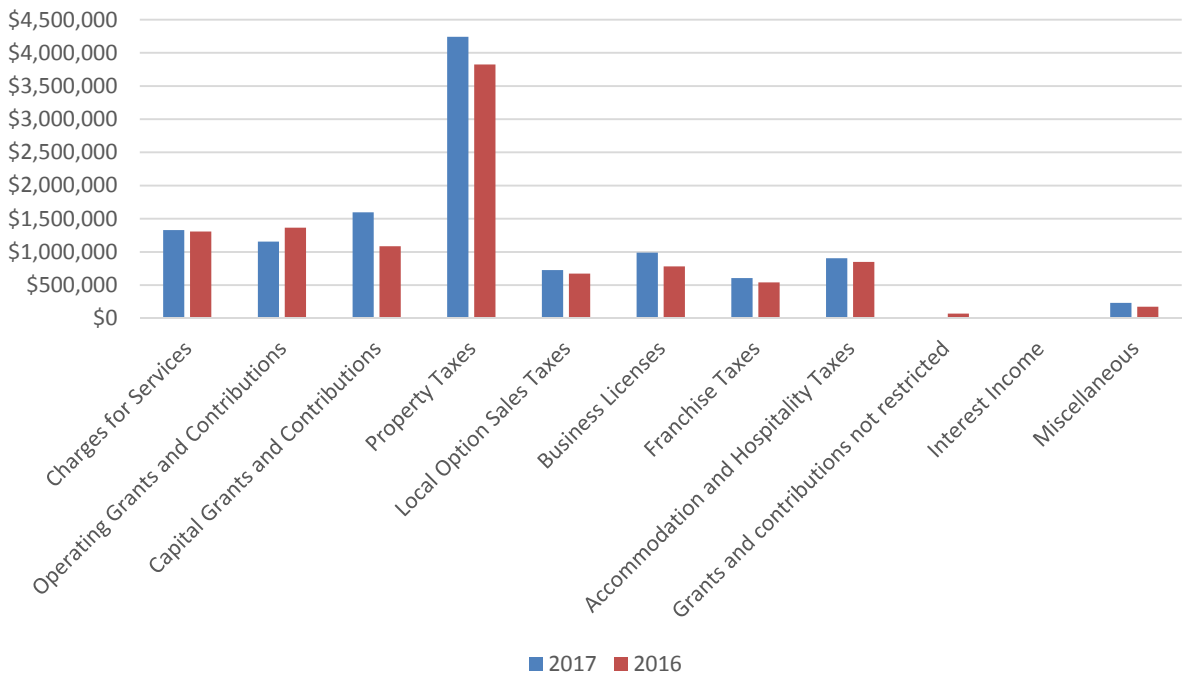
The change in net position of \$2,006,900 resulted from increases in property tax revenues related to growth within the City and capital grants and contributions. The capital grants growth is attributed to a grant funded for the construction of the Hardeeville Library. The acquisition of vehicles, an increase in personnel and public works equipment resulted in increased expenditures.

CITY OF HARDEEVILLE, SC
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 FOR THE YEAR ENDED JUNE 30, 2017

Expenditures by Department



Revenues by Source



CITY OF HARDEEVILLE, SC
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017

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 governmental funds consist of the general fund, development fund and other governmental funds. At the end of the current fiscal year, the Hardeeville's governmental funds reported combined ending fund balances of \$12,503,889 an increase of \$967,973.

In the general fund balance there was an overall increase of \$196,216. This resulted in positive expenditure variances of \$2,997,497 because of cost controls and projects not completed during the year.

The development fund increased \$402,786 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.

Capital Assets and Debt Administration

Capital Assets. The City's investment in capital assets for its governmental type activities as of June 30, 2017 amounts to \$17,870,890 (net of accumulated depreciation). This investment in capital assets includes construction in progress, land and improvements, buildings and improvements, furniture and equipment, vehicles, and infrastructure. Increases and decreases in the Hardeeville's investment in capital assets for the current fiscal year were \$3,849,147 that included \$1,711,878 for construction in progress, \$1,609,122 for building and improvements, \$147,508 for furniture and equipment and \$380,639 for vehicles. Depreciation expense was \$834,080 for the year. Additional information on the City of Hardeeville's capital assets can be found in note 5 on page 34.

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

	Governmental Activities
	2017
Construction in Progress	\$ 484,496
Land and Improvements	6,315,720
Buildings and Improvements	6,771,060
Furniture and Equipment	789,745
Vehicles	1,522,673
Infrastructure	1,987,196
Total	\$ 17,870,890

CITY OF HARDEEVILLE, SC
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017

Long-term obligations. At the end of the current fiscal year, the City of Hardeeville had long-term debt obligations in the amount of \$10,622,707 which represented an increase of \$1,432,205. New capital debt was issued during the year in the amount of \$706,102 for the new Allendale, Hampton and Jasper County Regional library built in the City of Hardeeville. Refer to note 6 on page 35 for a detailed information of long-term debt.

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

	Governmental Activities	
	2017	2016
Revenue Bonds	\$ 615,000	\$ 700,000
General Obligation Bonds	840,477	212,305
Compensated Absences	794,477	682,983
Capital Leases	1,771,063	-
Leases Payable	-	2,138,780
Net Pension Liability	6,601,690	5,456,434
Total	\$ 10,622,707	\$9,190,502

Economic Factors and Next Year's Budget

The City's annual budget includes the General Fund and all other funds of the City. Millage of 123 was reduced by 3 mills from the previous year to 120 mills for general fund taxes. Total approved budgets are as follows:

CITY OF HARDEEVILLE, SOUTH CAROLINA

Budget

	FY 18
General Fund	\$ 12,444,622
State Accommodations Tax	563,088
Local Hospitality Tax	1,214,814
Local Accommodations Tax	1,027,841
Development Fund	6,769,525
Five Year CIP	17,674,422
Total	\$ 39,694,312

CITY OF HARDEEVILLE, SC
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017

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 Main Street, PO Box 609, Hardeeville, South Carolina, 29927.

BASIC
FINANCIAL STATEMENTS

CITY OF HARDEEVILLE, SOUTH CAROLINA

STATEMENT OF NET POSITION

JUNE 30, 2017

	<u>Primary Government</u> <u>Governmental</u> <u>Activities</u>
ASSETS	
Cash and Investments	\$ 6,230,495
Restricted Cash and Investments	5,707,094
Receivables	977,632
Property Held for Resale	908,742
Capital Assets	
Nondepreciable	3,340,029
Depreciable	14,530,861
Total Assets	<u>31,694,853</u>
DEFERRED OUTFLOWS OF RESOURCES	
Related to Pensions	1,616,553
Total Assets and Deferred Outflows of Resources	<u>\$ 33,311,406</u>
LIABILITIES	
Accounts Payable	\$ 641,170
Salaries and Benefits Payable	84,316
Accrued Interest	13,154
Unearned Revenue	350,842
Noncurrent Liabilities	
Items due in less than one year	745,645
Items due in more than one year	3,275,372
Net Pension Liability	6,601,690
Total Liabilities	<u>11,712,189</u>
DEFERRED INFLOWS OF RESOURCES	
Related to Pensions	188,056
Total Liabilities and Deferred Inflows of Resources	<u>11,900,245</u>
NET POSITION	
Net Investment in Capital Assets	14,644,350
Restricted for:	
Developer Agreements	5,205,321
Property Held for Resale	908,742
Debt Service	126,588
Other Purposes	287,147
Unrestricted	239,013
Total Net Position	<u>21,411,161</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 33,311,406</u>

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

CITY OF HARDEEVILLE, SOUTH CAROLINA

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2017

Function / Programs	Expenses	Program Revenues			Net (Expenses) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities
Governmental Activities					
General Government	\$ 1,027,884	\$ -	\$ 732,850	\$ 365,242	\$ 70,208
Council	131,317	-	-	-	(131,317)
Finance	316,530	-	-	-	(316,530)
Public Information	235,066	-	-	-	(235,066)
Courts	186,362	-	-	-	(186,362)
Fire Department	2,940,302	-	34,974	-	(2,905,328)
Police Department	2,231,292	298,636	387,967	-	(1,544,689)
Public Works	1,148,828	-	-	338,810	(810,018)
Recreation	384,577	31,018	-	-	(353,559)
Planning/ Development Services	981,187	999,319	-	892,501	910,633
Downtown Development	89,076	-	-	-	(89,076)
Interest on long-term debt	112,704	-	-	-	(112,704)
Total governmental activities	9,785,125	1,328,973	1,155,791	1,596,553	(5,703,808)
Total Governmental Activities	<u>\$ 9,785,125</u>	<u>\$ 1,328,973</u>	<u>\$ 1,155,791</u>	<u>\$ 1,596,553</u>	<u>(5,703,808)</u>
General Revenues:					
Property Taxes					4,241,067
Local Option Sales Taxes					726,131
Business Licenses					990,114
Franchise Taxes					605,833
Accommodation and Hospitality					905,474
Taxes Interest income					9,294
Miscellaneous					232,795
Total general revenues and capital contributions					<u>7,710,708</u>
Change in Net Position					2,006,900
Net Position - Beginning					19,404,261
Net Position - Ending					<u>\$ 21,411,161</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, 2017

	General Fund	Development Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Cash and Investments	\$ 4,975,187	\$ -	\$ 1,255,308	\$ 6,230,495
Restricted Cash and Investments		5,338,714	368,380	5,707,094
Property Taxes Receivable, net	246,662	-	-	246,662
Other Receivables	606,409	-	124,561	730,970
Property Held for Resale	-	908,742	-	908,742
Total Assets	<u>\$ 5,828,258</u>	<u>\$ 6,247,456</u>	<u>\$ 1,748,249</u>	<u>\$ 13,823,963</u>
Liabilities				
Accounts Payable	\$ 565,086	\$ 13,293	\$ 62,791	\$ 641,170
Salaries and Benefits Payable	84,316	-	-	84,316
Unearned Revenue	-	350,842	-	350,842
Total Liabilities	<u>649,402</u>	<u>364,135</u>	<u>62,791</u>	<u>1,076,328</u>
Deferred Inflows of Resources				
Unavailable Property Taxes Revenue	<u>243,746</u>	<u>-</u>	<u>-</u>	<u>243,746</u>
Fund Balances				
Nonspendable	-	908,742	-	908,742
Restricted	230,742	4,974,579	413,735	5,619,056
Committed	2,198,070	-	1,271,723	3,469,793
Unassigned	2,506,298	-	-	2,506,298
Total Fund Balances	<u>4,935,110</u>	<u>5,883,321</u>	<u>1,685,458</u>	<u>12,503,889</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 5,828,258</u>	<u>\$ 6,247,456</u>	<u>\$ 1,748,249</u>	<u>\$ 13,823,963</u>

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

CITY OF HARDEEVILLE, SOUTH CAROLINA
 RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
 TO NET POSITION OF GOVERNMENTAL ACTIVITIES

JUNE 30, 2017

Total Governmental Fund Balances	\$ 12,503,889
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	17,870,890
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Deferred outflows and inflows of resources related to pensions are applicable to future periods and therefore are not reported in the funds.

Deferred outflows of resources:

Related to pensions	1,616,553	
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Deferred inflows of resources:

Related to pensions	(188,056)	
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Related to property taxes	243,746	1,672,243
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Net of Pension Liability is not due and payable in the current period and therefore is not reported in the funds.	(6,601,690)
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Long term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

	\$ (13,154)	
Accrued Interest		
Items due in less than one year	(745,645)	
Items due in more than one year	(3,275,372)	
		(4,034,171)

Net position of governmental activities in the Statement of Net Position	\$ 21,411,161
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The notes to the financial statements are an integral part of this statement.

CITY OF HARDEEVILLE, SOUTH CAROLINA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2017

	General Fund	Development Fund	Other Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	\$ 4,879,864	\$ -	\$ 869,968	\$ 5,749,832
Fines, Fees and Licenses	2,871,147	20,512	35,729	2,927,388
Special Assessments	-	871,095	-	871,095
Intergovernmental	1,973,375	-	-	1,973,375
Miscellaneous	240,504	21,584	34,284	296,372
Total Revenues	<u>9,964,890</u>	<u>913,191</u>	<u>939,981</u>	<u>11,818,062</u>
EXPENDITURES				
Current				
General Government	889,555	-	2,449	892,004
Council	131,317	-	-	131,317
Finance	323,154	-	-	323,154
Public Information	232,688	-	-	232,688
Courts	180,586	-	-	180,586
Fire Department	2,626,332	-	12,013	2,638,345
Police Department	1,925,106	5,607	970	1,931,683
Public Works	770,381	-	206,761	977,142
Recreation	256,990	-	-	256,990
Planning/Development Services	884,830	22,158	-	906,988
Downtown Development	87,684	-	-	87,684
Grants	92,169	-	-	92,169
Debt Service				
Principal	309,339	-	221,440	530,779
Interest & Other Charges	25,141	-	87,579	112,720
Capital Outlay				
General Government	1,402,911	-	-	1,402,911
Police Department	241,582	-	-	241,582
Fire Department	53,885	-	-	53,885
Public Works	213,778	46,398	-	260,176
Recreation	21,000	-	129,301	150,301
Planning/Development Services	153,087	-	-	153,087
Total Expenditures	<u>10,821,515</u>	<u>74,163</u>	<u>660,513</u>	<u>11,556,191</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(856,625)</u>	<u>839,028</u>	<u>279,468</u>	<u>261,871</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	471,971	-	125,232	597,203
Transfers Out	(125,232)	(436,242)	(35,729)	(597,203)
Issuance of Debt	706,102	-	-	706,102
Total Other Financing Sources and Uses	<u>1,052,841</u>	<u>(436,242)</u>	<u>89,503</u>	<u>706,102</u>
Net Change in Fund Balance	196,216	402,786	368,971	967,973
Fund Balance - Beginning	4,738,894	5,480,535	1,316,487	11,535,916
Fund Balance - Ending	<u>\$ 4,935,110</u>	<u>\$ 5,883,321</u>	<u>\$ 1,685,458</u>	<u>\$ 12,503,889</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, 2017

Net change in fund balances - total governmental funds	\$ 967,973
<p>Amounts reported for governmental activities in the statement of activities are different because:</p> <p>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 depreciation exceeded capital outlay in the current period.</p>	
Capital Outlay Expenditures related to Capital Asset Additions	2,261,942
Less: Depreciation Expense	<u>(834,079)</u>
	1,427,863
Governmental funds do not present revenues that are not available to pay current obligations. In contrast, such revenues are reported in the Statement of Activities when earned.	52,547
In the statement of activities, pension expense represents the change in net pension liability from the beginning of the year to the end of the year. In the governmental funds however, pension expense is measured by the amount of financial resources used (amount actually paid). This is the amount by which pension contributions paid in the current period exceeded the change in net pension liability.	(154,311)
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the financial resources of governmental funds, neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related accounts.	(175,677)
Some expenses in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	<u>(111,495)</u>
Change in net position of governmental activities	<u>\$ 2,006,900</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, 2017

ASSETS	
Cash	\$ 1,816,074
Total Assets	<u>\$ 1,816,074</u>
LIABILITIES	
Due to Others	\$ 1,816,074
Total Liabilities	<u>\$ 1,816,074</u>

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

CITY OF HARDEEVILLE, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENT

JUNE 30, 2017

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 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, 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 South Carolina State Public Charity Organization, 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 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 HARDEEVILLE, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENT

JUNE 30, 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Basis of Presentation – Government-Wide Financial Statements-continued

As a general rule, the effect of inter-fund 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 disbursement of the municipal improvement district.

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

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminators 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 STATEMENT

JUNE 30, 2017

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 for 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 in which they were 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 judgements, 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, development fund and the accommodations and hospitality tax funds. Supplemental appropriations were made to the original budget to revise in accordance with actual revenues collected.

CITY OF HARDEEVILLE, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENT

JUNE 30, 2017

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 for 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 which 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;

The South Carolina State Treasurer's Office which established the South Carolina Local Government Investment Pool (the Pool) pursuant to Section 6-6-10 of the South Carolina Code.

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 uncollectible.

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 2017 is 123 mills.

Inventories and Prepaid Items

Inventories of 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, donated works of art and similar items and capital assets received in a service concession arrangement are reported at acquisition value at acquisition rather than fair value. 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 STATEMENT

JUNE 30, 2017

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:

<u>Assets</u>	<u>Years</u>
Buildings	50 years
Furniture and Equipment	5-15 years
Vehicles	5-25 years
Infrastructure	25-50 years

Long-Term Obligations

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

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

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 on 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.

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 governmental-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.

CITY OF HARDEEVILLE, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENT

JUNE 30, 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

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 purposed. 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.

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.

CITY OF HARDEEVILLE, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENT

JUNE 30, 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

The government's policy permits employees to accumulate earned but unused paid time off (PTO) 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.

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.

NOTE 2 DEPOSITS AND INVESTMENTS

Deposits: Deposits include cash and cash equivalents 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, 2017, 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:

Restricted for drug related expenditures	\$	9,008
Restricted for fire department 1% funds		59,945
Restricted for tourism		172,839
Restricted by bond covenants		126,588
Restricted by development agreements		5,338,714
Total restricted cash	\$	<u>5,707,094</u>

Investments: The City has \$6,235,791 in operating funds invested in the South Carolina Local Government Investment Pool (the Pool). The Pool is an investment trust fund, in which public monies in excess of current needs which are under the custody of any county treasurer or any governing body of a political subdivision of the State may be deposited. The Pool is a 2a 7 – like pool which is not registered with the Securities and Exchange Commission (SEC) as an investment company, but has a policy that it will operate in a manner consistent with the SEC's Rule 2a 7 of the Investment Company Act of 1940. In accordance with the Governmental Accounting Standards Board (GASB) Statement No. 31, "Accounting and Financial Reporting for

CITY OF HARDEEVILLE, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENT

JUNE 30, 2017

NOTE 2 DEPOSITS AND INVESTMENTS – CONTINUED

Certain Investments and for External Investment Pools”, investments are carried at fair value determined annually based upon quoted market prices. The total fair value of the Pool is apportioned to the entities with funds invested on an equal basis for each share owned, which are acquired at a cost of \$1.00.

The City has no formal policy relating to the credit risk of investments.

NOTE 3 RECEIVABLES

Receivables at June 30, 2017, including the applicable allowances for uncollectible accounts, are as follows for the fund and government-wide financial statements:

	<u>Taxes</u>	<u>Accounts</u>	<u>Intergovernmental</u>	<u>Allowance</u>	<u>Total</u>
Receivables:					
General	\$ 968,808	\$ 81,802	\$ 378,005	\$ (575,544)	\$ 853,071
Nonmajor governmental	58,273	-	66,288	-	124,561
Total Receivables	<u>\$ 1,027,081</u>	<u>\$ 81,802</u>	<u>\$ 444,293</u>	<u>\$ (575,544)</u>	<u>\$ 977,632</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 \$243,746 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 unearned revenue reported in governmental funds was for development fees in the amount of \$350,842.

NOTE 4 PROPERTY HELD FOR RESALE

Property held for resale consists of land in the amount of \$657,000 and sewer capacity of \$251,742 for a total of \$908,742.

CITY OF HARDEEVILLE, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENT

JUNE 30, 2017

NOTE 5 PROPERTY AND EQUIPMENT

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

	Beginning Balances	Additions/ Completions	Disposals/ Adjustments	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 2,855,533	\$ -	\$ -	\$ 2,855,533
Construction in progress	359,822	1,711,878	1,587,204	484,496
Total capital assets not being depreciated	<u>3,215,355</u>	<u>1,711,878</u>	<u>1,587,204</u>	<u>3,340,029</u>
Capital assets being depreciated:				
Building and improvements	6,348,494	1,609,122	-	7,957,616
Land Improvements	4,431,258	-	-	4,431,258
Furniture and equipment	1,724,485	147,508	-	1,871,993
Vehicles	3,089,480	380,639	-	3,470,119
Infrastructure	2,864,301	-	-	2,864,301
Total capital assets being depreciated	<u>18,458,018</u>	<u>2,137,269</u>	<u>-</u>	<u>20,595,287</u>
Less accumulated depreciation for:				
Building and improvements	1,016,196	170,361	-	1,186,557
Land Improvements	887,611	83,460	-	971,071
Furniture and equipment	929,008	153,240	-	1,082,248
Vehicles	1,634,434	313,012	-	1,947,446
Infrastructure	763,097	114,007	-	877,104
Total accumulated depreciation	<u>5,230,346</u>	<u>834,080</u>	<u>-</u>	<u>6,064,426</u>
Total capital assets being depreciated, net	<u>13,227,672</u>			<u>14,530,861</u>
Governmental activity capital assets, net	<u>\$ 16,443,027</u>			<u>\$ 17,870,890</u>

Depreciation expense was \$834,080 for the year ended June 30, 2017. This amount was allocated to the functional departments as follows:

General government	\$ 150,770
Court	1,790
Police Department	176,446
Fire	163,924
Recreation	130,588
Public Works	199,394
Planning and Development	11,168
Total Depreciation Expense	<u>\$ 834,080</u>

CITY OF HARDEEVILLE, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENT

JUNE 30, 2017

NOTE 6 LONG-TERM OBLIGATIONS

A schedule of changes in long-term indebtedness follows:

	Balance June 30, 2016	Additions	Reductions	Balance June 30, 2017	Amounts Due Next Fiscal Year
Governmental activities					
General obligation bonds	\$ 212,305	\$ 706,102	\$ 77,930	\$ 840,477	\$ 62,953
Revenue bonds	700,000	-	85,000	615,000	90,000
Capital leases	2,138,780	-	367,717	1,771,063	378,692
Total bonds and leases payable	<u>3,051,085</u>	<u>706,102</u>	<u>530,647</u>	<u>3,226,540</u>	<u>531,645</u>
Other liabilities:					
Compensated absences	682,983	325,261	213,767	794,477	214,000
Net pension liability	5,456,434	1,914,688	769,432	6,601,690	-
Total other liabilities	<u>6,139,417</u>	<u>2,239,949</u>	<u>983,199</u>	<u>7,396,167</u>	<u>214,000</u>
Governmental activities long-term liabilities	<u>\$ 9,190,502</u>	<u>\$ 2,946,051</u>	<u>\$ 1,513,846</u>	<u>\$ 10,622,707</u>	<u>\$ 745,645</u>

Debt Limitation

The City's general obligation debt is limited by law to eight percent of the total assessed value of all taxable real and personal property of the district. The latest assessed value was \$30,005,470. The computation of legal debt limits is as follows:

General obligation debt limit (\$30,005,470 x 8%)	\$ 2,400,438
General obligation debt at June 30, 2017	<u>(840,477)</u>
Excess of debt limit over general obligation debt	<u>\$ 1,559,961</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.

General Obligation Bond

\$550,000 general obligation bonds 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	\$ 93,556
\$780,500 general obligation bond dated April 5, 2016, due in 30 annual payments of \$39,182 including interest of 2.875% beginning on April 5, 2017, backed by the full faith and credit of the City.	746,921
	<u>\$ 840,477</u>

CITY OF HARDEEVILLE, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

NOTE 6 LONG-TERM OBLIGATIONS – CONTINUED

Revenue Bonds

\$1,265,000 revenue bonds dated August 28, 2008, for office buildings payable in fifteen annual payments plus interest at 5.50% beginning March 2009.

\$ 615,000

The general obligation bond is payable from the general fund and the revenue bonds on the office buildings are payable from the fee-in-lieu of tax from the hospital. The annual requirement to amortize the general obligation and revenue bonds as of June 30, 2017 is as follows:

Fiscal Year	Principal	Interest	Total
2018	\$ 152,953	\$ 61,146	\$ 214,099
2019	160,540	53,609	214,149
2020	118,225	45,682	163,907
2021	123,749	39,408	163,157
2022	129,288	32,832	162,120
2023-2027	220,088	97,434	317,522
2028-2032	121,089	74,821	195,910
2033-2037	139,529	56,381	195,910
2038-2042	160,778	35,132	195,910
2043-2047	129,238	27,490	156,728
Total	<u>\$ 1,455,477</u>	<u>\$ 523,935</u>	<u>\$ 1,979,412</u>

CITY OF HARDEEVILLE, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

NOTE 6 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 public works and police departments, and equipment, to be used at public works. The cost of these assets is \$4,739,224 with accumulated amortization of \$1,268,445. 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.

\$2,473,000 lease payable on municipal complex payable monthly at \$15,216 including interest of 4.19% beginning January 7, 2004.	\$ 1,041,870
\$209,975 lease payable for police vehicles payable in sixty monthly payments of \$3,674 including interest of 1.9% beginning January 2014.	61,555
\$242,967 lease payable for police vehicles payable in twenty quarterly payments of \$12,491 including interest of 1.1% beginning August 2015.	135,359
\$132,560 lease payable for John Deere mower payable in sixty monthly payments of \$1,305 including interest of 1.5% beginning June 2016.	45,662
\$439,026 lease payable for vehicles and equipment payable in bi-annual payments of \$43,903 including interest of 1.519% beginning November 2016.	351,221
\$24,874 lease payable for the boom lift payable in forty-eight monthly payments of \$549 including interest of 2.9% beginning September 2015.	13,846
\$173,644 lease payable for equipment payable in ten bi-annual payments of \$17,364 including interest of 1.59% beginning June 2016.	121,550
Total	<u>\$ 1,771,063</u>

CITY OF HARDEEVILLE, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

NOTE 6 LONG-TERM OBLIGATIONS – CONTINUED

Future minimum lease payments as of June 30, 2017 are as follows:

<u>Fiscal Year</u>	<u>Governmental Activities</u>
2018	\$ 429,722
2019	402,213
2020	362,576
2021	290,380
2022	183,787
2023	183,787
2024	91,559
Total minimum lease payments	<u>1,944,024</u>
Less: amount representing interest	<u>(172,961)</u>
Present value of minimum lease payments	<u>\$ 1,771,063</u>

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, 2017, accrued paid time off totaled \$794,477 including 20.87% 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, 2017 is \$11,480,000.

NOTE 7 EMPLOYEE RETIREMENT SYSTEMS AND PLANS

Pension Plan

Description of the Entity

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-trustees and co-fiduciary of the systems and the trust funds. By law, the Budget and Control Board (State Fiscal Accountability Authority¹⁵), which consists of five elected officials, also review certain PEBA Board decisions regarding the funding of the South Carolina Retirement Systems (Systems) and serves as a co-trustee of the Systems in conducting that review.

For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Systems and additions to/deductions from the Systems fiduciary net position have been determined on the accrual basis of accounting as they reported by the Systems in accordance with generally accepted accounting principles (GAAP). For this purpose, revenues are recognized when earned and expenses are recognized when

CITY OF HARDEEVILLE, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

NOTE 7 EMPLOYEE RETIREMENT SYSTEMS AND PLANS - CONTINUED

incurred. Benefit and refund expenses are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value.

PEBA issues a Comprehensive Annual Financial Report (CAFR) containing financial statements and required supplementary information for the 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 Descriptions

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 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.

In addition to the plans described above, PEBA also administers three single-employer defined benefit pension plans, which are not covered in this report. They are the Retirement System for Members of the General Assembly of the State of South Carolina (GARS), the Retirement System for Judges and Solicitors of South Carolina (JSRS), and the South Carolina NTIONL Guard Supplemental Retirement Plan (SCNG).

Membership

Membership requirements are prescribed in Title 9 of the South Carolina Code of Law. 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 magistrate and probate judges, must also earn at least \$2,000 per year and devote at least 1,600 hours per year to his 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.

CITY OF HARDEEVILLE, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

NOTE 7 EMPLOYEE RETIREMENT SYSTEMS AND PLANS – CONTINUED

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 of 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.

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. Upon recommendation by the actuary in the annual actuarial valuation, the PEBA board may adopt and present to the Budget and Control Board for approval an increase in the SCRS and PORS employer and employee contribution rates, but any such increase may not result in a differential between employee and employer contribution rates that exceeds 2.9 percent of earnable compensation for SCRS and 5 percent for PORS. An increase in the contribution rate 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

CITY OF HARDEEVILLE, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

NOTE 7 EMPLOYEE RETIREMENT SYSTEMS AND PLANS - CONTINUED

not limited to one-half of one percent per year. Contributions are calculated on earnable compensation as defined in Title 9 of the South Carolina Code of Laws.

Required employee contribution rates for fiscal year 2016-2017 are as follows:

	<u>2017</u>	<u>2016</u>	
SCRS Employee Class Two	8.66%	8.16%	of earnable compensation
Employee Class Three	8.66%	8.16%	of earnable compensation
PORS Employee Class Two	9.24%	8.74%	of earnable compensation
Employee Class Three	9.24%	8.74%	of earnable compensation

Required employer contribution rates for fiscal year 2016-2017 are as follows:

	<u>2017</u>	<u>2016</u>	
SCRS Employer Class Two	11.41%	10.91%	of earnable compensation
Employer Class Three	11.41%	10.91%	of earnable compensation
Employer Incidental Death Benefit	0.15%	0.15%	of earnable compensation
PORS Employer Class Two	13.84%	13.34%	of earnable compensation
Employer Class Three	13.84%	13.34%	of earnable compensation
Employer Incidental Death Benefit	0.20%	0.20%	of earnable compensation
Employer Acidental Death Program	0.20%	0.20%	of earnable compensation

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. Actuarial assumptions and methods used during the evaluation process are subject to periodic revision, typically with an experience study, as actual results over an extended period of time 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, performed on data through June 30, 2016, is currently underway.

The most recent annual actuarial valuation reports adopted by the PEBA Board and Budget and Control Board are as of July 1, 2015. The net pension liability of each defined benefit pension plan was therefore determined by the consulting actuary, Gabriel, Roeder, Smith and Company (GRS), based on the July 1, 2014 actuarial valuations, using membership data as of July 1, 2015, projected forward to the end of the fiscal year, and financial information of the pension trust funds as of June 30, 2016, using generally accepted actuarial principles. Information included in the following schedules is based on the certification provided by GRS. The following provides a summary of the actuarial assumptions and methods used in the July 1, 2015, valuations for SCRS and PORS.

CITY OF HARDEEVILLE, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

NOTE 7 EMPLOYEE RETIREMENT SYSTEMS AND PLANS - CONTINUED

	<u>SCRS</u>	<u>PORS</u>
Actuarial cost method	Entry age normal	Entry age normal
Actuarial assumptions:		
Investment rate of return	7.50%	7.50%
Projected salary increases	3.5% to 12.5% (varies with service)	4.0% to 10.0% (varies with service)
Includes inflation at	2.75%	2.75%
Benefits adjustments	lesser of 1% or \$500	lesser of 1% or \$500

Mortality rates were based on the RP-2000 Mortality Table with adjustments for mortality improvements based on Scale AA. Those rates are as follows:

<u>Job Class</u>	<u>Males</u>	<u>Females</u>
General Employees	RP-2000 Males multiplied by 100%	RP-2000 Females multiplied by 90%
Public Safety Employees	RP-2000 Males (with Blue Collar adjustment) multiplied by 115%	RP-2000 Females (with Blue Collar adjustment) multiplied by 115%

Long-term expected rate of return

The long-term expected rate of return on pension plan investments, as used in the July 1, 2015, actuarial valuations, was based upon the 30 year capital market outlook at the end of the third quarter 2015. The long-term expected rate of returns represent assumptions developed using an arithmetic building block approach primarily based on consensus expectations and market based inputs. Expected returns are net of investment fees.

The expected returns, along with the expected inflation rate, form the basis for the revised target asset allocation as adopted beginning January 1, 2016. The long-term expected rate of return is produced by weighting the expected future real rates of return by the target allocation percentage and adding expected inflation and is summarized in the table below. For actuarial purposes, the 7.50 percent assumed annual investment rate of return and used in the calculation of the total pension liability includes a 4.75 percent real rate of return and a 2.75 percent inflation component.

CITY OF HARDEEVILLE, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

NOTE 7 EMPLOYEE RETIREMENT SYSTEMS AND PLANS - CONTINUED

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Asset Allocation	Expected Arithmetic Real Rate of Return	Long Term Expected Portfolio Real Rate of Return
Global equity			
Global public equity	34.0%	6.52%	2.22%
Private equity	9.0%	9.30%	0.84%
Real Assets			
Real estate	5.0%	4.32%	0.22%
commodities	3.0%	4.53%	0.13%
Opportunistic			
GTAA/Risk Parity	10.0%	3.90%	0.39%
HF (Low Beta)	10.0%	3.87%	0.39%
Diversified Credit			
Mixed credit	5.0%	3.52%	0.17%
Emerging markets debt	5.0%	4.91%	0.25%
Private debt	7.0%	4.47%	0.31%
Conservative fixed income			
Core fixed income	10.0%	1.72%	0.17%
Cash and short duration (net)	2.0%	0.71%	0.01%
Total expected real return	100.0%		5.10%
Inflation for actuarial purposes			2.75%
Total expected nominal return			7.85%

Discount rate

The discount rate used to measure the total pension liability was 7.50 percent. 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, the 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.

CITY OF HARDEEVILLE, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

NOTE 7 EMPLOYEE RETIREMENT SYSTEMS AND PLANS - CONTINUED

Sensitivity of the City's proportionate share of the NPL to changes in the discount rate

The following table presents the collective net pension liability of the participating employers calculated using the discount rate of 7.50 percent, as well as what the employers' net pension liability would be if it were calculated using a discount rate that is 1.00 percent lower (6.50 percent) or 1.00 percent higher (8.50 percent) than the current rate:

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
Town's proportionate share of the net pension liability:			
SCRS	\$ 3,245,196	\$ 2,601,416	\$ 2,065,494
PORS	5,242,702	4,000,274	2,883,720
Total	<u>\$ 8,487,898</u>	<u>\$ 6,601,690</u>	<u>\$ 4,949,214</u>

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

At June 30, 2017, the City reported a total liability of \$6,601,690 for its proportionate share of the net pension liabilities for both plans in aggregate. The net pension liabilities were measured as of June 30, 2016, and the total pension liabilities used to calculate the net pension liabilities were determined by actuarial valuations as of July 1, 2015. The City's proportion of the net pension liabilities were calculated on the basis of employer contributions actually remitted to the plan for the fiscal year ended June 30, 2016. At June 30, 2016, the City's proportion was 0.012179 percent for SCRS and 0.157710 percent for PORS.

Net Pension Liability

The net pension liability (NPL) is calculated separately for each system and represents that particular system's total pension liability less the system's fiduciary net position. NPL totals for SCRS and PORS are presented as follows:

<u>System</u>	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability (NPL)</u>	<u>Plan Fiduciary Net Position as a % of the NPL</u>
SCRS	5,523,933	2,922,517	2,601,416	52.91%
PORS	10,113,170	6,112,896	4,000,274	60.44%
Total	<u>\$ 15,637,103</u>	<u>\$ 9,035,413</u>	<u>\$ 6,601,690</u>	

CITY OF HARDEEVILLE, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

NOTE 7 EMPLOYEE RETIREMENT SYSTEMS AND PLANS - CONTINUED

For the year ended June 30, 2017, the City recognized pension expense of \$681,225, which includes \$155,330 for SCRS and \$525,895 for PORS. At June 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	SCRS		PORS		Total	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 26,967	\$ 2,825	\$ 59,355	\$ -	\$ 86,322	\$ 2,825
Net difference between projected and actual investment earnings	218,862	-	453,588	-	672,450	-
Change in proportion	-	185,231	330,730	-	330,730	185,231
Contributions subsequent to the measurement date	180,713	-	346,338	-	527,051	-
Total	<u>\$ 426,542</u>	<u>\$ 188,056</u>	<u>\$ 1,190,011</u>	<u>\$ -</u>	<u>\$ 1,616,553</u>	<u>\$ 188,056</u>

\$527,051 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred (outflows) of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	SCRS	PORS	Total
Measurement period ending June 30,			
2018	\$ 13,170	\$(209,558)	\$ (196,388)
2019	29,270	(206,946)	(177,676)
2020	(52,568)	(263,749)	(316,317)
2021	(47,645)	(163,420)	(211,065)
Net Balance of deferred outflows/(inflows) of resources	<u>\$ (57,773)</u>	<u>\$(843,673)</u>	<u>\$ (901,446)</u>

CITY OF HARDEEVILLE, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

NOTE 8 FUND BALANCES

As prescribed by GASB Statement No.54, governmental funds report fund balance in classifications based primarily on the extent which the City is bound to constraints on the specific purposes for which amounts in the funds can be spent. As of June 30, 2017, fund balances for all the major and non-major funds were distributed as follows:

	<u>General Fund</u>	<u>Development Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
Fund Balances:				
Nonspendable:				
Property Held for Resale	\$ -	\$ 908,742	\$ -	\$ 908,742
Restricted for:				
Drug Enforcement	-	-	9,008	9,008
Fire Department Expenditures	-	-	59,945	59,945
Bond Covenants	-	-	126,588	126,588
Developer Agreements	230,742	4,974,579	-	5,205,321
Tourism Projects and Related Support	-	-	218,194	218,194
Committed to:				
Financial policy reserve level	1,986,288	-	-	1,986,288
Loan Covenants	211,782	-	-	211,782
Tourism Projects and Related Support	-	-	1,271,723	1,271,723
Unassigned:	2,506,298	-	-	2,506,298
Total Fund Balances	<u>\$ 4,935,110</u>	<u>\$ 5,883,321</u>	<u>\$ 1,685,458</u>	<u>\$ 12,503,889</u>

Ordinance No. 2017-8-17A establishes the following designated reserve fund which equals twenty five percent of the general fund's annual appropriation. For Fiscal Year 2017, this amount was established as \$1,986,288. The fund amount is established by Council Ordinance every year with the adoption of each year's General Fund budget. The fund will only be used to provide emergency funds for a natural disaster (i.e. hurricane), shortfall of anticipated revenues or critical unappropriated expenditures.

NOTE 9 NET INVESTMENT IN CAPITAL ASSETS

Capital Assets	\$ 23,935,316
Less: Accumulated Depreciation	(6,064,426)
	<u>17,870,890</u>
Less: Outstanding Principal of Capital-Related Borrowings	
General obligation bonds	(840,477)
Revenue bonds	(615,000)
Capital lease obligations	(1,771,063)
	<u>(3,226,540)</u>
Net Investment in Capital Assets	<u>\$ 14,644,350</u>

CITY OF HARDEEVILLE, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

NOTE 10 TRANSFERS BETWEEN FUNDS

The City uses transfers to move revenues from the fund that by statute or budget requires to collect them to the fund that statute or budget requires to expend them or to transfer bond proceeds from the fund that by statute or budget requires to receive them to other funds authorized to expend them. Transfers in (out) for the year ended June 30, 2017, are summarized as follows:

Transfers In	Transfers Out			Total
	General Fund	Development Fund	Other Governmental Funds	
General Fund	\$ -	\$ 436,242	\$ 35,729	\$ 471,971
Other Governmental Funds	125,232	-	-	125,232
Totals	\$ 125,232	\$ 436,242	\$ 35,729	\$ 597,203

NOTE 11 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 12 COMMITMENTS AND CONTINGENCIES

The City reviews all outstanding judgments to determine if any estimated liabilities should be accrued at year end. In the opinion of management, based on this review and on the advice of legal counsel, the ultimate disposition of claims and judgments will not have a material adverse effect on the financial position of the City.

The City participates in a Federal and State assisted grant programs. Grant amounts received and receivables are subject to audit by grantor agencies. The amount, if any, of expenditures, which may be disallowed by the granting agencies, cannot be determined at this time. The City expects such amounts, if any, to be immaterial.

The City contracted Sprinturf, LLC for the design, engineering, and installation of G-max rated Synthetic Turf. This project included capping of existing irrigation mainlines under field area, grading of new artificial turf field, connection of existing storm drainage lines to new drainage system including all sections of base and synthetic turf consisting of monofilament yarn. Total contract for the synthetic turf project was \$593,254; as of June 30, 2017 \$585,677 was due to fulfill the contract.

CITY OF HARDEEVILLE, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

NOTE 12 COMMITMENTS AND CONTINGENCIES - CONTINUED

The SC Transportation Infrastructure Board awarded \$3,900,000 of federal funds for the new interchange proposed near mile marker 3 on Interstate 95 in Hardeeville, SC. There is a Memorandum of Understanding between the City of Hardeeville, Jasper County, Beaufort County and SLF, III-Hardeeville, LLC. This proposed project also contemplates the construction of a seven (7) mile, four (4) lane parkway (the River Port Parkway) connecting the Interchange to the southern terminus of US Highway 17 and US Highway 321. At June 30, 2017 \$1,392,405 was unspent of the total \$3,889,086 contract for engineering services with Michael Baker Jr. Inc. on this project.

NOTE 13 SUBSEQUENT EVENTS

On July 21, 2017, the City issued bonds in the amount of \$5,650,000 and contracted with Bobbitt Design Build to provide several City projects. The projects include the remodel of the Hargray building which will be used as an administrative office for Fire personnel and the Media department staff, construction of a new Fire Station 81 on Martin Street and to remodel the Police/Court facilities to expand for additional police services and better accommodate court proceedings. Another component of this financing was the acquisition of the site which will serve as the new Public Works facility. It's located at 1618 Plantation Drive. This property has been properly annexed into the City and rezoned. The facility will house staff and equipment; renovations will be done to the facility within the next year.



REQUIRED
SUPPLEMENTARY INFORMATION

CITY OF HARDEEVILLE, SOUTH CAROLINA

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL – GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ 4,612,193	\$ 4,862,090	\$ 4,879,864	\$ 17,774
Fines, Fees and Licenses	2,951,620	2,850,581	2,871,147	20,566
Intergovernmental	2,218,850	1,908,412	1,973,375	64,963
Miscellaneous	106,985	517,756	240,504	(277,252)
Total Revenues	<u>9,889,648</u>	<u>10,138,839</u>	<u>9,964,890</u>	<u>(173,949)</u>
EXPENDITURES				
General Government	1,534,583	2,108,541	889,555	1,218,986
Council	143,865	131,179	131,317	(138)
Finance	304,650	331,408	323,154	8,254
Public Information	220,810	234,072	232,688	1,384
Courts	269,603	181,308	180,586	722
Fire Department	2,272,163	2,594,552	2,626,332	(31,780)
Police Department	1,807,870	1,902,719	1,925,106	(22,387)
Public Works	797,390	739,210	770,381	(31,171)
Recreation	231,070	257,685	256,990	695
Planning/ Development Services	860,111	806,399	884,830	(78,431)
Downtown Development	170,858	87,782	87,684	98
Grants	48,520	73,720	92,169	(18,449)
Debt Service				
Principal	512,836	309,339	309,339	-
Interest	11,979	18,123	25,141	(7,018)
Capital Outlay				
General Government	1,848,218	2,879,075	1,402,911	1,476,164
Planning/ Development Services	1,020,000	162,646	153,087	9,559
Police Department	267,000	330,865	241,582	89,283
Fire Department	103,700	85,590	53,885	31,705
Public Works	591,000	291,417	213,778	77,639
Recreation	700,000	293,382	21,000	272,382
Total Expenditures	<u>13,716,226</u>	<u>13,819,012</u>	<u>10,821,515</u>	<u>2,997,497</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(3,826,578)</u>	<u>(3,680,173)</u>	<u>(856,625)</u>	<u>2,823,548</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	990,240	1,356,110	471,971	(884,139)
Transfers Out	(125,000)	(128,000)	(125,232)	2,768
Issuance of Debt	1,561,338	952,837	706,102	(246,735)
Total Other Financing Sources and Uses	<u>2,426,578</u>	<u>2,180,947</u>	<u>1,052,841</u>	<u>(1,128,106)</u>
Net Change in Fund Balance	<u>(1,400,000)</u>	<u>(1,499,226)</u>	<u>196,216</u>	<u>1,695,442</u>
Fund Balance - Beginning	1,400,000	1,499,226	4,738,894	3,239,668
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,935,110</u>	<u>\$ 4,935,110</u>

CITY OF HARDEEVILLE, SOUTH CAROLINA

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL – DEVELOPMENT FUND

FOR THE YEAR ENDED JUNE 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Fines, Fees and Licenses	\$ -	\$ 37,500	\$ 20,512	\$ (16,988)
Special Assessments	851,360	869,456	871,095	1,639
Miscellaneous	1,960	21,259	21,584	325
Total Revenues	<u>853,320</u>	<u>928,215</u>	<u>913,191</u>	<u>(15,024)</u>
EXPENDITURES				
Planning/ Development Services	5,254,348	5,309,602	22,158	5,287,444
Police Department	-	88,948	5,607	83,341
Public Works	-	25,000	46,398	(21,398)
Total Expenditures	<u>5,254,348</u>	<u>5,423,550</u>	<u>74,163</u>	<u>5,349,387</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(4,401,028)</u>	<u>(4,495,335)</u>	<u>839,028</u>	<u>5,334,363</u>
OTHER FINANCING SOURCES (USES)				
Transfers Out	-	(205,500)	(436,242)	(230,742)
Total Other Financing Sources and Uses	-	(205,500)	(436,242)	(230,742)
Net Change in Fund Balance	<u>(4,401,028)</u>	<u>(4,700,835)</u>	<u>402,786</u>	<u>5,103,621</u>
Fund Balance - Beginning	4,401,028	4,700,835	5,480,535	779,700
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,883,321</u>	<u>\$ 5,883,321</u>

CITY OF HARDEEVILLE, SOUTH CAROLINA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

A. Budgets and Budgetary Accounting

Prior to the start of each fiscal year, the various departments submit to the City Manger 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 statures. Budgets are adopted for the general fund, development fund and the accommodations and hospitality tax funds.

Supplemental appropriations were made to the original budget to revise in accordance with actual revenues collected. Supplemental appropriations and decreases in budget appropriations were properly approved by City Council. For the year ended June 30, 2017, the following supplemental appropriations were approved:

Fund Type	Original Appropriations	Supplemental Appropriations	Supplemental Decreases	Final Appropriations
General	\$ 13,841,226	\$ 105,786	\$ -	\$ 13,947,012
Development Fund	5,254,348	807,438	432,736	5,629,050
	<u>\$ 19,095,574</u>	<u>\$ 913,224</u>	<u>\$ 432,736</u>	<u>\$ 19,576,062</u>

CITY OF HARDEEVILLE, SOUTH CAROLINA

**SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION
PENSION PLAN – SCHEDULE OF CITY’S PROPORTIONATE SHARE OF NET PENSION LIABILITY**

JUNE 30, 2017

	<u>2017</u>	<u>SCRS 2016</u>	<u>2015</u>	<u>2017</u>	<u>PORS 2016</u>	<u>2015</u>
City's proportion of the net pension liability (asset)	0.012179%	0.012648%	0.013910%	0.157710%	0.140290%	0.136830%
City's proportionate share of the net pension liability (asset)	\$2,601,416	\$2,398,754	\$2,394,841	\$4,000,274	\$3,057,680	\$2,619,568
City's covered-employee payroll	\$1,179,715	\$1,185,936	\$1,093,704	\$2,040,225	\$1,764,345	\$1,644,562
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	220.51%	202.27%	218.97%	196.07%	173.30%	159.29%
Plan fiduciary net position as a percentage of the total pension liability	52.91%	56.99%	59.90%	60.44%	64.57%	67.55%

* - The amounts presented for each fiscal year were determined as of 6/30 of the previous year.

Note: Information for the previous seven (7) years is not readily available.

CITY OF HARDEEVILLE, SOUTH CAROLINA

**SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION
PENSION PLAN – SCHEDULE OF CITY’S CONTRIBUTIONS**

JUNE 30, 2017

	<u>2017</u>	SCRS <u>2016</u>	<u>2015</u>	<u>2017</u>	PORS <u>2016</u>	<u>2015</u>
Contractually required contribuion	\$ 178,368	\$ 130,476	\$ 129,267	\$ 341,405	\$ 276,251	\$ 233,070
Contributions in relation to the contractually required contribution	(178,368)	(130,476)	(129,267)	(341,405)	(276,251)	(233,070)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 1,563,262	\$ 1,179,715	\$ 1,185,936	\$ 2,466,798	\$ 2,040,225	\$ 1,764,345
Contributions as a percentage of covered-employee payroll	11.41%	11.06%	10.90%	13.84%	13.54%	13.21%

Note: Information for the previous seven (7) years is not readily available.

SUPPLEMENTARY INFORMATION

CITY OF HARDEEVILLE, SOUTH CAROLINA

NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2017

Special Revenue Funds

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

State Accommodations Tax Fund- Indirect

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.

State Accommodations Tax Fund- Direct

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.

Victim Assistance Fund

This fund is used to account for assessments from fines that are restricted to direct victim services.

Fire Fund

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

Police Fund

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

Capital Projects Fund

Capital Projects revenue funds are to be used for property and equipment acquisition, infrastructure, facility construction, improvement or replacement needs.

Capital Projects Fund

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

CITY OF HARDEEVILLE, SOUTH CAROLINA

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2017

	<u>Indirect Accommodations Tax Fund</u>	<u>Direct Accommodations Tax Fund</u>	<u>Local Accommodations Tax Fund</u>	<u>Local Hospitality Tax Fund</u>	<u>Victims Assistance Fund</u>	<u>Fire Fund</u>	<u>Police Fund</u>	<u>Capital Projects Fund</u>	<u>Total Nonmajor Governmental Funds</u>
ASSETS									
Cash and Investments	\$ -	\$ -	\$ 572,980	\$ 682,284	\$ 44	\$ -	\$ -	\$ -	\$ 1,255,308
Restricted Cash and Investments	172,839	-	-	-	-	59,945	9,008	126,588	368,380
Receivables	45,355	20,933	30,405	27,868	-	-	-	-	124,561
Total Assets	<u>\$ 218,194</u>	<u>\$ 20,933</u>	<u>\$ 603,385</u>	<u>\$ 710,152</u>	<u>\$ 44</u>	<u>\$ 59,945</u>	<u>\$ 9,008</u>	<u>\$ 126,588</u>	<u>\$ 1,748,249</u>
LIABILITIES AND FUND BALANCES									
Accounts Payable	\$ -	\$ 20,933	\$ 20,907	\$ 20,907	\$ 44	-	\$ -	-	\$ 62,791
Total Liabilities	<u>-</u>	<u>20,933</u>	<u>20,907</u>	<u>20,907</u>	<u>44</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>62,791</u>
Fund Balances:									
Restricted	218,194	-	-	-	-	59,945	9,008	126,588	413,735
Committed	-	-	582,478	689,245	-	-	-	-	1,271,723
Total Fund Balances	<u>218,194</u>	<u>-</u>	<u>582,478</u>	<u>689,245</u>	<u>-</u>	<u>59,945</u>	<u>9,008</u>	<u>126,588</u>	<u>1,685,458</u>
Total Liabilities and Fund Balances	<u>\$ 218,194</u>	<u>\$ 20,933</u>	<u>\$ 603,385</u>	<u>\$ 710,152</u>	<u>\$ 44</u>	<u>\$ 59,945</u>	<u>\$ 9,008</u>	<u>\$ 126,588</u>	<u>\$ 1,748,249</u>

CITY OF HARDEEVILLE, SOUTH CAROLINA
 COMBINING OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2017

	Indirect Accommodations Tax Fund	Direct Accommodations Tax Fund	Local Accommodations Tax Fund	Local Hospitality Tax Fund	Victims Assistance Fund	Fire Fund	Police Fund	Capital Projects Fund	Total Nonmajor Governmental Funds
REVENUES									
Taxes	\$ 140,193	\$ 60,337	\$ 350,974	\$ 318,014	\$ -	\$ -	\$ 450	\$ -	\$ 869,968
Fines, Fees & Licenses	-	-	-	-	35,729	-	-	-	35,729
Miscellaneous	91	-	174	245	-	33,774	-	-	34,284
Total Revenues	<u>140,284</u>	<u>60,337</u>	<u>351,148</u>	<u>318,259</u>	<u>35,729</u>	<u>33,774</u>	<u>450</u>	<u>-</u>	<u>939,981</u>
EXPENDITURES									
Current									
General Government	-	-	-	-	-	-	2,449	-	2,449
Police Department	-	-	-	-	-	-	970	-	970
Fire Department	-	-	-	-	-	12,013	-	-	12,013
Public Works/ Recreation	130,141	60,337	12,077	4,206	-	-	-	-	206,761
Debt Service									
Principal	-	-	68,310	68,130	-	-	-	85,000	221,440
Interest	-	-	23,584	23,763	-	-	-	40,232	87,579
Capital Outlay									
Recreation	-	-	68,439	60,862	-	-	-	-	129,301
Total Expenditures	<u>130,141</u>	<u>60,337</u>	<u>172,410</u>	<u>156,961</u>	<u>-</u>	<u>12,013</u>	<u>3,419</u>	<u>125,232</u>	<u>660,513</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>10,143</u>	<u>-</u>	<u>178,738</u>	<u>161,298</u>	<u>35,729</u>	<u>21,761</u>	<u>(2,969)</u>	<u>(125,232)</u>	<u>279,468</u>
OTHER FINANCING SOURCES (USES)									
Transfers In	-	-	-	-	-	-	-	125,232	125,232
Transfers Out	-	-	-	-	(35,729)	-	-	-	(35,729)
Total Other Financing Sources and Uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(35,729)</u>	<u>-</u>	<u>-</u>	<u>125,232</u>	<u>89,503</u>
Net Change in Fund Balance	10,143	-	178,738	161,298	-	21,761	(2,969)	-	368,971
Fund Balance - Beginning	208,051	-	403,740	527,947	-	38,184	11,977	126,588	1,316,487
Fund Balance - Ending	<u>\$ 218,194</u>	<u>\$ -</u>	<u>\$ 582,478</u>	<u>\$ 689,245</u>	<u>\$ -</u>	<u>\$ 59,945</u>	<u>\$ 9,008</u>	<u>\$ 126,588</u>	<u>\$ 1,685,458</u>

CITY OF HARDEEVILLE, SOUTH CAROLINA

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL – INDIRECT ACCOMMODATIONS TAX SPECIAL REVENUE FUND

FOR THE YEAR ENDED JUNE 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ 90,000	\$ 94,840	\$ 140,193	\$ 45,353
Miscellaneous	20	90	91	1
Total Revenues	<u>90,020</u>	<u>94,930</u>	<u>140,284</u>	<u>45,354</u>
EXPENDITURES				
Recreation	<u>37,020</u>	<u>130,141</u>	<u>130,141</u>	<u>-</u>
Total Expenditures	<u>37,020</u>	<u>130,141</u>	<u>130,141</u>	<u>-</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>53,000</u>	<u>(35,211)</u>	<u>10,143</u>	<u>45,354</u>
OTHER FINANCING SOURCES (USES)				
Transfers Out	<u>(53,000)</u>	<u>(53,000)</u>	<u>-</u>	<u>53,000</u>
Net Change in Fund Balance	-	(88,211)	10,143	98,354
Fund Balance - Beginning	-	88,211	208,051	119,840
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 218,194</u>	<u>\$ 218,194</u>

CITY OF HARDEEVILLE, SOUTH CAROLINA

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL – DIRECT ACCOMMODATIONS TAX SPECIAL REVENUE FUND
 FOR THE YEAR ENDED JUNE 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ 31,500	\$ 39,404	\$ 60,337	\$ 20,933
Total Revenues	<u>31,500</u>	<u>39,404</u>	<u>60,337</u>	<u>20,933</u>
EXPENDITURES				
Recreation	31,500	39,404	60,337	(20,933)
Total Expenditures	<u>31,500</u>	<u>39,404</u>	<u>60,337</u>	<u>(20,933)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance - Beginning	-	-	-	-
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>

CITY OF HARDEEVILLE, SOUTH CAROLINA

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL – LOCAL ACCOMMODATIONS TAX SPECIAL REVENUE FUND
 FOR THE YEAR ENDED JUNE 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ 249,800	\$ 347,136	\$ 350,974	\$ 3,838
Miscellaneous	900	180	174	(6)
Total Revenues	<u>250,700</u>	<u>347,316</u>	<u>351,148</u>	<u>3,832</u>
EXPENDITURES				
Recreation	60,057	175,766	12,077	163,689
Debt Service				
Principal	69,000	69,000	68,310	690
Interest	24,000	24,000	23,584	416
Capital Outlay				
Recreation	250,000	270,907	68,439	202,468
Total Expenditures	<u>403,057</u>	<u>539,673</u>	<u>172,410</u>	<u>367,263</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(152,357)</u>	<u>(192,357)</u>	<u>178,738</u>	<u>371,095</u>
OTHER FINANCING SOURCES (USES)				
Transfers Out	(36,240)	(36,240)	-	36,240
Net Change in Fund Balance	<u>(188,597)</u>	<u>(228,597)</u>	<u>178,738</u>	<u>407,335</u>
Fund Balance - Beginning	188,597	228,597	403,740	175,143
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 582,478</u>	<u>\$ 582,478</u>

CITY OF HARDEEVILLE, SOUTH CAROLINA

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL – LOCAL HOSPITALITY TAX SPECIAL REVENUE FUND
 FOR THE YEAR ENDED JUNE 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Over/ (Under)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ 324,500	\$ 318,014	\$ 318,014	\$ -
Miscellaneous	700	250	245	(5)
Total Revenues	<u>325,200</u>	<u>318,264</u>	<u>318,259</u>	<u>(5)</u>
EXPENDITURES				
Recreation	184,093	162,250	4,206	158,044
Debt Service				
Principal	69,000	69,000	68,130	870
Interest	30,000	24,000	23,763	237
Capital Outlay				
Recreation	<u>350,000</u>	<u>370,907</u>	<u>60,862</u>	<u>310,045</u>
Total Expenditures	<u>633,093</u>	<u>626,157</u>	<u>156,961</u>	<u>469,196</u>
Excess (Deficiency) of Revenues Over Expenditures	(307,893)	(307,893)	161,298	469,191
Fund Balance - Beginning	<u>307,893</u>	<u>307,893</u>	<u>527,947</u>	<u>220,054</u>
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 689,245</u>	<u>\$ 689,245</u>

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 assessment bonds issued for the improvement 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, 2017

	<u>Balance</u> <u>June 30, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2017</u>
Municipal Improvement District - HH Lakes				
ASSETS				
Cash	\$ 1,873,339	\$ 1,152,443	\$ 1,209,708	\$ 1,816,074
Total Assets	<u>\$ 1,873,339</u>	<u>\$ 1,152,443</u>	<u>\$ 1,209,708</u>	<u>\$ 1,816,074</u>
LIABILITIES				
Due to Others	\$ 1,873,339	\$ 1,152,443	\$ 1,209,708	\$ 1,816,074
Total Liabilities	<u>\$ 1,873,339</u>	<u>\$ 1,152,443</u>	<u>\$ 1,209,708</u>	<u>\$ 1,816,074</u>

CITY OF HARDEEVILLE, SOUTH CAROLINA

FINES AND ASSESSMENTS

FOR THE YEAR ENDED JUNE 30, 2017

Fines and Fees Collected	\$ 255,690
Assessments Collected	247,280
Surcharges Collected	104,718
Total fines, assessments and surcharges collected	<u>\$ 607,688</u>
Assessments remitted to State Treasurer	\$ 104,718
Surcharges remitted to State Treasurer	247,280
Total fines, assessments and surcharges remitted to State Treasurer	<u>\$ 351,998</u>
Fines and Fees retained by the City	\$ 255,690
Assessments retained by the City	-
Surcharges retained by the City	-
Total fines, assessments and surcharges retained by the City	<u>\$ 255,690</u>
Funds Allocated to Victims Services	
Carryover Funds from Prior Year	\$ -
Surcharges Retained	5,810
Assessments Retained	29,919
Expenditures	(35,729)
	<u>\$ -</u>

Note: This schedule is required by SC 14-1-208E and is an annual reconciliation of amounts collected and remitted to State Treasurer on the State Treasurer's monthly remittance form.

CITY OF HARDEEVILLE, SOUTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017

GRANT TITLE	GRANTOR OR PASS-THROUGH GRANTOR'S NUMBER	CFDA NUMBER	GRANT EXPENDITURES
Department of Housing and Urban Development -			
Passed through South Carolina Department of Community Development: Community Development Block Grant - State's Program	4-W-13-003	14.228	\$ <u>300,242</u>
Total Department of Housing and Urban Development			<u>300,242</u>
Department of Agriculture-			
Passed through South Carolina Department of Community Development: Rural Development Loan	4-W-13-003	10.766	<u>706,102</u>
Total Department of Housing and Urban Development			<u>706,102</u>
Department of Homeland Security -			
Direct:			
FEMA-EMT Grant	EMW-2015-FO-05491	97.044	<u>65,749</u>
Passed through South Carolina Emergency Management Agency: Federal Emergency Disaster Public Assistance Grant	053-32245-00	97.036	<u>179,187</u>
Total Department of Homeland Security			<u>244,936</u>
Department of Justice -			
Direct:			
COPS Grant	2013 UMWX0127	16.710	17,890
COPS Grant	2016 UMWX0085	16.710	8,115
Total Department of Justice			<u>26,005</u>
Department of Transportation			
Passed through South Carolina Department of Transportation: Infrastructure Bank Grant	136727	20.223	<u>338,810</u>
Total Department of Transportation			<u>338,810</u>
Total Federal Assistance			<u>\$ 1,616,095</u>

CITY OF HARDEEVILLE, SOUTH CAROLINA

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

JUNE 30, 2017

Note 1 – Basis of Presentation

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal grant activity of the City of Hardeeville, South Carolina (City) under programs of the federal government for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of The Single Audit Act Amendments of 1996 and Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position or changes in net position of the City.

Note 2 – Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting.

Note 3 – Indirect Cost Rate

Indirect costs are charged based on an indirect cost plan and the County does not use the 10% de-minimis indirect cost rate.



STATISTICAL SECTION

CITY OF HARDEEVILLE, SOUTH CAROLINA

STATISTICAL SECTION

FOR THE YEAR ENDED JUNE 30, 2017

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>	64-67
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>	68-71
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>	72-76
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>	77-78
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>	79-81

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

	FISCAL YEAR									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
GOVERNMENTAL ACTIVITIES										
Net Investment in capital assets	\$5,940,023	\$9,367,064	\$9,679,115	\$10,198,084	\$10,292,986	\$10,978,201	\$11,829,740	\$13,120,424	\$13,603,946	\$14,644,350
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	5,859,467	6,527,798
Unrestricted	259,726	519,772	697,696	1,818,948	3,141,876	3,327,367	3,555,794	(596,692)	(59,152)	239,013
Total Governmental Activities Net Position	8,654,856	11,980,718	12,892,548	14,739,265	15,815,563	17,554,781	19,437,635	16,939,332	19,404,261	21,411,161

CITY OF HARDEVILLE, SOUTH CAROLINA
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS

Schedule 2

	FISCAL YEAR									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Expenses										
Governmental Activities:										
General Government	\$ 1,424,512	\$ 927,128	\$ 835,716	\$ 768,056	\$ 599,708	\$ 711,798	\$ 638,634	\$ 604,914	\$ 803,495	\$ 1,027,884
Council	91,352	98,117	120,995	115,685	130,601	112,466	130,165	97,183	98,574	131,317
Planning/Development Services	577,065	466,657	412,709	682,087	750,548	686,764	949,829	1,009,503	1,049,565	981,187
Public Information	189,273	111,052	125,531	131,592	176,483	182,726	190,610	172,056	220,363	235,066
Public Works	569,857	-	-	-	548,401	616,551	724,470	773,727	724,394	1,148,828
Fire Department	1,083,420	1,158,875	1,228,950	1,351,411	1,372,931	1,412,090	1,509,121	2,139,568	2,341,791	2,940,302
Police Department	1,464,601	1,539,200	1,471,700	1,395,248	1,493,381	1,491,476	1,625,361	1,797,422	1,760,288	2,231,292
Courts	587,909	211,584	211,051	235,894	246,588	259,294	244,817	301,040	167,491	186,362
Recreation	540,399	917,298	1,165,568	995,062	461,959	509,674	562,885	550,556	540,235	384,577
Downtown Development	-	311,733	57,829	-	-	-	104,486	134,921	108,329	89,076
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	290,888	316,530
Interest Expense	402,042	390,099	232,645	219,369	194,678	176,724	117,433	130,114	107,741	112,704
Total Expenses	7,456,535	6,466,149	6,475,226	6,504,585	6,251,680	6,443,925	7,087,189	7,990,815	8,213,154	9,785,125
Revenues										
Governmental Activities:										
Program Revenues										
Charges for Services	686,437	508,455	501,883	402,830	493,743	742,147	566,336	869,472	896,671	999,319
Planning/Development Services	785,529	766,465	638,820	657,799	106,514	1,2841	6,123	15,075	-	-
Developer Review Fees	136,022	239,283	314,681	370,823	341,317	308,144	328,017	361,739	385,723	298,636
Fines	643,397	106,718	84,138	27,730	68,418	67,384	53,497	69,090	25,486	31,018
Other	316,089	967,281	1,045,726	1,247,729	927,072	821,607	786,125	1,238,758	1,366,334	1,155,791
Operating Grants and Contributions	2,280,032	3,669,568	613,557	987,767	547,947	738,639	1,378,858	1,439,226	1,085,244	1,596,553
Capital Grants and Contributions										
General Revenues	3,729,189	3,103,908	3,472,393	3,758,883	3,805,041	4,405,241	4,625,550	6,410,434	6,668,699	6,478,505
Taxes	875,543	1,016,468	634,330	777,496	862,269	960,156	898,804	-	-	990,114
Business Licenses	58,544	60,097	38,097	55,869	54,276	70,230	64,356	67,767	70,859	-
Grants and Contributions not restricted	119,795	9,872	28,995	581	14,810	338	6,872	3,974	4,877	9,294
Interest Income	55,203	64,724	14,436	63,795	106,571	144,487	255,505	3,276	174,190	232,795
Other	9,685,780	10,512,839	7,387,056	8,351,302	7,327,978	8,271,214	8,970,043	10,478,811	10,678,083	11,792,025
Total Revenues	2,229,245	4,046,690	911,830	1,846,717	1,076,298	1,827,289	1,882,854	2,487,996	2,464,929	2,006,900
Increase in Net Position	6,425,611	8,654,856	11,980,718	12,892,548	14,739,265	15,815,563	17,554,781	19,437,631	16,939,332	19,404,261
Net Position-Beginning	-	(720,828)	-	(88,071)	-	(88,071)	-	(4,986,295)	-	-
Prior Period Adjustment	\$ 8,654,856	\$ 11,980,718	\$ 12,892,548	\$ 14,739,265	\$ 15,815,563	\$ 17,554,781	\$ 19,437,632	\$ 16,939,332	\$ 19,404,261	\$ 21,411,161
Net Position-Ending										

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

Schedule 3

	FISCAL YEAR									
	2008 Restated	2009	2010	2011*	2012	2013	2014	2015	2016	2017
GENERAL FUND										
Unreserved	\$ (13,729)	\$ 868,984	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Nonspendable	-	-	-	-	-	55,066	-	-	-	-
Restricted	-	-	-	-	-	-	-	207,156	-	230,742
Committed	-	-	-	-	-	368,881	-	-	211,782	2,198,070
Assigned	-	-	-	311,920	370,667	388,486	250,000	582,000	-	-
Unassigned	-	-	867,797	1,416,724	1,979,512	2,439,559	2,441,121	2,864,719	4,527,112	2,506,298
Total General Funds	\$ (13,729)	\$ 868,984	\$ 867,797	\$ 1,728,644	\$ 2,350,179	\$ 2,828,045	\$ 3,115,068	\$ 3,653,875	\$ 4,738,894	\$ 4,935,110
ALL OTHER GOVERNMENTAL FUNDS										
Reserved	\$ 1,126,512	\$ 1,975,442	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:										
Special Revenue Funds	591,289	380,527	-	-	-	-	-	-	-	-
Nonspendable	-	-	-	-	-	-	-	-	-	908,742
Restricted	-	-	2,556,082	2,722,233	3,289,443	4,019,884	4,591,962	5,117,186	5,859,467	5,388,314
Committed	-	-	256,624	106,721	82,186	138,070	228,664	536,490	931,687	1,271,723
Assigned	-	-	151	120,124	118,934	72	2,514	438	5,869	-
Total All Other Governmental Funds	\$ 1,717,801	\$ 2,355,969	\$ 2,812,807	\$ 2,949,078	\$ 3,490,563	\$ 4,158,026	\$ 4,823,140	\$ 5,654,114	\$ 6,797,023	\$ 7,568,779

* Implemented GASB Statement No. 54.

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

Schedule 4

	2008 Re stated	FISCAL YEAR																		
		2009	2010	2011	2012	2013	2014	2015	2016	2017										
Revenues																				
Taxes	\$ 2,633,607	\$ 3,313,136	\$ 3,651,550	\$ 4,132,036	\$ 4,136,876	\$ 4,551,472	\$ 4,923,258	\$ 5,817,793	\$ 6,094,820	\$ 5,749,832										
Fines, Fees and Licenses	6,281,313	2,208,297	1,931,212	1,962,492	2,124,065	2,500,675	2,313,503	2,604,099	2,650,015	2,927,388										
Special Assessments	-	2,802,121	999,956	1,095,492	698,119	830,352	880,898	1,437,338	933,022	871,095										
Donations	-	1,778,950	179,599	-	-	-	-	-	-	-										
Intergovernmental	553,879	120,097	38,097	55,869	54,276	70,230	560,606	489,116	220,859	1,973,375										
Miscellaneous	266,585	294,022	372,519	1,168,380	353,661	270,209	363,662	126,931	823,237	296,372										
Total Revenues	9,735,384	10,516,623	7,172,933	8,414,023	7,356,997	8,222,938	9,041,927	10,475,277	10,701,953	11,818,062										
Expenditures																				
Governmental Activities																				
General Government	1,968,408	830,274	722,591	776,744	491,678	611,350	569,393	598,472	713,515	892,004										
Council	91,352	98,117	120,995	115,685	130,601	112,466	130,165	97,183	98,574	131,317										
Planning/Development Services	866,384	457,174	402,192	667,881	730,538	698,967	960,308	989,719	1,041,866	906,988										
Public Information	197,798	116,449	114,452	121,085	168,401	175,207	181,599	161,193	226,799	232,688										
Public Works	693,751	-	-	-	454,642	526,225	604,478	640,664	546,871	977,142										
Fire Department	935,654	1,046,619	1,126,882	1,246,675	1,212,392	1,262,732	1,487,149	1,955,134	2,107,062	2,638,345										
Police Department	1,431,990	1,395,511	1,327,652	1,282,339	1,395,529	1,436,147	1,608,594	1,663,496	1,653,523	1,931,683										
Courts	582,928	208,016	207,340	230,334	239,677	251,862	265,132	231,792	163,068	180,586										
Recreation	810,454	822,453	922,156	781,120	313,910	367,844	421,410	405,441	404,155	256,990										
Downtown Development	144,255	368,787	79,067	359,252	-	199	87,012	134,827	115,818	87,684										
Building Inspection	446,074	151,804	335,629	-	-	-	-	-	-	-										
Grants	-	-	-	-	-	-	-	-	-	-										
Finance	71,628	173,555	280,642	230,167	245,529	253,213	256,596	257,871	295,292	323,154										
Debt Service																				
Principal	467,297	550,406	586,872	614,274	450,919	746,881	518,776	467,780	449,675	530,779										
Interest	-	224,963	215,978	221,871	195,024	190,456	135,564	132,654	110,022	112,720										
Bond Issue Costs	-	120,099	-	-	-	-	-	-	-	-										
Capital Outlay																				
General Government	-	1,913,038	308,710	93,686	31,166	72,365	5,105	259,163	348,692	1,402,911										
Planning/Development Services	-	-	-	-	-	137,228	75,058	68,775	21,978	153,087										
Police Department	-	41,950	107,413	91,888	28,209	205,912	243,004	169,366	241,582	241,582										
Fire Department	-	-	27,099	539,146	-	93,767	272,738	1,041,293	239,262	53,885										
Public Works	-	1,741,526	56,104	44,758	89,827	33,413	500,213	143,452	445,195	260,176										
Courts	-	-	35,805	-	-	-	-	-	-	-										
Economic Development	1,320,964	-	-	-	25,935	107,287	10,500	-	35,234	150,301										
Recreation	-	-	-	-	-	-	-	-	-	-										
Finance	-	-	39,703	-	-	-	-	-	-	-										
Total Expenditures	10,028,937	10,260,741	7,017,282	7,416,905	6,203,977	7,077,609	8,295,702	9,491,913	9,185,967	11,556,191										
Excess (deficiency) of revenues over (under) expenditures	(293,553)	255,882	155,651	997,118	1,163,020	1,145,329	746,225	983,364	1,515,986	261,871										
Other Financing Sources																				
Issuance of Debt	-	1,265,000	300,000	-	-	-	205,912	386,419	711,942	706,102										
Transfers Out	(80,652)	(610,016)	(191,781)	(170,393)	(194,922)	(149,952)	(125,630)	(150,303)	(182,447)	(597,203)										
Transfers In	80,652	610,016	191,781	170,393	194,922	149,952	125,630	150,303	182,447	597,203										
Total Other Financing Sources (Uses)	-	1,265,000	300,000	-	-	-	205,912	386,419	711,942	706,102										
Net Change in Fund Balances	(293,553)	1,520,882	455,651	997,118	1,163,020	1,145,329	6,986,071	7,938,206	9,307,989	11,535,917										
Fund Balances, Ending	1,997,624	1,704,071	3,224,953	3,680,604	4,677,722	5,840,742	6,986,071	7,938,206	9,307,989	11,535,917										
Fund Balances, Beginning	1,704,071	\$ 3,224,953	\$ 3,680,604	\$ 4,677,722	\$ 5,840,742	\$ 6,986,071	\$ 7,938,206	\$ 9,307,989	\$ 11,535,917	\$ 12,033,890										
Debt service as a percentage of noncapital expenditures	5.37%	12.03%	12.46%	12.58%	10.71%	14.13%	9.06%	7.76%	7.06%	6.92%										

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

Schedule 6

FISCAL YEAR ENDED JUNE 30,	CITY DIRECT RATES		OVERLAPPING RATES					
	BASIC RATE	COUNTY OPERATIONS	CHERRY POINT FIRE DISTRICT		COUNTY DEBT SERVICE		SCHOOL OPERATIONS	SCHOOL DEBT SERVICE
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
2016	130.00	142.00	32.00		12.00		164.00	25.00
2017	123.00	142.00	32.00		12.00		164.00	25.00

Source: Jasper 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

Schedule 7

EMPLOYER	2017			2008		
	TAXABLE ASSESSED VALUE	RANK	PERCENTAGE OF TOTAL CITY TAXABLE ASSESSED VALUE	TAXABLE ASSESSED VALUE	RANK	PERCENTAGE OF TOTAL CITY TAXABLE ASSESSED VALUE
South Carolina Electric & Gas	\$ 1,331,100	1	4.93%	N/A	N/A	N/A
CourtneyBend Owner LLC	792,310	2	2.94%	N/A	N/A	N/A
Toll SC III LP	664,760	3	2.46%	N/A	N/A	N/A
Del Webb Communities Inc	643,640	4	2.39%	N/A	N/A	N/A
Central Electric Power Coop	531,340	5	1.97%	N/A	N/A	N/A
Blanchard Machinery	440,670	6	1.63%	N/A	N/A	N/A
Wilco Hess LLC	202,200	7	0.75%	N/A	N/A	N/A
SLF IV/SBT West Argent LLC	198,140	8	0.73%	N/A	N/A	N/A
Palmetto Electric Coop Inc.	182,450	9	0.68%	N/A	N/A	N/A
Carolina Self Storage	179,300	10	0.66%	N/A	N/A	N/A
Total	5,165,910		19.14%	0		0.00%

Source: Jasper County Treasurer

N/A Information is not available.

**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		COLLECTIONS IN SUBSEQUENT YEARS	TOTAL COLLECTIONS TO DATE	
		FISCAL YEAR OF THE LEVY	PERCENTAGE OF LEVY		AMOUNT	PERCENTAGE OF LEVY
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	2,614,179	94.7%	77,861	2,692,040	97.6%
2016	2,868,095	2,754,676	96.0%	85,234	2,839,910	99.0%
2017	3,472,416	3,419,464	98.5%	-	3,419,464	98.5%

Source: Jasper County Treasurer

* Reassessment year

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

Schedule 9

FISCAL YEAR ENDED JUNE 30,	GOVERNMENTAL ACTIVITIES							PERCENTAGE OF PERSONAL INCOME	PER CAPITA
	AMOUNT	REVENUE	LEASES	GENERAL	TOTAL	PERCENTAGE	PER CAPITA		
		BONDS	PAYABLE	OBLIGATION BOND					
2008	\$ -	N/A	\$ 4,107,892	\$ 435,774	\$ 4,543,666	9.60%	\$ 2,018.51		
2009	-	\$ 1,180,000	3,676,464	401,796	5,258,260	10.20%	1,711.12		
2010	300,000	1,120,000	3,202,399	368,436	4,990,835	9.10%	1,394.09		
2011	-	1,060,000	2,707,882	333,722	4,376,561	7.20%	1,445.36		
2012	274,957	995,000	2,358,062	297,623	3,925,642	6.70%	1,159.72		
2013	-	925,000	1,993,768	259,992	3,178,760	4.40%	839.39		
2014	-	855,000	1,794,105	220,854	2,869,959	8.00%	668.83		
2015	-	780,000	1,828,485	180,112	2,788,597	7.80%	582.29		
2016	-	700,000	2,138,780	212,083	3,050,863	8.00%	573.04		
2017	-	615,000	1,771,063	840,477	3,226,540	7.80%	563.98		

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Data Source:
US Bureau of the Census
City Finance Department
N/A Information is not available.

CITY OF HARDEVILLE, SOUTH CAROLINA
RATIO 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
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	1.56%	76.81
2014	220,885	1.06%	58.33
2015	180,112	0.81%	41.97
2016	212,083	0.83%	44.29
2017	840,477	2.76%	146.91

Source: Jasper County Assessor
City Finance Department

N/A Information is not available.

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

Schedule 11

GOVERNMENTAL	DEBT OUTSTANDING	ESTIMATED PERCENTAGE APPLICABLE	AMOUNT APPLICABLE TO PRIMARY GOVERNMENT
Debt repaid with property taxes			
Jasper County School District	\$ 27,940,371	17.5%	\$ 4,889,565
Jasper County	21,893,812	17.5%	3,831,417
Subtotal overlapping debt	<u>49,834,183</u>		<u>8,720,982</u>
City direct debt	<u>3,226,540</u>	100.0%	<u>3,050,863</u>
Total direct and overlapping debt	<u>\$ 53,060,723</u>		<u>\$ 11,771,845</u>

Source: City Financial Statements
 Jasper County School District 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 2017

Assessed Value	\$ 30,005,470
Debt limit (8% of assessed value)	2,400,438
Debt applicable to limit:	
General Obligation Bonds	(840,477)
Total net debt applicable to limit	(840,477)
Legal Debt Margin	\$ 1,559,961

	FISCAL YEAR									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Debt Limit	\$ 876,532	\$ 1,153,154	\$ 1,392,296	\$ 1,262,300	\$ 1,331,043	\$ 1,666,030	\$ 1,780,702	\$ 2,052,230	\$ 2,432,427	\$ 2,400,438
Total net debt applicable to limit	(435,774)	(401,796)	(368,436)	(333,722)	(297,623)	(259,992)	(220,885)	(180,112)	(212,083)	(840,477)
Legal debt margin	\$ 440,758	\$ 751,358	\$ 1,023,860	\$ 928,578	\$ 1,033,420	\$ 1,406,038	\$ 1,559,817	\$ 1,872,118	\$ 2,220,344	\$ 1,559,961

Total net debt applicable to the
 limit as a percentage of debt limit

49.72%	34.84%	26.46%	26.44%	22.36%	15.61%	12.40%	8.78%	8.72%	35.01%
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Source: Jasper County Assessor
 City Financial Statements

There was no pledged revenue coverage prior to year 2009.

N/A Information is not available.

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

Schedule 13

FISCAL YEAR ENDED JUNE 30,	REVENUE BONDS				COVERAGE
	COLLECTIONS	DEBT SERVICE		INTEREST	
		PRINCIPAL			
2008	N/A	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	114,160	60,000		61,938	93.62%
2012	119,517	65,000		57,240	97.77%
2013	120,331	70,000		55,688	95.74%
2014	93,178	70,000		52,188	76.26%
2015	118,388	75,000		48,388	95.95%
2016	121,263	80,000		44,213	97.63%
2017	167,225	85,000		39,813	133.98%

Source: City Finance Department

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

Schedule 14

FISCAL YEAR ENDED JUNE 30,	POPULATION	PERSONAL INCOME (thousands of dollars)	PER CAPITA PERSONAL INCOME	SCHOOL ENROLLMENT	UNEMPLOYMENT RATE
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%
2016	5,324	38,003	17,140	1,271	5.0%
2017	5,721	41,440	19,224	1,224	4.2%

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**

Schedule 15

	2017			2008		
	EMPLOYEES	RANK	PERCENTAGE OF TOTAL CITY EMPLOYMENT	EMPLOYEES	RANK	PERCENTAGE OF TOTAL CITY EMPLOYMENT
Coastal Carolina Medical Center	365	1	14.26%	N/A	N/A	N/A
Jasper County School District	157	2	6.14%	N/A	N/A	N/A
City of Hardeeville	84	3	3.28%	N/A	N/A	N/A
Cracker Barrel	77	4	3.01%	N/A	N/A	N/A
Waffle House	59	5	2.31%	N/A	N/A	N/A
Pilot Travel Center	55	6	2.15%	N/A	N/A	N/A
Palma dba McDonald's	50	7	1.95%	N/A	N/A	N/A
Caraustar	30	8	1.17%	N/A	N/A	N/A
Piggly Wiggly	28	9	1.09%	N/A	N/A	N/A
Burger King	25	10	0.98%	N/A	N/A	N/A
Total	930		36.34%	0		0.00%

Source: City Economic Development Department

N/A Information is not available.

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

Schedule 16

FUNCTION/PROGRAM	FISCAL YEAR									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Government	6.0	4.0	4.0	4.0	3.0	2.0	2.0	2.0	3.0	3.0
Council	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	4.0	5.0
Planning/Development Services	3.0	3.0	4.0	5.0	4.0	4.0	3.0	3.0	3.0	4.0
Downtown Development	-	-	-	-	-	-	1.0	1.0	1.0	1.0
Public Information	2.0	2.0	2.0	2.0	2.5	2.5	2.5	3.0	3.0	3.0
Fire Department	12.0	16.0	15.0	16.0	16.0	17.0	19.0	23.0	26.0	29.0
Police Department	17.0	18.0	17.0	19.0	20.0	20.0	19.0	21.0	21.0	23.0
Courts	4.0	5.5	3.5	3.5	3.5	3.0	2.5	2.0	2.0	2.0
Public Works/Recreation/Engineering*	8.0	7.0	7.0	9.5	-	-	-	-	-	-
Public Works	-	-	-	-	8.0	7.0	8.5	10.0	10.0	11.0
Recreation	-	-	-	-	2.5	2.5	2.5	2.0	2.0	1.0
Economic Development	1.0	1.0	1.0	1.0	-	-	-	-	-	-
Building Inspection	1.0	-	-	-	-	-	-	-	-	3.0
Finance	3.0	2.0	2.0	2.0	3.0	3.0	3.0	2.0	3.0	3.0
	62.0	63.5	60.5	67.0	67.5	66.0	68.0	74.0	78.0	88.0

Source: City Finance Department

N/A Information is not available.

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

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

Schedule 17

	FISCAL YEAR									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Business Licenses Issued	514	597	439	454	488	589	644	462	534	559
Sales Reported for Licenses* (millions)	\$ 137	\$ 154	\$ 133	\$ 187	\$ 213	\$ 241	\$ 296	\$ 348	\$ 311	\$ 353
Commercial Building Permits	37	89	9	20	18	54	36	28	42	78
Valuation of Permits Issued* (thousands)	\$ 7,839	\$ 16,922	\$ 1,831	\$ 3,637	\$ 4,714	\$ 4,831	\$ 5,702	\$ 4,657	\$ 3,634	\$ 15,661
Residential Building Permits Issued	106	39	155	198	149	252	320	324	342	392
Valuation of Permits Issued* (thousands)	\$ 45,701	\$ 8,497	\$ 40,234	\$ 35,135	\$ 40,431	\$ 43,064	\$ 51,236	\$ 51,975	\$ 50,700	\$ 57,029

Source: City Building and Planning 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									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Police Department										
Patrol Units	17	21	21	21	21	21	22	24	24	24
Fire Department										
Engines in Operation	4	4	4	5	5	5	4	4	3	4
Rescue Vehicles in Operation	1	1	1	1	1	1	1	0	0	1
Ladder Trucks in Operation	1	1	1	1	1	1	1	1	1	1

Source: City Capital Assets records

COMPLIANCE





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 Mayor and Members of the City 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 the City of Hardeeville, South Carolina (City), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 9, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City'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 the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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, and .therefore, material weaknesses or significant weaknesses may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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 City's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the combination deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses (2017-001 through 2017-008). *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.

Compliance and Other Matters

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

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City's Responses to Findings

The City's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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.

KRT, CPAs P.C.

Savannah, Georgia
November 9, 2017



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND
REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM
GUIDANCE**

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

Report on Compliance for Each Major Federal Program

We have audited City of Hardeeville's (City's) compliance with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2017. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Report on Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

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

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

KRT, CPAs P.C.

Savannah, Georgia
November 9, 2017

CITY OF HARDEEVILLE, SOUTH CAROLINA

FOR THE YEAR ENDED JUNE 30, 2017

I. SCHEDULE OF FINDINGS AND QUESTIONED COSTS

A. Summary of Auditors' Results

Financial Statements

1. The auditors' report expresses an unmodified opinion on the basic financial statements of the City of Hardeeville, South Carolina (City).
2. Internal control over financial reporting:
 - a Material weakness(es) identified? X yes no
 - b Significant deficiency(ies) identified that are not considered to be material weaknesses? yes X none reported
3. Noncompliance material to financial statements noted? yes X no

Federal Awards

4. Internal control over major programs:
 - a Material weakness(es) identified? yes X no
 - b Significant deficiency(ies) identified that are not considered to be material weaknesses? yes X none reported
5. The auditors' report expresses an unmodified opinion for all major programs.
6. Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance yes X no

7. The programs tested as major programs include:

Program	CFDA No.
USDA Rural Development Loan	10.766

8. The threshold for distinguishing Types A and B programs was \$750,000.
9. The City was determined not to be a low-risk auditee.

CITY OF HARDEEVILLE, SOUTH CAROLINA

FOR THE YEAR ENDED JUNE 30, 2017

B. FINDINGS AND QUESTIONED COSTS--FINANCIAL STATEMENTS AUDIT

Finding 2017-001: Decentralized Cash Collection Point – Municipal Court

Condition and Background: Decentralization of cash collections for the Court coupled with inadequate internal controls has contributed to poor accountability. Sound internal controls suggest proper alignment of employees' duties, and monthly preparation and reconciliation of general ledgers to detail subsidiary ledgers. Currently, there is not a complete reconciliation process of Court collections to the City's general ledger or bank accounts.

Criteria: Adequate segregation of duties and strong internal control policies and procedures, including reconciliation processes are required to safeguard assets of the City.

Effect: There is an increased risk that errors or irregularities could occur and not be detected in a timely manner.

Cause of Condition: The Court collection point is provided for the convenience of the citizens of the City, limited staff make segregation of duties challenging and reconciliation processes have not been implemented.

Recommendation: The City should periodically perform a risk assessments at decentralized cash collection points and implement additional internal controls to mitigate risks. Additionally, reconciliation processes should be implemented between court systems and finance to ensure all monies are properly received and recorded in a timely manner.

Management's Response: Management agrees

Response from Finance: Management initiated the development of a City-wide Finance Policy in 2016. This policy has been finalized and implemented as of October 25, 2017. There are reconciliation methods and designated employee tasks in place to minimize and mitigate the risks. The City has streamlined the segregation of duties by adding part time personnel.

Finding 2017-002: Recording of Accounts Receivables

Condition and Background: During audit fieldwork, numerous audit adjustments to accounts receivables were proposed.

Criteria: Accounts receivable balances should be reviewed by finance staff and adjusted to reflect current year activity.

Effect: Revenues could be misstated due to improperly recorded receivables.

Cause of Condition: Lack of documented year end procedures and staff knowledge of year end closing processes.

Recommendation: We recommend the City create monthly, quarterly and annual closing checks list to ensure all asset and liability accounts are properly reviewed and adjusted to reflect current year balances. Additionally, receivables should be identified by type for proper reporting in the CAFR.

CITY OF HARDEEVILLE, SOUTH CAROLINA

FOR THE YEAR ENDED JUNE 30, 2017

Management's Response: Management agrees.

Response from Finance: The City previously, based upon staffing levels, relied upon outside accounting/auditing firm to assist with monthly and year end closing procedures. Those outside firms did not communicate with the Finance Director or staff on accounting entries and procedures. Management initiated the development of a City-wide Finance Policy in 2016. This policy has been finalized and implemented as of 10/25/2017. Finance will operate utilizing a monthly reconciliation checklist to help ensure year end asset and liability balances are accurate. Receivables will be coded by type.

Finding 2017-003: Recording of Payroll Liabilities

Condition: Payroll liability account balances were incorrect and payroll general ledger accounts were not reconciled to the payroll sub-system. It was determined during testing that errors occurred with the payments and recording of payroll taxes.

Criteria: The City should have adequate reconciliation processes in place to ensure systems are functioning properly and expenditures and liabilities are properly recorded.

Cause of Condition: Lack of documented year end procedures and staff knowledge of year end closing processes.

Effect: Errors could occur and not be detected in a timely manner since reconciliations are not performed, liability accounts could be misstated, and the City could pay significant penalties and interest for late or misapplied payments to the IRS.

Recommendation: We recommend the City reconcile the payroll sub-ledger to the general ledger and the 941s on a quarterly basis to ensure proper posting of liabilities and expenditures to the general ledger. Additionally, at year end, payroll liability accounts should be reviewed and adjusted to properly reflect current liability balances.

Management's Response: Management agrees

Response from Finance: There were automatic system generated improper postings of liabilities and expenditures during the months of July through September 2016. Management corrected the system error in October of 2016. However, the first quarter postings inadvertently remained uncorrected at year end. Finance staff will be trained in governmental finance procedures to ensure knowledge and proficiencies of year end closing processes.

Finding 2017-004: Procurement and Disbursement System

Condition: During test work of disbursements, we noted 2 of 19 instances where the City did not comply with its procurement policy. Also, there were instances where City employees did not provide receipts or adequate documentation for credit card purchases.

Criteria: The City should comply with its procurement policy and credit card documentation requirements.

Cause of Condition: Failure of departments to comply with policy or provide adequate documentation of expenditures.

Effect: Non-compliance with City policy.

CITY OF HARDEEVILLE, SOUTH CAROLINA

FOR THE YEAR ENDED JUNE 30, 2017

Recommendation: We recommend the City provide employees with the procurement requirements and documentation requirements for credit card charges and other disbursements.

Management's Response: Management agrees

Response from Finance: The City will review and uniformly enforce its procurement policy and will make the proper amendments to the current policy which will be adopted by City Council. Also, the City adopted a Purchase Card/Credit Card Policy on August 16, 2016. All employees were made aware of the policy. The City will provide the appropriate employees with this policy and uniformly enforce the policy.

Finding 2017-005: Developer Agreement Funds

Condition: During test work of building permits, it was noted some development agreements do not appear to be properly followed. In one case, a park fee is collected, however it is not deposited into a park account, but rather distributed to road, police, fire and library within that development fund. Upon questioning, an amendment to that agreement was not provided and management agreed there should be a distribution to parks based upon the development agreement. Additionally, development fees should increase 3% per year according to the agreements, however increases have not been made for the past two years.

Criteria: The City should comply with developer agreements and account for funds properly based upon those agreements.

Cause of Condition: Lack of communication between planning management and finance department on the distribution of funds. The annual increase condition is due to not updating the accounting system annual to charge the addition amounts.

Effect: The City could be held liable for Park funds that have been consolidated with other development funds. Additionally, the City forfeited revenue in the amount of 3% per year for two years for all development agreements.

Recommendation: We recommend the City review its development agreements and all amendments and ensure funds are properly accounted for within the development funds. Additionally, increases per the development agreements should be implemented annually.

Management's Response: Management agrees

Response from Finance: The City will review the final amended agreements and be vigilant in complying with the terms of the Development Agreements and will properly account for all funds received.

Finding 2017-006: Journal Entries

Condition: Journal entries are not adequately documented, reviewed or approved. All finance staff have the ability to enter journal entries into the system and there is no review or approval process. Additionally, several entries were requested for review and there was no documentation available for the entry. Numerous entries were made and reversed multiple times, making it difficult to determine the purpose of the entry and the final effect of the entries.

Criteria: The accounting records should adequately reflect the financial position of the City during the year. Additionally, internal controls should be in place to mitigate risks associated with the posting of journal entries.

Cause of Condition: Lack of internal controls over journal entries.

CITY OF HARDEEVILLE, SOUTH CAROLINA

FOR THE YEAR ENDED JUNE 30, 2017

Effect: The City accounting records could misrepresent the financial position of the City throughout the year due to erroneous entries made. Additionally, errors and irregularities could occur without timely detection due to inappropriate internal controls over journal entries.

Recommendation: We recommend the City develop and implement internal control procedures over journal entries, to include adequate review, approval and documentation of all journal entries.

Management's Response: Management agrees

Response from Finance: Finance staff will be in regular communication with Incode and the auditing firm's staff for verification of structure and necessity of proposed journal entries, prior to posting to the general ledger. Finance staff has identified which employees are authorized to propose journal entries and who will approve them. Finance staff will be trained in governmental finance procedures to ensure knowledge of year end closing processes.

Finding 2017-007: Segregation of Duties

Condition: It was noted during fieldwork the City accountant has complete control over the entire accounting cycle, which includes cash collection, deposits, reconciliation of bank accounts and the ability to make journal entries.

Criteria: Adequate segregation of duties should be implemented to safeguard the assets of the City.

Cause of Condition: Lack of segregation of duties within the finance department.

Effect: Errors or irregularities could occur without timely detection.

Recommendation: We recommend the City develop and implement adequate segregation of duties.

Management's Response: Management agrees

Response from Finance: Due to a transfer of staff from Finance to the Planning Department on June 25, 2017 there were two months and a couple days where the City Accountant posted local hospitality and local accommodations tax receipts to the general ledger and reconciled the bank statements for those same months. This was deemed inadequate by the auditing firm to avoid risk and therefore immediately ceased. The City immediately resolved the matter by setting proper segregation of duties in place. Receipt posting procedures have been included in the City-wide Finance Policy, which also identifies roles set by departmental personnel.

Finding 2017-008: Bank Reconciliations and Reconciliation of Pooled Cash Fund to the Funds

Condition: During fiscal year 2017, the City implemented a new pooled cash system. Our tests indicated several issues with the bank reconciliation and with the comparison of the pooled cash fund to the various funds of the City. Some of the issues noted included significant outstanding items listed as outstanding for over a year, the general ledger balance on the bank reconciliation did not agree with the general ledger and entries posted to some of the funds did not flow to the pool cash fund.

Criteria: Reconciliations should be compared to the general ledger and any changes should be documented on the reconciliation. Outstanding items that are stale should be researched and resolved in a timely manner.

Cause of Condition: Not questioning significant stale dated outstanding items and insufficient monitoring processes.

CITY OF HARDEEVILLE, SOUTH CAROLINA

FOR THE YEAR ENDED JUNE 30, 2017

Effect: The risk of a material misstatement of the City's financial statements is not reduced to a low level.

Recommendation: We recommend the City implement monthly reviews of the bank reconciliations and document any research and resolution of all stale dated transactions. The amounts reported in the pooled cash fund should be compared monthly to the amounts reported in the individual funds and any discrepancies should be investigated and corrected.

Management's Response: Management agrees

Response from Finance: During fiscal year 2016, management imprinted a void after 90 day statement on checks. In October of 2017 management inquired with the SC State Treasurer's Office in participation requirements for the Unclaimed Cash/Property program. All checks outstanding post ninety days will be voided in the finance system and reissued to the State. This will clear stale dated outstanding items from the general ledger and allow for the funds to remain available through the SC Treasurer's Office. Various reports and journal entries from the financial software will be compared to bank statements prior to the posting of monthly reconciliations to the general ledger. The Accountant and Finance Director will work together to ensure the bank reconciliation reports reflect appropriate balances in all areas. Finance staff will be trained in governmental finance procedures to ensure knowledge of month end closing processes.

C. FINDINGS AND QUESTIONED COSTS--MAJOR FEDERAL AWARD PROGRAMS AUDIT

None reported for current year.

II. STATUS OF PRIOR YEAR MAJOR FEDERAL AWARD PROGRAMS AUDIT FINDINGS

A single audit was not required for the prior fiscal year.