

CITY OF HARDEEVILLE, SC



Photo Credit: Deputy Fire Chief Elliott DeBiase

Comprehensive Annual Financial Report

For the Year Ended June 30, 2019

**CITY OF HARDEEVILLE, SOUTH CAROLINA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2019**

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

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205 Main Street PO Box 609
Hardeeville, SC 29927
(843) 784-2231 office (843) 784-6384 fax

November 26, 2019

The Honorable Members of City Council and the Citizens of City of Hardeeville, South Carolina

State law requires that all general-purpose local governments publish within six (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 generally accepted accounting standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of City of Hardeeville for the fiscal year ended June 30, 2019.

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, 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 Mauldin & Jenkins, 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, 2019 are free of material misstatement. The independent audit involves examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement presentation; assessing the accounting principles used and significant estimates made by management and evaluating the overall financial statement presentation. The independent auditor concluded based upon the audit that there was a reasonable basis for rendering an unqualified opinion that the City's financial statements for the fiscal year ended June 30, 2019 are fairly presented in conformity with GAAP. The independent auditors report is presented as the first component of the financial section of this report.

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

The City of Hardeeville was founded in 1911 and is 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 approximately 6,200. 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 City, and for appointing the heads of various departments. 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, building & development services, code enforcement and economic development.

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, 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, 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 1,200 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 (6) 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, and the City continues to be counted as one of the fastest growing in the State.

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 the next five (5) years. 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. North Signal Capital of Charleston, SC recently purchased a portion of the Riverport tract and will be developing 4.5 million square feet of storage, logistics, and warehousing for the growing lowcountry market.

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 also began construction of 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. Beaufort Memorial Hospital also has acquired land in the Okatie Crossing Development and will be building a large medical office building.

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

Economic development remains the chief driver of the City's efforts at improving the quality of life for residents. A major cornerstone of this effort is the construction of a proposed Exit 3 off 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 RiverPort 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 Lowcountry Council of Governments (LCOG) priority plan and previously received \$4 million dollars of State funding. The environmental impact study and interchange justification report are underway as Exit 3 construction should begin in 2021. 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 Buffets' 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 that exist within the corporate boundaries of the City.

This growth strategy is significantly governed by fiscal models to ensure the City maintains a strong financial position. The City has also adjusted its long-term financial planning when necessary.

With most of the planned residential and commercial developments, the City of Hardeeville has negotiated development agreement terms as it relates to developer fees. These fees, in addition to 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, recreation and infrastructure 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.

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 has been awarded to the City of Hardeeville, South Carolina annually for its Comprehensive Annual Financial Report since the fiscal year ended June 30, 2012, the first year that the City of Hardeeville 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 Mauldin & Jenkins auditing firm, the City Manager, Finance Department and Department Heads. We extend our sincere gratitude to them for their contributions in the preparation of this report.

Regards,



Michael J. Czymbor
City Manager



Derrick Cowart
Interim Finance Director



Government Finance Officers Association

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

Presented to

**City of Hardeeville
South Carolina**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2018

Christopher P. Morrell

Executive Director/CEO

CITY OF HARDEEVILLE, SOUTH CAROLINA

**LIST OF PRINCIPAL OFFICIALS
JUNE 30, 2019**

Honorable Mayor Harry Williams

Mayor Pro Tempore John Carroll

Councilmembers:

Carolyn Kassel

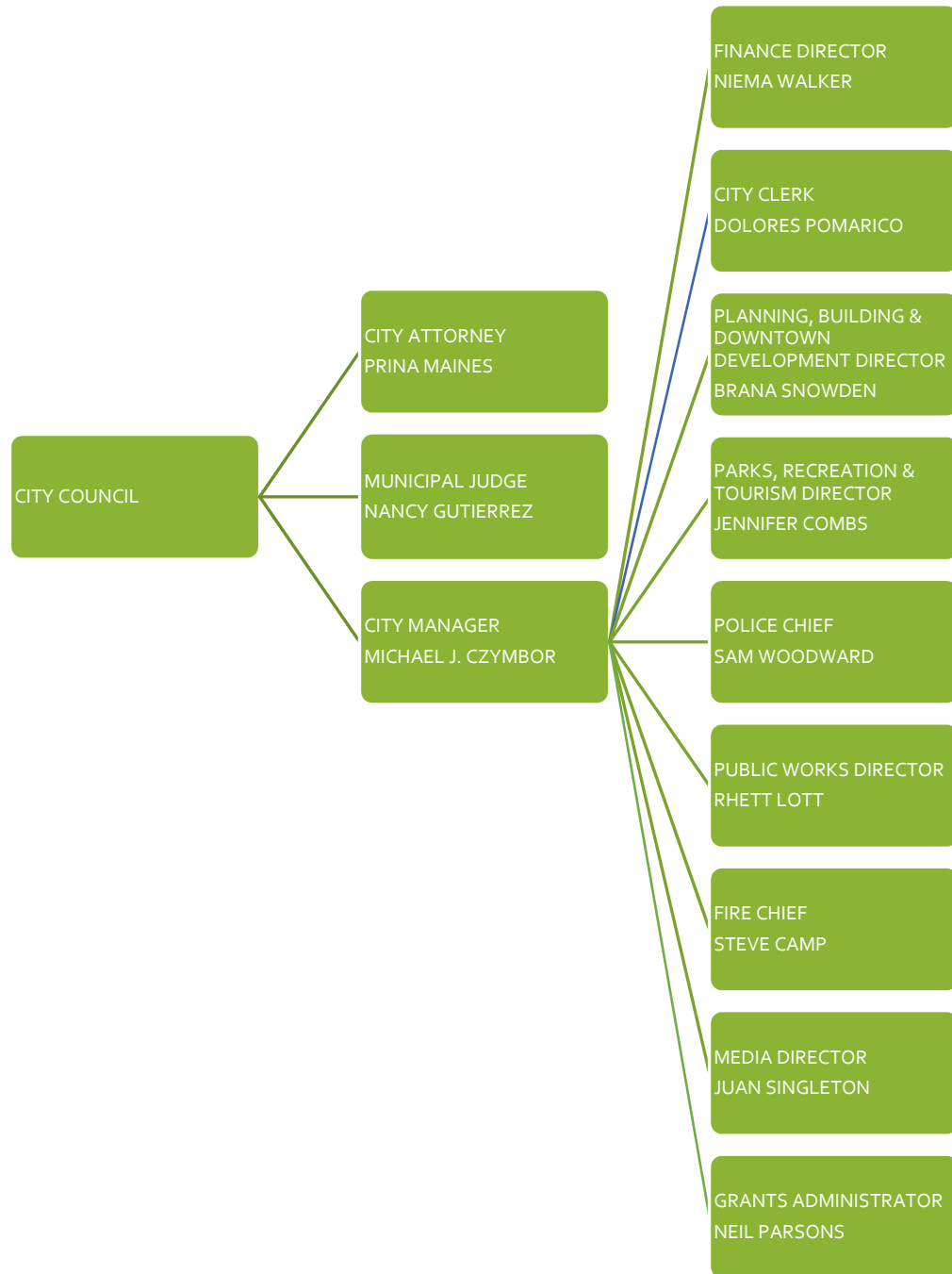
David Spisso

W. Michael Sweeney

City Manager.....Michael J. Czymbor
City Attorney.....Prina Maines
City Clerk.....Dolores Pomarico
Finance Director.....Niema Walker
Planning Director.....Branan Snowden
Police Chief..... Sam Woodward
Fire Chief..... Steve Camp
Parks, Recreation and Tourism Director.....Jennifer Combs
Public Works Director..... Rhett Lott
Public Information Director.....Juan Singleton
Municipal Judge/Clerk of Court..... Nancy Gutierrez
Grants Administrator.....Neil Parsons

CITY OF HARDEEVILLE, SOUTH CAROLINA

ORGANIZATIONAL CHART



FINANCIAL SECTION

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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 and the aggregate remaining fund information of the **City of Hardeeville, South Carolina** (the "City") as of and for the year ended June 30, 2019, 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, budgetary comparison schedule for the General Fund and the aggregate remaining fund information of the City, as of June 30, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis information on pages 12 – 18, the Schedule of the City's Proportionate Share of the Net Pension Liability and Related Ratios (on page 61), the Schedule of City Contributions (on page 62), be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide 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, combining and individual nonmajor fund financial statements and schedules, and the statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements of the City. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements of the City.

The combining and individual fund financial statements and schedules, the Uniform Schedule of Court Fines, Assessments and Surcharges (per ACT 96), and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and schedules, the Uniform Schedule of Court Fines, Assessments and Surcharges (per ACT 96), and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 25, 2019, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's 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.

Savannah, Georgia
November 25, 2019



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CITY OF HARDEEVILLE, SOUTH CAROLINA

MANAGEMENT'S DISCUSISON AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2019

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, 2019. 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 \$ 26,190,907 (net position). Of this amount, \$19,827,212 represents the investment in capital assets less depreciation and debt on those assets. \$7,755,940 are for development fees collected and will be used for development investments. \$1,698,819 is restricted for tourism related costs and \$61,463 is restricted for other purposes.
- The City's total net position increased by \$2,877,737.
- \$2,869,435 was committed for the City's reserve policy.
- The City's governmental funds reported a combined ending fund balance of \$22,476,425, a decrease of \$1,127,306.
- Unassigned fund balance for the general fund is \$998,735.

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 declining.

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.

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.

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 totaled \$54,797,950. Liabilities and deferred inflows of resources totaled \$28,607,043. An excess of \$26,190,907. Comparative information is presented for the current and prior fiscal year. The following table reflects the condensed government-wide statement of net assets.

	Governmental Activities	
	2019	2018
Current and other assets	\$ 25,127,039	\$ 25,229,380
Capital assets	27,120,654	21,576,016
Total assets	<u>52,247,693</u>	<u>46,805,396</u>
Deferred outflows of resources	<u>2,550,257</u>	<u>2,751,805</u>
Total assets and deferred outflows of resources	<u>\$ 54,797,950</u>	<u>\$ 49,557,201</u>
Current and other liabilities	\$ 2,366,111	\$ 1,410,102
Noncurrent liabilities	26,145,062	24,723,024
Total liabilities	<u>28,511,173</u>	<u>26,133,126</u>
Deferred inflows of resources	<u>95,870</u>	<u>110,905</u>
Total liabilities and deferred inflows of resources	<u>28,607,043</u>	<u>26,244,031</u>
Net position		
Net investment in capital assets	19,827,212	17,518,262
Restricted	9,516,222	7,639,163
Unrestricted	(3,152,527)	(1,844,255)
Total net position	<u>26,190,907</u>	<u>23,313,170</u>
Total liabilities, deferred inflows and net position	<u>\$ 54,797,950</u>	<u>\$ 49,557,201</u>

The portion of the City's net position \$19,827,212 reflects its investment in capital assets less the related debt on capital assets. These capital assets are not available for future spending. Although Hardeeville's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. See Note 5 on page 45 for additional information related to capital assets.

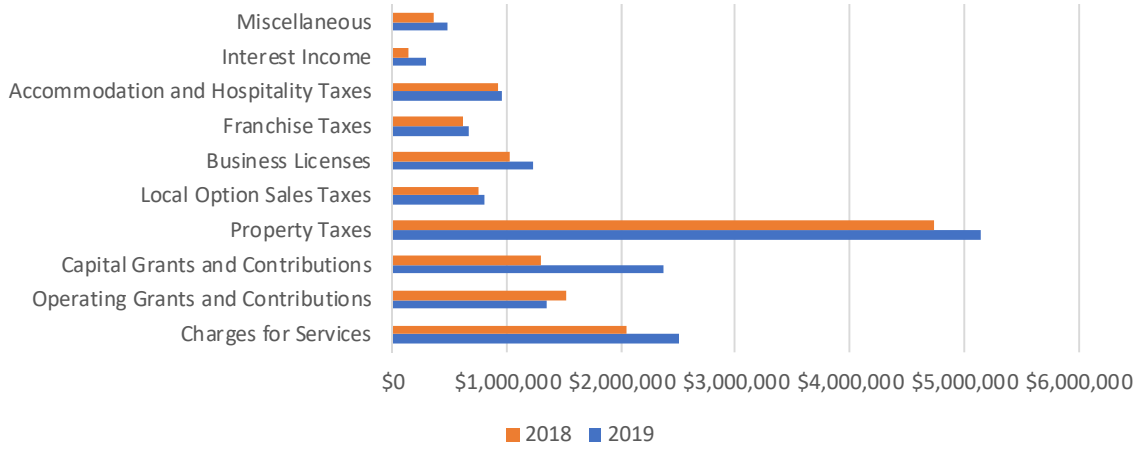
Restricted portions of net position consist of \$7,755,940 for developer agreements, tourism projects and related support of \$1,698,819 and \$61,463 for other purposes.

Governmental activities. Hardeeville's total net position increased by \$2,877,737. Comparative information has been presented for the prior year. Line item analysis of this increase is shown in the following table:

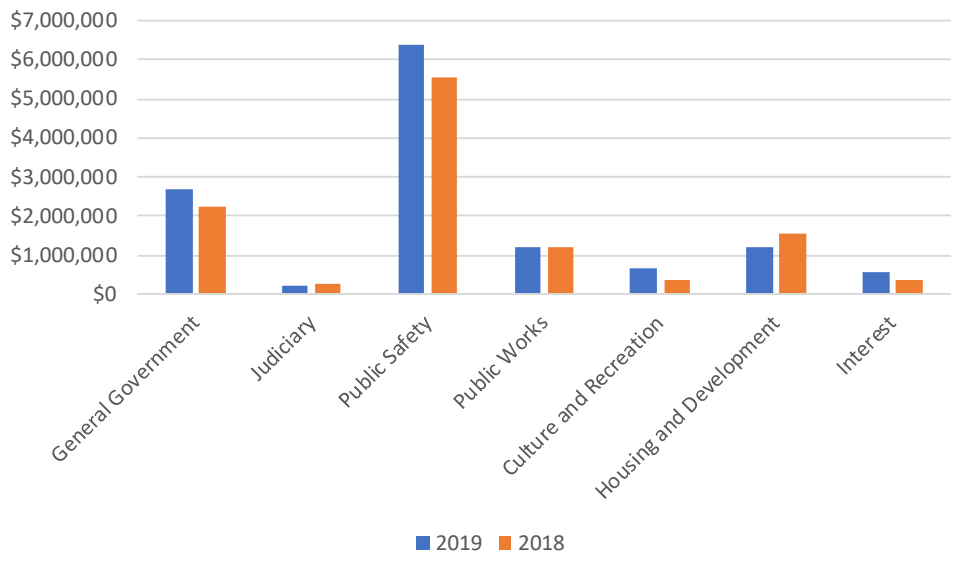
	Governmental Activities	
	2019	2018
Expenses:		
General government	\$ 2,679,428	\$ 2,215,379
Judicial	233,137	247,211
Public safety	6,392,157	5,545,111
Public works	1,199,233	1,212,460
Culture and recreation	650,362	361,922
Housing and development	1,199,508	1,569,490
Interest	568,780	377,145
Total expenses	<u>12,922,605</u>	<u>11,528,718</u>
Program Revenues:		
Charges for Services	2,334,181	2,049,437
Operating Grants and Contributions	1,024,024	1,522,028
Capital Grants and Contributions	2,597,941	1,303,724
Total Program Revenues	<u>5,956,146</u>	<u>4,875,189</u>
General Revenues:		
Property Taxes	5,245,760	4,734,911
Local Option Sales Taxes	795,916	758,234
Business Licenses	1,232,482	1,023,496
Franchise Taxes	667,281	619,421
Accommodation and Hospitality Taxes	955,379	924,776
Interest Income	293,622	141,760
Miscellaneous	653,756	352,940
Total General Revenues	<u>9,844,196</u>	<u>8,555,538</u>
Change in Net Position	2,877,737	1,902,009
Net Position, beginning of year	23,313,170	21,411,161
Net Position, end of year	<u>\$ 26,190,907</u>	<u>\$ 23,313,170</u>

The change in net position resulted primarily from increases in building permits and development agreement fees related to growth within the City. Other revenues related to growth such as property taxes and business licenses had increases.

Governmental Activities - Revenues by Source



Expenditures by Department



Financial Analysis of the Government's Funds

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

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.

The governmental funds consist of the general fund and development fund; and the other governmental funds. At the end of the current fiscal year, Hardeeville's governmental funds reported combined ending fund balance of \$22,476,425.

In the general fund balance there was a decrease of \$1,754,205. As explained above, revenues had an increase of \$1.3 million primarily in building permits and associated fees. However, expenditures increased significantly for capital outlay projects including costs for fire station 81 and a drainage project. These costs will fluctuate as various projects are began. With growth comes demands for additional services as shown with increases in police and fire services in the amount of approximately \$700,000. General administration increased approximately \$300,000 due to payouts for leave time and personnel cost increases for new positions filled during the current fiscal year.

The development fund increased \$452,841. These funds are restricted by contractual agreements for specific projects within the City that vary with each agreement. These funds are not available to fund City operations.

Capital Assets and Debt Administration

The City's investment in capital assets for its governmental activities as of June 30, 2019 amounts to \$27,120,654 (net of accumulated depreciation). Additional information on the City of Hardeeville's capital assets can be found in Note 9 on page 59.

	<u>2019</u>	<u>2018</u>
Construction in progress	\$ 5,913,978	\$ 996,962
Land and improvements	6,694,375	6,834,580
Buildings and improvements	9,452,960	9,401,229
Furniture and equipment	1,180,588	1,018,709
Vehicles	1,304,418	1,451,346
Infrastructure	2,574,335	1,873,190
Total	<u>\$ 27,120,654</u>	<u>\$ 21,576,016</u>

A majority of the increase in capital assets was due to costs regarding fire station 81 project and construction of roads in East Argent development area.

Long-term obligations. At the end of the current fiscal year, the City of Hardeeville had long-term debt obligations in the amount of \$24,723,024 which represented an increase of \$14,100,317 from the previous year. Refer to Note 6 on page 46 for a detailed information of long-term debt.

	Governmental Activities	
	2019	2018
Revenue Bonds	\$ 8,622,000	\$ 7,025,000
General Obligation Bonds	711,984	729,700
Capital Leases	1,464,355	1,943,384
Contractual Obligation	5,400,000	5,568,000
Compensated Absences	1,062,118	992,234
Net Pension Liability	8,884,605	8,464,706
Total	<u>\$ 26,145,062</u>	<u>\$ 24,723,024</u>

The City did issue additional revenue bonds in the amount of \$2,482,000 that will be used to refund the revenue bonds, series 2008 and to fund the indoor recreation facility. This accounted for a majority of the increase in the long-term obligations.

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 117 was reduced by 3 mills from the previous year to 114 mills for general fund taxes. Total approved budgets are as follows:

	2020 Budget
General fund	\$ 14,994,200
State accommodations tax	398,747
Local hospitality tax	1,018,203
Local accommodations tax	915,915
Development fund	9,977,495
Five year CIP	17,390,768
Total	<u>\$ 44,695,328</u>

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.

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BASIC FINANCIAL STATEMENTS

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CITY OF HARDEEVILLE, SOUTH CAROLINA

STATEMENT OF NET POSITION

JUNE 30, 2019

	<u>Primary Government</u>
	<u>Governmental Activities</u>
ASSETS	
Cash and cash equivalents	\$ 5,267,772
Restricted cash and cash equivalents	17,995,064
Receivables, net of allowance	
Taxes	407,503
Accounts	540,607
Property held for resale	899,793
Prepaid items	16,300
Capital assets:	
Non-depreciable	9,288,020
Depreciable, net of accumulated depreciation	17,832,634
Total assets	<u>52,247,693</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pension contributions made subsequent to measurement date	747,703
Differences between expected and actual experience related to pension expense	162,247
Pension assumption changes	484,859
Differences between projected and actual investment earnings earnings	161,862
Changes in proportion and differences between employer contribution and proportionate share of contributions	993,586
Total deferred outflows of resources	<u>2,550,257</u>
LIABILITIES	
Accounts payable	1,210,372
Salaries and benefits payable	239,484
Interest payable	116,000
Unearned revenue	800,255
Noncurrent liabilities	
Due within one year	1,506,928
Due in more than one year	15,753,529
Net pension liability - due in more than one year	8,884,605
Total liabilities	<u>28,511,173</u>
DEFERRED INFLOWS OF RESOURCES	
Differences between expected and actual experience related to pension expense	22,621
Changes in proportion and differences between employer contribution and proportionate share of contributions	73,249
Total deferred inflows of resources	<u>95,870</u>
NET POSITION	
Net investment in capital assets	19,827,212
Restricted for:	
Developer agreements	7,755,940
Tourism projects and related support	1,698,819
Public safety	61,463
Unrestricted	(3,152,527)
Total net position	<u>\$ 26,190,907</u>

The accompanying notes are an integral part of these financial statements.

CITY OF HARDEEVILLE, SOUTH CAROLINA

STATEMENT OF ACTIVITIES

FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Program Revenues			Net (Expenses) Revenues and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	
Functions/Programs				
Governmental activities:				
General government	\$ 2,679,428	\$ -	\$ -	\$ (2,679,428)
Judicial	233,137	210,253	-	(22,884)
Public safety	6,392,157	-	1,341	(5,384,792)
Public works	1,199,233	-	1,006,024	(477,503)
Culture and recreation	650,362	94,238	18,000	(453,413)
Housing and development	1,199,508	2,029,690	-	2,467,310
Interest on long-term debt	568,780	-	-	(415,749)
Total governmental activities	<u>\$ 12,922,605</u>	<u>\$ 2,334,181</u>	<u>\$ 1,024,024</u>	<u>\$ (6,966,459)</u>
			Capital Grants and Contributions	Primary Government Governmental Activities
			-	
			1,341	
			721,730	
			84,711	
			1,637,128	
			153,031	
			<u>2,597,941</u>	
			\$	
General revenues:				
Property taxes				5,245,760
Local option sales tax				795,916
Business licenses				1,232,482
Franchise taxes				667,281
Accommodations and hospitality taxes				955,379
Interest income				293,622
Miscellaneous revenues				653,756
Total general revenues				<u>9,844,196</u>
Change in net position				<u>2,877,737</u>
Net position, beginning of year				<u>23,313,170</u>
Net position, end of year				<u>\$ 26,190,907</u>

The accompanying notes are an integral part of these financial statements.

CITY OF HARDEEVILLE, SOUTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2019

	General Fund	Development Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 5,267,772	\$ -	\$ -	\$ 5,267,772
Restricted cash and cash equivalents	8,980,974	7,140,884	1,873,206	17,995,064
Property taxes receivable, net	407,503	-	-	407,503
Other receivables	402,295	-	138,312	540,607
Property held for resale	-	899,793	-	899,793
Prepaid assets	16,300	-	-	16,300
Due from other funds	64,537	-	-	64,537
Total assets	<u>\$ 15,139,381</u>	<u>\$ 8,040,677</u>	<u>\$ 2,011,518</u>	<u>\$ 25,191,576</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 1,318,170	\$ 8,180	\$ 22	\$ 1,326,372
Due to other funds	-	64,537	-	64,537
Unearned revenue	264,574	535,681	-	800,255
Salaries and benefits payable	123,484	-	-	123,484
Total liabilities	<u>1,706,228</u>	<u>608,398</u>	<u>22</u>	<u>2,314,648</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	400,503	-	-	400,503
Total deferred inflows of resources	<u>400,503</u>	<u>-</u>	<u>-</u>	<u>400,503</u>
FUND BALANCES				
Nonspendable	16,300	-	-	16,300
Restricted	8,482,358	7,432,279	2,011,496	17,926,133
Committed	3,535,257	-	-	3,535,257
Unassigned	998,735	-	-	998,735
Total fund balances	<u>13,032,650</u>	<u>7,432,279</u>	<u>2,011,496</u>	<u>22,476,425</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 15,139,381</u>	<u>\$ 8,040,677</u>	<u>\$ 2,011,518</u>	<u>\$ 25,191,576</u>

The accompanying notes are an integral part of these financial statements.

CITY OF HARDEEVILLE, SOUTH CAROLINA

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION JUNE 30, 2019

Total governmental fund balances:	\$	22,476,425
Amounts reported for governmental activities in the statement of net position are different because of the following:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the government funds:		
Cost of assets	\$ 34,973,932	
Accumulated depreciation	<u>(7,853,278)</u>	27,120,654
Other long-term assets are not available to pay for current period expenditures and, therefore, are unavailable in the funds:		
Property taxes	<u>400,503</u>	400,503
Other long-term assets related to pension expense are not available to pay for current expenditures and are; therefore, not reported in the funds:		
Contributions made subsequent to measurement date	747,703	
Differences between expected and actual experience related to pension expense	162,247	
Pension assumption changes	484,859	
Differences between projected and actual investment earnings	161,862	
Changes in proportion and differences between employer contribution and proportionate share of contributions	<u>993,586</u>	2,550,257
Long-term liabilities, including bonds payable and accrued interest, are not due and payable in the current period and, therefore, are not reported in the funds:		
Net pension liability	(8,884,605)	
Compensated absences payable	(1,062,118)	
Accrued interest payable	(116,000)	
Capital leases	(1,464,355)	
Revenues bonds	(8,622,000)	
General obligation bonds	(711,984)	
Contractual obligations	<u>(5,400,000)</u>	(26,261,062)
Other long-term liabilities related to pension expense do not consume current financial resources and are; therefore, not reported in the funds:		
Differences between expected and actual experience related to pension expense		(22,621)
Changes in proportion and differences between employer contribution and proportionate share of contributions		<u>(73,249)</u>
Net position of governmental activities	\$	<u><u>26,190,907</u></u>

The accompanying notes are an integral part of these financial statements.

CITY OF HARDEEVILLE, SOUTH CAROLINA

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

	<u>General Fund</u>	<u>Development Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
Taxes	\$ 5,981,871	\$ -	\$ 919,778	\$ 6,901,649
Fines, fees and licenses	4,142,418	91,524	46,938	4,280,880
Special assessments	-	1,494,328	-	1,494,328
Intergovernmental	1,915,509	-	-	1,915,509
Investment income	288,259	153,031	5,363	446,653
Other revenues	157,762	-	278,218	435,980
Total revenues	<u>12,485,819</u>	<u>1,738,883</u>	<u>1,250,297</u>	<u>15,474,999</u>
Expenditures:				
Current:				
General government	2,397,901	-	-	2,397,901
Judicial	196,375	-	-	196,375
Public safety	5,191,065	-	70,824	5,261,889
Public works	855,058	-	-	855,058
Culture and recreation	277,191	-	176,316	453,507
Housing and development	1,091,948	100,472	-	1,192,420
Capital outlay	5,842,453	1,000,272	-	6,842,725
Debt service:				
Principal retirement	664,745	-	885,000	1,549,745
Interest	319,653	-	269,683	589,336
Total expenditures	<u>16,836,389</u>	<u>1,100,744</u>	<u>1,401,823</u>	<u>19,338,956</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(4,350,570)</u>	<u>638,139</u>	<u>(151,526)</u>	<u>(3,863,957)</u>
Other financing sources (uses):				
Transfers in	292,212	-	15,035	307,247
Transfers out	(15,035)	(185,298)	(106,914)	(307,247)
Sale of capital assets	254,651	-	-	254,651
Revenue bonds issued	2,064,537	-	417,463	2,482,000
Total other financing sources (uses)	<u>2,596,365</u>	<u>(185,298)</u>	<u>325,584</u>	<u>2,736,651</u>
Net change in fund balances	(1,754,205)	452,841	174,058	(1,127,306)
Fund balances, beginning of year	<u>14,786,855</u>	<u>6,979,438</u>	<u>1,837,438</u>	<u>23,603,731</u>
Fund balances end of year	<u>\$ 13,032,650</u>	<u>\$ 7,432,279</u>	<u>\$ 2,011,496</u>	<u>\$ 22,476,425</u>

The accompanying notes are an integral part of these financial statements.

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 FISCAL YEAR ENDED JUNE 30, 2019**

Net change in fund balances - total governmental funds \$ (1,127,306)

Governmental funds report capital outlays as expenditures and donated assets as revenue. However, in the statement of activities, the donated assets are added to capital asset costs, and the costs of all asset additions are allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay and capital contributions exceeded depreciation expense in the current period.

Capital outlay	\$ 6,613,163	
Capital contributions	106,103	
Depreciation expense	<u>(1,090,817)</u>	5,628,449

In the statement of activities, the gain or loss on disposal of capital assets is reported. Conversely, governmental funds report only proceeds from disposal of capital assets. Thus, the change in net position differs from the change in fund balance by the net book value of the capital assets sold or disposed.

Cost of capital assets	(99,176)	
Accumulated depreciation	<u>15,365</u>	(83,811)

Because some revenues will not be collected for several months after the City's fiscal year-end, they are not considered "available" revenues in the governmental funds.

Amounts not meeting prior year availability criteria, recognized in governmental funds in current year:

Property taxes		48,400
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The issuance of long-term debt (e.g., bonds, notes, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.

Proceeds from issuance of debt	(2,482,000)	
Repayment of debt	<u>1,549,745</u>	(932,255)

Pension expense that is related to net pension liability as recorded in the statement of activities is based on the City's proportionate share of pension expense of the retirement system as a whole, whereas pension expense recorded in the funds are based on the use of financial resource (e.g., required contributions). Thus the change in net position differs from the change in fund balance by the amount by which the City's proportionate share of pension expense exceeds actual contributions.

(606,412)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. The details are as follows:

Compensated absences:		
Current year	(1,062,118)	
Prior year	992,234	
Accrued interest expense - current year		
Current year	(116,000)	
Prior year	<u>136,556</u>	<u>(49,328)</u>

Change in net position of governmental activities		<u>\$ 2,877,737</u>
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The accompanying notes are an integral part of these financial statements.

CITY OF HARDEEVILLE, SOUTH CAROLINA

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.

The **Municipal Improvement District – HH Lakes Fund** accounts for the special assessment bonds issued for the improvement of this are within the City.

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CITY OF HARDEEVILLE, SOUTH CAROLINA

**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
JUNE 30, 2019**

ASSETS

Cash	\$ 1,990,167
Total assets	<u>\$ 1,990,167</u>

LIABILITIES

Due to others	\$ 1,990,167
Total liabilities	<u>\$ 1,990,167</u>

The accompanying notes are an integral part of these financial statements.

CITY OF HARDEEVILLE, SOUTH CAROLINA

STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES AGENCY FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	<u>Balance</u> <u>June 30, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2019</u>
ASSETS				
Cash	\$ 1,851,177	\$ 1,453,218	\$ 1,314,228	\$ 1,990,167
Total assets	<u>\$ 1,851,177</u>	<u>\$ 1,453,218</u>	<u>\$ 1,314,228</u>	<u>\$ 1,990,167</u>
LIABILITIES				
Due to others	\$ 1,851,177	\$ 1,453,218	\$ 1,314,228	\$ 1,990,167
Total liabilities	<u>\$ 1,851,177</u>	<u>\$ 1,453,218</u>	<u>\$ 1,314,228</u>	<u>\$ 1,990,167</u>

CITY OF HARDEEVILLE, SOUTH CAROLINA

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - GAAP BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

	Budget		Actual	Variance With Final Budget
	Original	Final		
Revenues:				
Taxes	\$ 6,125,319	\$ 6,022,978	\$ 5,981,871	\$ (41,107)
Licenses and permits	3,579,250	2,884,131	3,154,003	269,872
Intergovernmental	5,533,309	2,088,083	1,915,509	(172,574)
Franchise fees	970,661	963,853	877,534	(86,319)
Charges for services	26,500	45,412	110,881	65,469
Investment income	28,184	265,170	288,259	23,089
Other revenues	217,900	506,312	157,762	(348,550)
Total revenues	<u>16,481,123</u>	<u>12,775,939</u>	<u>12,485,819</u>	<u>(290,120)</u>
Expenditures:				
Current:				
General administration	1,715,682	1,427,255	909,754	517,501
Council	160,418	169,580	162,286	7,294
Finance	274,657	268,058	262,871	5,187
Public information	243,497	230,425	224,937	5,488
Information technology	297,020	360,597	319,464	41,133
Facilities maintenance	531,500	526,410	518,588	7,822
Courts	247,230	205,069	196,375	8,694
Fire department	2,932,632	2,975,585	2,932,799	42,786
Police department	2,197,449	2,281,661	2,258,266	23,395
Public works	950,904	864,786	855,058	9,728
Recreation	299,758	296,246	277,191	19,055
Building inspection	447,118	405,178	400,204	4,974
Planning/development services	396,232	437,703	435,410	2,293
Downtown development	219,833	274,191	256,335	17,856
Capital outlay	15,536,776	16,569,776	5,842,453	10,727,323
Debt service:				
Principal retirement	832,877	1,028,317	664,745	363,572
Interest	176,608	267,072	319,653	(52,581)
Total expenditures	<u>27,460,191</u>	<u>28,587,909</u>	<u>16,836,389</u>	<u>11,751,520</u>
Deficiency of revenues under expenditures	<u>(10,979,068)</u>	<u>(15,811,970)</u>	<u>(4,350,570)</u>	<u>11,461,400</u>
Other financing sources (uses):				
Transfers in	1,728,886	1,360,833	292,212	(1,068,621)
Transfers out	(630,861)	(144,315)	(15,035)	129,280
Proceeds from sale of capital assets	26,000	127,680	254,651	126,971
Proceeds from issuance of debt	9,855,043	14,467,772	2,064,537	(12,403,235)
Total other financing sources (uses)	<u>10,979,068</u>	<u>15,811,970</u>	<u>2,596,365</u>	<u>(13,215,605)</u>
Net change in fund balances	<u>-</u>	<u>-</u>	<u>(1,754,205)</u>	<u>(1,754,205)</u>
Fund balances, beginning of year	<u>14,786,855</u>	<u>14,786,855</u>	<u>14,786,855</u>	<u>-</u>
Fund balances, end of year	<u>\$ 14,786,855</u>	<u>\$ 14,786,855</u>	<u>\$ 13,032,650</u>	<u>\$ (1,754,205)</u>

CITY OF HARDEEVILLE, SOUTH CAROLINA

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - GAAP BASIS
DEVELOPMENT FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

	Budget		Actual	Variance With Final Budget
	Original	Final		
Revenues:				
Licenses and permits	\$ 20,000	\$ 25,000	\$ 91,524	\$ 66,524
Special assessments	2,770,576	1,412,020	1,494,328	82,308
Investment income	48,736	145,227	153,031	7,804
Total revenues	<u>2,839,312</u>	<u>1,582,247</u>	<u>1,738,883</u>	<u>156,636</u>
Expenditures:				
Housing and development	4,962,712	7,577,494	1,100,744	6,476,750
Total expenditures	<u>4,962,712</u>	<u>7,577,494</u>	<u>1,100,744</u>	<u>6,476,750</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,123,400)</u>	<u>(5,995,247)</u>	<u>638,139</u>	<u>(6,320,114)</u>
Other financing uses				
Transfers out	<u>(424,482)</u>	<u>(228,733)</u>	<u>(185,298)</u>	<u>(43,435)</u>
Total other financing uses	<u>(424,482)</u>	<u>(228,733)</u>	<u>(185,298)</u>	<u>(43,435)</u>
Net change in fund balances	(2,547,882)	(6,223,980)	452,841	(6,363,549)
Fund balances, beginning of year	<u>6,979,438</u>	<u>6,979,438</u>	<u>6,979,438</u>	<u>-</u>
Fund balances, end of year	<u>\$ 4,431,556</u>	<u>\$ 755,458</u>	<u>\$ 7,432,279</u>	<u>\$ (6,363,549)</u>

CITY OF HARDEEVILLE, SOUTH CAROLINA

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes.

The **State Accommodations Tax Fund – Indirect** accounts 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.

The **State Accommodations Tax Fund – Direct** accounts 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.

The **State Accommodations Tax Fund – Direct** accounts 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.

The **Local Accommodations Tax Fund** accounts for the City's share of local accommodations taxes that are legally restricted for expenditures that promote parks, recreation and tourism within the City.

The **Local Hospitality Tax Fund** accounts for the City's share of local hospitality taxes that are legally restricted for expenditures that promote parks, recreation and tourism within the City.

The **Victim Assistance Fund** accounts for assessments from fines that are restricted to direct victim services.

The **Fire Fund** accounts for funds that are restricted to fire department functions.

The **Police Fund** accounts for funds that are restricted to police department functions.

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CITY OF HARDEEVILLE, SOUTH CAROLINA

NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)

CAPITAL PROJECTS FUNDS

Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities.

The **Capital Projects Fund** accounts for funds that are restricted to capital improvement purposes.

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CITY OF HARDEEVILLE, SOUTH CAROLINA

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - GAAP BASIS
INDIRECT ACCOMODATIONS TAX FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

	Budget		Actual	Variance With Final Budget
	Original	Final		
Revenues:				
Taxes	\$ 114,274	\$ 175,295	\$ 138,073	\$ (37,222)
Total revenues	<u>114,274</u>	<u>175,295</u>	<u>138,073</u>	<u>(37,222)</u>
Expenditures:				
Recreation	332,468	320,709	114,078	206,631
Total expenditures	<u>332,468</u>	<u>320,709</u>	<u>114,078</u>	<u>206,631</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(218,194)</u>	<u>(145,414)</u>	<u>23,995</u>	<u>(243,853)</u>
Other financing uses				
Transfers out	-	(72,779)	(72,779)	-
Total other financing uses	<u>-</u>	<u>(72,779)</u>	<u>(72,779)</u>	<u>-</u>
Net change in fund balances	<u>(218,194)</u>	<u>(218,193)</u>	<u>(48,784)</u>	<u>(243,853)</u>
Fund balances, beginning of year	<u>258,992</u>	<u>258,992</u>	<u>258,992</u>	<u>-</u>
Fund balances, end of year	<u>\$ 40,798</u>	<u>\$ 40,799</u>	<u>\$ 210,208</u>	<u>\$ (243,853)</u>

CITY OF HARDEEVILLE, SOUTH CAROLINA

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - GAAP BASIS
DIRECT ACCOMODATIONS TAX FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

	Budget		Actual	Variance With Final Budget
	Original	Final		
Revenues:				
Taxes	\$ 52,736	\$ 96,450	\$ 63,606	\$ (32,844)
Total revenues	<u>52,736</u>	<u>96,450</u>	<u>63,606</u>	<u>(32,844)</u>
Expenditures:				
Recreation	52,736	96,450	60,129	36,321
Total expenditures	<u>52,736</u>	<u>96,450</u>	<u>60,129</u>	<u>36,321</u>
Net change in fund balances	<u>-</u>	<u>-</u>	<u>3,477</u>	<u>3,477</u>
Fund balances, beginning of year	<u>19,941</u>	<u>19,941</u>	<u>19,941</u>	<u>-</u>
Fund balances, end of year	<u>\$ 19,941</u>	<u>\$ 19,941</u>	<u>\$ 23,418</u>	<u>\$ 3,477</u>

CITY OF HARDEEVILLE, SOUTH CAROLINA

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - GAAP BASIS
LOCAL ACCOMODATIONS TAX FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

	Budget		Actual	Variance With Final Budget
	Original	Final		
Revenues:				
Taxes	\$ 377,250	\$ 326,904	\$ 374,633	\$ 47,729
Total revenues	<u>377,250</u>	<u>326,904</u>	<u>374,633</u>	<u>47,729</u>
Expenditures:				
Tourism	659,985	609,639	-	609,639
Debt service:				
Principal retirement	180,000	180,000	180,000	-
Interest	119,743	119,743	119,743	-
Total expenditures	<u>959,728</u>	<u>909,382</u>	<u>299,743</u>	<u>609,639</u>
Net change in fund balances	<u>(582,478)</u>	<u>(582,478)</u>	<u>74,890</u>	<u>657,368</u>
Fund balances, beginning of year	<u>633,608</u>	<u>633,608</u>	<u>633,608</u>	<u>-</u>
Fund balances, end of year	<u>\$ 51,130</u>	<u>\$ 51,130</u>	<u>\$ 708,498</u>	<u>\$ 657,368</u>

CITY OF HARDEEVILLE, SOUTH CAROLINA

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - GAAP BASIS
LOCAL HOSPITALITY TAX FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

	Budget		Actual	Variance With Final Budget
	Original	Final		
Revenues:				
Taxes	\$ 337,300	\$ 322,514	\$ 343,466	\$ 20,952
Total revenues	<u>337,300</u>	<u>322,514</u>	<u>343,466</u>	<u>20,952</u>
Expenditures:				
Tourism	726,802	712,016	-	712,016
Debt service:				
Principal retirement	180,000	180,000	180,000	-
Interest	119,743	119,743	119,743	-
Total expenditures	<u>1,026,545</u>	<u>1,011,759</u>	<u>299,743</u>	<u>712,016</u>
Net change in fund balances	<u>(689,245)</u>	<u>(689,245)</u>	<u>43,723</u>	<u>732,968</u>
Fund balances, beginning of year	<u>712,972</u>	<u>712,972</u>	<u>712,972</u>	<u>-</u>
Fund balances, end of year	<u>\$ 23,727</u>	<u>\$ 23,727</u>	<u>\$ 756,695</u>	<u>\$ 732,968</u>

CITY OF HARDEEVILLE, SOUTH CAROLINA

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - GAAP BASIS
VICTIMS' ASSISTANCE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

	Budget		Actual	Variance With Final Budget
	Original	Final		
Revenues:				
Fines, fees and licenses	\$ -	\$ 37,000	\$ 36,244	\$ (756)
Total revenues	<u>-</u>	<u>37,000</u>	<u>36,244</u>	<u>(756)</u>
Expenditures:				
Recreation	-	2,110	2,109	1
Total expenditures	<u>-</u>	<u>2,110</u>	<u>2,109</u>	<u>1</u>
Excess of revenues over expenditures	<u>-</u>	<u>34,890</u>	<u>34,135</u>	<u>(757)</u>
Other financing uses				
Transfers out	-	(34,890)	(34,135)	755
Total other financing uses	<u>-</u>	<u>(34,890)</u>	<u>(34,135)</u>	<u>755</u>
Net change in fund balances	-	-	-	(2)
Fund balances, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (2)</u>

CITY OF HARDEEVILLE, SOUTH CAROLINA
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - GAAP BASIS
FIRE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	<u>Budget</u>		<u>Actual</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Interest income	\$ -	\$ -	\$ 289	\$ 289
Miscellaneous revenues	-	68,000	25,891	(42,109)
Total revenues	<u>-</u>	<u>68,000</u>	<u>26,180</u>	<u>(41,820)</u>
Expenditures:				
Public Safety	-	68,000	67,824	176
Total expenditures	<u>-</u>	<u>68,000</u>	<u>67,824</u>	<u>176</u>
Net change in fund balances	<u>-</u>	<u>-</u>	<u>(41,644)</u>	<u>(41,644)</u>
Fund balances, beginning of year	<u>68,095</u>	<u>68,095</u>	<u>68,095</u>	<u>-</u>
Fund balances, end of year	<u>\$ 68,095</u>	<u>\$ 68,095</u>	<u>\$ 26,451</u>	<u>\$ (41,644)</u>

CITY OF HARDEEVILLE, SOUTH CAROLINA

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - GAAP BASIS
POLICE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

	Budget		Actual	Variance With Final Budget
	Original	Final		
Revenues:				
Investment income	\$ -	\$ -	\$ 158	\$ 158
Fines, fees and licenses	-	14,000	10,694	(3,306)
Other revenues	-	-	3,000	3,000
Total revenues	-	14,000	13,852	(148)
Expenditures:				
Public Safety	-	14,000	3,000	11,000
Total expenditures	-	14,000	3,000	11,000
Net change in fund balances	-	-	10,852	10,852
Fund balances, beginning of year	24,160	24,160	24,160	-
Fund balances, end of year	\$ 24,160	\$ 24,160	\$ 35,012	\$ 10,852

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CITY OF HARDEEVILLE, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

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.

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.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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. Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

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.

Additionally, the City reports the following fund types:

The *special revenue fund* is used to account for revenue sources that are legally restricted to expenditure for specific purposes.

The *capital projects fund* is used to account for the acquisition of capital assets and construction or improvement of major capital projects such as construction of new roads.

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.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Basis of Presentation – Fund Financial Statements – Continued

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 are eliminated.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated.

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.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Measurement Focus, Basis of Accounting, and Financial Statement Presentation – Continued

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, the Accommodations Funds, and Hospitality Tax Funds. Supplemental appropriations were made to the original budget to revise in accordance with actual revenues collected.

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.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/fund Balance – Continued

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 2019 is 117 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. 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.

NOTES TO FINANCIAL STATEMENTS

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 an other financing source.

Deferred Outflows/Inflows of Resources

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

In addition to liabilities, the statement of net 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 City has three items that qualify for reporting in this category. The first item, which arises under the modified accrual basis of accounting, *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 the other two items as deferred inflows related to its net pension liability.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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

Net position flow assumptions

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the 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.

Fund balance flow assumptions

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

Fund balance policies

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

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

NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/fund Balance – Continued

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.

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.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/fund Balance – Continued

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 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, 2019, the bank balances of the City's deposits was insured by the FDIC or collateralized.

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

Restricted for drug related expenditures	\$	35,034
Restricted for fire department 1% funds		26,451
Restricted for tourism		1,560,507
Restricted by bond covenants		8,908,527
Restricted by development agreements		7,464,545
Total restricted cash	\$	<u>17,995,064</u>

The City has \$19,035,364 in operating funds invested in the South Carolina Government Investment Pool (the "SC LGIP") The SC LGIP was created by OCGA 36-83-8, is a stable asset value investment pool, which follows Standard and Poor's criteria for AAAf rated money market funds and is regulated by the South Carolina Office of the State Treasurer. The pool is not registered with the SEC as an investment company. The pool's primary objectives are safety of capital, investment income, liquidity and diversification while maintaining principal (\$1 per share value). The asset value is calculated weekly to ensure stability. The pool distributes earnings (net of management fees) on a monthly basis and determines participants' shares sold and redeemed based on \$1 per share. The pool also adjusts the value of its investments to fair market value as of year-end and the City's investment in the SC LGIP is reported at fair value. The City considers amounts held in SC LGIP as cash equivalents for financial statement presentation.

NOTES TO FINANCIAL STATEMENTS

NOTE 3 RECEIVABLES

Receivables at June 30, 2019, 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	\$ 1,127,492	\$ 101,149	\$ 301,146	\$ (719,989)	\$ 809,798
Nonmajor governmental	64,155	-	74,157	-	138,312
Total Receivables	<u>\$ 1,191,647</u>	<u>\$ 101,149</u>	<u>\$ 375,303</u>	<u>\$ (719,989)</u>	<u>\$ 948,110</u>

Governmental 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 \$400,503 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 \$800,255.

NOTE 4 PROPERTY HELD FOR RESALE

Property held for resale consists of land in the amount of \$648,051 and sewer capacity of \$251,742 for a total of \$899,793.

NOTE 5 PROPERTY AND EQUIPMENT

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

	<u>Beginning Balances</u>	<u>Additions/ Completions</u>	<u>Disposals/ Adjustments</u>	<u>Ending Balances</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 3,457,853	\$ -	\$ 83,811	\$ 3,374,042
Construction in progress	996,962	4,917,016	-	5,913,978
Total capital assets not being depreciated	<u>4,454,815</u>	<u>4,917,016</u>	<u>83,811</u>	<u>9,288,020</u>
Capital assets being depreciated:				
Building and improvements	10,815,003	289,955	-	11,104,958
Land Improvements	4,431,258	28,000	-	4,459,258
Furniture and equipment	2,275,852	404,865	-	2,680,717
Vehicles	3,512,613	211,478	15,365	3,708,726
Infrastructure	2,864,301	867,952	-	3,732,253
Total capital assets being depreciated	<u>23,899,027</u>	<u>1,802,250</u>	<u>15,365</u>	<u>25,685,912</u>
Less accumulated depreciation for:				
Building and improvements	1,413,774	238,224	-	1,651,998
Land Improvements	1,054,531	84,394	-	1,138,925
Furniture and equipment	1,257,143	242,986	-	1,500,129
Vehicles	2,061,267	358,406	15,365	2,404,308
Infrastructure	991,111	166,807	-	1,157,918
Total accumulated depreciation	<u>6,777,826</u>	<u>1,090,817</u>	<u>15,365</u>	<u>7,853,278</u>
Total capital assets being depreciated, net	<u>17,121,201</u>	<u>711,433</u>	<u>-</u>	<u>17,832,634</u>
Governmental activities capital assets, net	<u>\$ 21,576,016</u>	<u>\$ 5,628,449</u>	<u>\$ 83,811</u>	<u>\$ 27,120,654</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 5 PROPERTY AND EQUIPMENT – CONTINUED

Depreciation expense was \$1,090,817 for the year ended June 30, 2019. This amount was allocated to the functional departments as follows:

General government	\$	155,164
Court		3,606
Police Department		245,815
Fire		219,609
Recreation		152,280
Public Works		290,700
Planning and Development		11,168
Building Inspection		12,475
Total Depreciation Expense	\$	1,090,817

NOTE 6 LONG-TERM OBLIGATIONS

A schedule of changes in long-term indebtedness follows:

	Balance June 30, 2018	Additions	Reductions	Balance June 30, 2019	Amounts Due Next Fiscal Year
Governmental activities					
General obligation bonds	\$ 729,700	\$ -	\$ 17,716	\$ 711,984	\$ 18,225
Revenue bonds	7,025,000	2,482,000	885,000	8,622,000	516,000
Contractual obligation	5,568,000	-	168,000	5,400,000	182,000
Capital leases	1,943,384	-	479,029	1,464,355	450,703
Total bonds and leases payable	<u>15,266,084</u>	<u>2,482,000</u>	<u>1,549,745</u>	<u>16,198,339</u>	<u>1,166,928</u>
Other liabilities:					
Compensated absences	992,234	409,679	339,795	1,062,118	340,000
Net pension liability	8,464,706	1,452,581	1,032,682	8,884,605	-
Total other liabilities	<u>9,456,940</u>	<u>1,862,260</u>	<u>1,372,477</u>	<u>9,946,723</u>	<u>340,000</u>
Governmental activities long-term liabilities	<u>\$ 24,723,024</u>	<u>\$ 4,344,260</u>	<u>\$ 2,922,222</u>	<u>\$ 26,145,062</u>	<u>\$ 1,506,928</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 \$38,624,290. The computation of legal debt limits is as follows:

General obligation debt limit (\$38,624,290 x 8%)	\$	3,089,943
General obligation debt at June 30, 2019		(9,946,723)
Excess of debt limit over general obligation debt		<u>\$ (6,856,780)</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.

NOTES TO FINANCIAL STATEMENTS

NOTE 6 LONG-TERM OBLIGATIONS – CONTINUED

General Obligation Bond

\$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.

\$ 711,984

Revenue Bonds

\$6,500,000 revenue bonds dated January 25, 2018, for indoor recreation facility payable in fifteen annual payments plus interest at 3.10% beginning October 2018. Matures in 2033.

\$ 6,140,000

\$2,482,000 revenue bonds dated February 28, 2019, for indoor recreation facility and refund the outstanding 2008 series installment purchase revenue bonds payable in thirty semi-annual payments plus interest at 3.73% beginning April 2019. Matures in 2033.

2,482,000

\$ 8,622,000

Contractual Obligations

\$5,650,000 revenue bonds dated July 21, 2017, for the costs of certain renovations and improvements to the City's existing police department and municipal court building and a new public works facility payable in twenty bi-annual payments plus interest at 3.2% beginning October 2017. Matures in 2027.

\$ 5,400,000

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, revenue bonds and contractual obligations as of June 30, 2019, is as follows:

Fiscal Year	Principal	Interest	Total
2020	\$ 716,225	\$ 484,958	\$ 1,201,183
2021	749,749	460,610	1,210,359
2022	780,288	434,971	1,215,259
2023	810,843	408,297	1,219,140
2024	722,414	380,594	1,103,008
2025-2029	4,489,218	1,484,671	5,973,889
2030-2034	4,696,153	683,988	5,380,141
2035-2039	1,540,669	147,666	1,688,335
2040-2044	170,156	25,754	195,910
2045-2047	58,269	20,095	78,364
Total	<u>\$ 14,733,984</u>	<u>\$ 4,531,604</u>	<u>\$ 19,265,588</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 6 LONG-TERM OBLIGATIONS – CONTINUED

The City issued \$2,482,000 Hardeeville Public Facilities Corporation Installment Purchase Revenue Notes, Series 2019 on February 28, 2019. A portion of these bonds will be used to refund the City's outstanding Installment Purchase Revenue Bonds, Series 2008. This resulted in a cash savings of \$19,384 and an economic gain of \$16,428.

Equipment Under Capitalized Leases

The City has entered into the below 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 \$4,092,464 with accumulated amortization of \$1,693,194. The leases on the fire truck and vehicles are payable from the General Fund.

\$2,473,000 lease payable on municipal complex payable monthly at \$15,216 including interest of 4.19% beginning January 7, 2004. Matures in 2024.	\$ 751,154
\$242,967 lease payable for police vehicles payable in twenty quarterly payments of \$12,491 including interest of 1.1% beginning August 2015. Matures in 2020.	37,378
\$132,560 lease payable for John Deere mower payable in sixty monthly payments of \$1,305 including interest of 1.5% beginning June 2016. Matures in 2020.	14,352
\$439,026 lease payable for vehicles and equipment payable in bi-annual payments of \$43,903 including interest of 1.519% beginning November 2016. Matures in 2021.	175,610
\$24,874 lease payable for the boom lift payable in forty-eight monthly payments of \$549 including interest of 2.9% beginning September 2015. Matures in 2020.	1,111
\$173,644 lease payable for equipment payable in ten bi-annual payments of \$17,364 including interest of 1.59% beginning June 2016. Matures in 2021.	52,093
\$610,000 lease payable for equipment payable in ten bi-annual payments of \$64,231 including interest of 1.91% beginning May 2018. Matures in 2023.	432,657
Total	\$ 1,464,355

NOTES TO FINANCIAL STATEMENTS

NOTE 6 LONG-TERM OBLIGATIONS – CONTINUED

Future minimum lease payments as of June 30, 2019, are as follows:

Fiscal Year	Governmental Activities
2020	\$ 491,038
2021	418,842
2022	312,248
2023	248,017
2024	91,559
Total minimum lease payments	1,561,704
Less: amount representing interest	(97,349)
Present value of minimum lease payments	\$ 1,464,355

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, 2019, accrued paid time off totaled \$1,062,118 including 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, 2019, is \$11,521,000.

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 Authority), 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.

NOTES TO FINANCIAL STATEMENTS

NOTE 7 EMPLOYEE RETIREMENT SYSTEMS AND PLANS – CONTINUED

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 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 National Guard Supplemental Retirement Plan (SCNG).

NOTES TO FINANCIAL STATEMENTS

NOTE 7 EMPLOYEE RETIREMENT SYSTEMS AND PLANS – CONTINUED

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.

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.

NOTES TO FINANCIAL STATEMENTS

NOTE 7 EMPLOYEE RETIREMENT SYSTEMS AND PLANS – CONTINUED

Benefits – Continued

The Annual retirement allowance of eligible retirees or their surviving annuitants is increased by the lesser of 1% or \$500 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 1% or \$500 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% of earnable compensation for SCRS and 5% for PORS. An increase in the contribution rate adopted by the board may not provide for an increase of more than one-half of 1% 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 30 year amortization period; and, this increase is not limited to one-half of 1% per year. Contributions are calculated on earnable compensation as defined in Title 9 of the South Carolina Code of Laws.

NOTES TO FINANCIAL STATEMENTS

NOTE 7 EMPLOYEE RETIREMENT SYSTEMS AND PLANS – CONTINUED

Contributions – Continued

Required employee contribution rates for fiscal year 2018-2019 are as follows:

	<u>2019</u>	<u>2018</u>	
SCRS Employee Class Two	9.00%	9.00%	of earnable compensation
Employee Class Three	9.00%	9.00%	of earnable compensation
PORS Employee Class Two	9.75%	9.75%	of earnable compensation
Employee Class Three	9.75%	9.75%	of earnable compensation

Required employer contribution rates for fiscal year 2018-2019 are as follows:

	<u>2019</u>	<u>2018</u>	
SCRS Employer Class Two	14.41%	13.41%	of earnable compensation
Employer Class Three	14.41%	13.41%	of earnable compensation
Employer Incidental Death Benefit	0.15%	0.15%	of earnable compensation
PORS Employer Class Two	16.84%	15.84%	of earnable compensation
Employer Class Three	16.84%	15.84%	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 July 1, 2015.

The June 30, 2018, total pension liability (TPL), net pension liability (NPL), and sensitivity information is determined by the consulting actuary Gabriel, Roeder, Smith and Company (GRS) and are based on an actuarial valuation performed as of July 1, 2017. The TPL was rolled-forward from the valuation date to the plan's fiscal year ended, June 30, 2018, using generally accepted actuarial principles.

NOTES TO FINANCIAL STATEMENTS

NOTE 7 EMPLOYEE RETIREMENT SYSTEMS AND PLANS – CONTINUED

Actuarial Assumptions and Methods – Continued

	SCRS	PORS
Actuarial cost method	Entry age normal	Entry age normal
Actuarial assumptions:		
Investment rate of return	7.25%	7.25%
Projected salary increases	1 3.0% to 12.5% (varies with service)	1 3.5% to 9.5% (varies with service)
Benefits adjustments	lesser of 1% or \$500	lesser of 1% or \$500
1 - includes inflation at 2.25%		

The post-retiree mortality assumption is dependent upon the member’s job category and gender. The base mortality assumptions, the 2016 Public Retirees of South Carolina Mortality table (2016 PRSC), was developed using the Systems’ mortality experience. These base rates are adjusted for future improvement in mortality using published Scale AA projected from the year 2016. Those rates are as follows:

<u>Job Class</u>	<u>Males</u>	<u>Females</u>
General Employees	2016 PRSC Males multiplied by 100%	2016 PRSC Females multiplied by 111%
Public Safety Employees	2016 PRSC Males multiplied by 125%	2016 PRSC Females multiplied by 111%

Long-term Expected Rate of Return

The long-term expected rate of return on pension plan investments was based upon the 30 year capital market assumptions. 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 at the beginning of the 2018 fiscal year. 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 7.25% assumed annual investment rate of return and used in the calculation of the total pension liability includes a 5.00% real rate of return and a 2.25% inflation component.

NOTES TO FINANCIAL STATEMENTS

NOTE 7 EMPLOYEE RETIREMENT SYSTEMS AND PLANS – CONTINUED

Long-term Expected Rate of Return – 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	33.0%	6.99%	2.31%
Private equity	9.0%	8.73%	0.79%
Equity options strategies	5.0%	5.52%	0.28%
Real Assets			
Real estate (private)	6.0%	3.54%	0.21%
Real estate (REITs)	2.0%	5.46%	0.11%
Infrastructure	2.0%	5.09%	0.10%
Opportunistic			
GTAA/Risk Parity	8.0%	3.75%	0.30%
Hedge Funds (non-PA)	2.0%	3.45%	0.07%
Other opportunistic strategies	3.0%	3.75%	0.11%
Diversified Credit			
Mixed credit	6.0%	3.05%	0.18%
Emerging markets debt	5.0%	3.94%	0.20%
Private debt	7.0%	3.89%	0.27%
Conservative fixed income			
Core fixed income	10.0%	0.94%	0.09%
Cash and short duration (net)	2.0%	0.34%	0.01%
Total expected real return	<u>100.0%</u>		<u>5.03%</u>
Inflation for actuarial purposes			<u>2.25%</u>
Total expected nominal return			<u>7.28%</u>

Discount Rate

The discount rate used to measure the total pension liability was 7.25%. 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.

NOTES TO FINANCIAL STATEMENTS

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 7.25%, as well as what the employers’ net pension liability would be if it were calculated using a discount rate that is 1.00% lower (6.25%) or 1.00% higher (8.25%) than the current rate:

	1% Decrease (6.25%)	Discount Rate (7.25%)	1% Increase (8.25%)
Town's proportionate share of the net pension liability:			
SCRS	\$ 4,912,063	\$ 3,844,042	\$ 3,080,631
PORS	6,795,343	5,040,563	3,603,297
Total	\$ 11,707,406	\$ 8,884,605	\$ 6,683,928

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

At June 30, 2019, the City reported a total liability of \$8,884,605 for its proportionate share of the net pension liabilities for both plans in aggregate. The net pension liabilities were measured as of June 30, 2018, and the total pension liabilities used to calculate the net pension liabilities were determined by actuarial valuations as of July 1, 2016. The City’s proportionate share 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, 2018. The City’s proportionate share was 0.017156% for SCRS and 0.177890% 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:

System	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (NPL)	Plan Fiduciary Net Position as a % of the NPL
SCRS	\$ 8,375,856	\$ 4,531,814	\$ 3,844,042	54.11%
PORS	13,170,901	8,130,338	5,040,563	61.73%
Total	\$ 21,546,757	\$ 12,662,152	\$ 8,884,605	

NOTES TO FINANCIAL STATEMENTS

NOTE 7 EMPLOYEE RETIREMENT SYSTEMS AND PLANS – CONTINUED

For the year ended June 30, 2019, the City recognized pension expense of \$1,032,682, which includes \$374,211 for SCRS and \$658,471 for PORS. At June 30, 2019, 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	\$ 6,939	\$ 22,621	\$ 155,308	\$ -	\$ 162,247	\$ 22,621
Net difference between projected and actual investment earnings	61,063	-	100,799	-	161,862	-
Assumption changes	152,510	-	332,349	-	484,859	-
Change in proportion	572,829	32,664	420,757	40,585	993,586	73,249
Contributions subsequent to the measurement date	296,562	-	451,141	-	747,703	-
Total	\$ 1,089,903	\$ 55,285	\$ 1,460,354	\$ 40,585	\$ 2,550,257	\$ 95,870

\$747,703 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, 2020. 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,			
2020	\$ (378,117)	\$ (270,651)	\$ (648,768)
2021	(441,839)	(500,863)	(942,702)
2022	66,496	(178,726)	(112,230)
2023	15,404	(18,388)	(2,984)
Net Balance of deferred outflows/(inflows) of resources	\$ (738,056)	\$ (968,628)	\$(1,706,684)

NOTES TO FINANCIAL STATEMENTS

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, 2019, fund balances for all the major and non-major funds were distributed as follows:

	General Fund	Development Fund	Non-Major Governmental Funds	Total Governmental Funds
Fund Balances:				
Nonspendable:				
Prepaid assets	\$ 16,300	\$ -	\$ -	\$ 16,300
Restricted for:				
Drug Enforcement	-	-	35,012	35,012
Fire Department Expenditures	-	-	26,451	26,451
Developer Agreements	72,447	7,432,279	251,214	7,755,940
Bond covenants - capital projects	8,409,911	-	-	8,409,911
Tourism Projects and Related Support	-	-	1,698,819	1,698,819
Committed to:				
Financial policy reserve level	2,869,435	-	-	2,869,435
Land Acquisition	332,911	-	-	332,911
Economic Development	332,911	-	-	332,911
Unassigned:	998,735	-	-	998,735
Total Fund Balances	\$ 13,032,650	\$ 7,432,279	\$ 2,011,496	\$ 22,476,425

The City established the following designated reserve fund which equals 25% of the General Fund's annual appropriation. For fiscal year 2019, this amount was established as \$2,869,435. The fund amount is established by Council Ordinance every year with the adoption of each year's General Fund budget. During the budget process, Council may also redirect these funds for expenditure.

NOTES TO FINANCIAL STATEMENTS

NOTE 9 NET INVESTMENT IN CAPITAL ASSETS

Capital Assets	\$ 34,973,932
Less: Accumulated Depreciation	<u>(7,853,278)</u>
	<u>27,120,654</u>
Less: Outstanding Principal of Capital-Related Borrowings	
General obligation bonds	(711,984)
Revenue bonds and contractual obligations	(14,022,000)
Capital lease obligations	(1,464,355)
Unspent proceeds	<u>8,904,897</u>
	<u>(7,293,442)</u>
Net Investment in Capital Assets	<u><u>\$ 19,827,212</u></u>

NOTE 10 INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The development fund owed the General Fund \$64,537 at year-end. The balance resulted from a transfer of funds to the Development Fund.

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, 2019, are summarized as follows:

Transfers In	Transfers Out			Total
	General Fund	Development Fund	Nonmajor Governmental Funds	
General fund	\$ -	\$ 185,298	\$ 106,914	\$ 292,212
Nonmajor governmental funds	15,035	-	-	15,035
Totals	<u>\$ 15,035</u>	<u>\$ 185,298</u>	<u>\$ 106,914</u>	<u>\$ 307,247</u>

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.

NOTES TO FINANCIAL STATEMENTS

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.

NOTE 13 SUBSEQUENT EVENTS

On August 8, 2019, the City entered into a Master Equipment Lease/Purchase Agreement, Series 2019 with Bank of America for the purchase of fire trucks and cost of issuance in the amount of \$1,500,000.

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REQUIRED SUPPLEMENTARY INFORMATION

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CITY OF HARDEEVILLE, SOUTH CAROLINA

**SCHEDULE OF THE CITY'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY AND RELATED RATIOS
FOR THE FISCAL YEARS ENDED JUNE 30,**

	SCRS				
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
City's proportionate share of the collective net pension liability	0.017156%	0.015680%	0.012179%	0.012648%	0.013910%
City's proportionate share of the collective net pension liability	\$ 3,844,042	\$ 3,530,270	\$ 2,601,416	\$ 2,398,754	\$ 2,394,841
City's covered payroll	\$ 1,777,805	\$ 1,563,262	\$ 1,179,715	\$ 1,185,936	\$ 1,093,704
City's proportionate share of the collective net pension liability as a percentage of its covered payroll	216.22%	225.83%	220.51%	202.27%	218.97%
Plan fiduciary net position as a percentage of the total pension liability	54.11%	53.30%	52.91%	56.99%	59.90%
	PORS				
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
City's proportionate share of the collective net pension liability	0.177890%	0.180120%	0.157710%	0.140290%	0.136830%
City's proportionate share of the collective net pension liability	\$ 5,040,563	\$ 4,934,436	\$ 4,000,274	\$ 3,057,680	\$ 2,619,568
City's covered payroll	\$ 2,492,954	\$ 2,466,798	\$ 2,040,225	\$ 1,764,345	\$ 1,644,562
City's proportionate share of the collective net pension liability as a percentage of its covered payroll	202.19%	200.03%	196.07%	173.30%	159.29%
Plan fiduciary net position as a percentage of the total pension liability	61.73%	60.90%	60.44%	64.57%	67.55%

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

Note: This schedule will report data for 10 years, additional information will be displayed as it becomes available.

CITY OF HARDEEVILLE, SOUTH CAROLINA

SCHEDULE OF CITY CONTRIBUTIONS

FOR THE FISCAL YEARS ENDED JUNE 30,

	SCRS				
	2019	2018	2017	2016	2015
Contractually required contribution	\$ 296,562	\$ 241,070	\$ 178,368	\$ 130,476	\$ 129,267
Contributions in relation to the contractually required contribution	(296,562)	(241,070)	(178,368)	(130,476)	(129,267)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 2,069,353	\$ 1,777,805	\$ 1,563,262	\$ 1,179,715	\$ 1,185,936
Contributions as a percentage of covered payroll	14.33%	13.56%	11.41%	11.06%	10.90%
	PORS				
	2019	2018	2017	2016	2015
Contractually required contribution	\$ 451,140	\$ 399,870	\$ 341,405	\$ 276,251	\$ 233,070
Contributions in relation to the contractually required contribution	(451,140)	(399,870)	(341,405)	(276,251)	(233,070)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 2,879,213	\$ 2,492,954	\$ 2,466,798	\$ 2,040,225	\$ 1,764,345
Contributions as a percentage of covered payroll	15.67%	16.04%	13.84%	13.54%	13.21%

Note: This schedule will report data for 10 years, additional information will be displayed as it becomes available.

CITY OF HARDEEVILLE, SOUTH CAROLINA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

NOTE 1. 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 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. Supplemental appropriations and decreases in budget appropriations were approved by City Council. The budget and actual schedules included in the required supplementary information includes the original budget information as well as information for the final budgets which include the supplemental appropriations, as approved by Council.

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SUPPLEMENTARY INFORMATION

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CITY OF HARDEVILLE, SOUTH CAROLINA

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2019

	Special Revenue Funds										Total Nonmajor Governmental Funds
	Indirect Accommodations Tax Fund	Direct Accommodations Tax Fund	Local Accommodations Tax Fund	Local Hospitality Tax Fund	Victim Assistance Fund	Fire Fund	Police Fund	Capital Projects Fund			
ASSETS											
Cash	\$ 159,469	\$ -	\$ 674,625	\$ 726,413	\$ 22	\$ 26,451	\$ 35,012	\$ 251,214	\$ 1,873,206		
Other receivables	50,739	23,418	33,873	30,282	-	-	-	-	138,312		
Total assets	\$ 210,208	\$ 23,418	\$ 708,498	\$ 756,695	\$ 22	\$ 26,451	\$ 35,012	\$ 251,214	\$ 2,011,518		
LIABILITIES											
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 22	\$ -	\$ -	\$ -	\$ -	\$ 22	
Total liabilities	-	-	-	-	22	-	-	-	-	22	
FUND BALANCES											
Restricted:											
Public safety	-	-	-	-	-	26,451	35,012	-	61,463		
Culture and recreation	210,208	23,418	708,498	756,695	-	-	-	-	1,698,819		
Capital projects	-	-	-	-	-	-	-	251,214	251,214		
Total fund balances	210,208	23,418	708,498	756,695	-	26,451	35,012	251,214	2,011,496		
Total liabilities and fund balances	\$ 210,208	\$ 23,418	\$ 708,498	\$ 756,695	\$ 22	\$ 26,451	\$ 35,012	\$ 251,214	\$ 2,011,518		

CITY OF HARDEEVILLE, SOUTH CAROLINA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	Special Revenue Funds										Total Nonmajor Governmental Funds
	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			
Revenues:											
Taxes	\$ 138,073	\$ 63,606	\$ 374,633	\$ 343,466	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 919,778	
Fines, fees and licenses	-	-	-	-	36,244	-	10,694	-	-	46,938	
Investment income	-	-	-	-	-	289	158	4,916	-	5,363	
Other revenues	-	-	-	-	-	25,891	3,000	249,327	-	278,218	
Total revenues	138,073	63,606	374,633	343,466	36,244	26,180	13,852	254,243	-	1,250,297	
Expenditures:											
Current:											
Public safety	-	-	-	-	-	67,824	3,000	-	-	70,824	
Recreation	114,078	60,129	-	-	2,109	-	-	-	-	176,316	
Debt service:											
Principal retirement	-	-	180,000	180,000	-	-	-	525,000	-	885,000	
Interest	-	-	119,743	119,743	-	-	-	30,197	-	269,683	
Total expenditures	114,078	60,129	299,743	299,743	2,109	67,824	3,000	555,197	-	1,401,823	
Excess (deficiency) of revenues over (under) expenditures	23,995	3,477	74,890	43,723	34,135	(41,644)	10,852	(300,954)	-	(151,526)	
Other financing sources (uses)											
Transfers in	-	-	-	-	-	-	-	15,035	-	15,035	
Transfers out	(72,779)	-	-	-	(34,135)	-	-	-	-	(106,914)	
Proceeds from bonds	-	-	-	-	-	-	-	417,463	-	417,463	
Total other financing sources (uses)	(72,779)	-	-	-	(34,135)	-	-	432,498	-	325,584	
Net change in fund balances	(48,784)	3,477	74,890	43,723	-	(41,644)	10,852	131,544	-	174,058	
Fund balances, beginning of year	258,992	19,941	633,608	712,972	-	68,095	24,160	119,670	-	1,837,438	
Fund balances, end of year	\$ 210,208	\$ 23,418	\$ 708,498	\$ 756,695	\$ -	\$ 26,451	\$ 35,012	\$ 251,214	\$ -	\$ 2,011,496	

CITY OF HARDEEVILLE

UNIFORM SCHEDULE OF COURT FINES, ASSESSMENTS AND SURCHARGES (per ACT 96) For the Year Ended June 30, 2019

FOR THE STATE TREASURER'S OFFICE

COUNTY/MUNICIPAL FUNDS COLLECTED BY CLERK OF COURT	General Sessions	Magistrate Court	Municipal Court	Total
Court Fines and Assessments:				
Court Fines and Assessments Collected	N/A	N/A	\$658,815	\$ 658,815
Court Fines and Assessments Remitted to State Treasurer	N/A	N/A	\$387,242	\$ 387,242
Total Court Fines and Assessments Retained			\$ 271,573	\$ 271,573
Surcharges and Assessments Retained for Victim Witness Services:				
Surcharges Collected and Retained	N/A	N/A	\$ 5,083	\$ 5,083
Assessments Retained	N/A	N/A	\$ 31,162	\$ 31,162
Total Surcharges and Assessments Retained for Victim Services	N/A	N/A	\$ 36,244	\$ 36,244

\$ -

FOR THE DEPARTMENT OF CRIME VICTIM COMPENSATION (DCVC)

VICTIM SERVICE FUNDS COLLECTED	Municipal	County	Total
Carryforward from Previous Year - Beginning Balance	\$ -	N/A	\$ -
Victim Service Revenue:			
Victim Service Assessments Retained by City/County Treasurer	\$ 31,162	N/A	\$ 31,162
Victim Service Surcharges Retained by City/County Treasurer	\$ 5,083	N/A	\$ 5,083
Interest Earned	\$ -	N/A	\$ -
Grant Funds Received	\$ -	N/A	\$ -
Grant from:			\$ -
General Funds Transferred to Victim Service Fund	\$ 16,084	N/A	\$ 16,084
Contribution Received from Victim Service Contracts:			
(1) Town of	\$ -	N/A	\$ -
(1) Town of	\$ -	N/A	\$ -
(1) City of	\$ -	N/A	\$ -
Total Funds Allocated to Victim Service Fund + Beginning Balance (A)	\$ 52,328	N/A	\$ 52,328

FOR THE DEPARTMENT OF CRIME VICTIM COMPENSATION (DCVC)

EXPENDITURES FOR VICTIM SERVICE PROGRAM:	Municipal	County	Total
Salary and Benefits	\$ 48,398	N/A	\$ 48,398
Operating Expenditures	\$ 3,930	N/A	\$ 3,930
Victim Service Contract(s):			
(1) Entity Name	\$ -	N/A	\$ -
(2) Entity's Name	\$ -	N/A	\$ -
Victim Service Donation(s):			
(1) Domestic Violence Shelter	\$ -	N/A	\$ -
(2) Rapre Crisis Center	\$ -	N/A	\$ -
(3) Other local direct crime victims service agency:	\$ -	N/A	\$ -
Tranferred to Genral Fund	\$ -	N/A	\$ -
Total Expenditures from Victim Service Fund/Program (B)	\$ 52,328	N/A	\$ 52,328
Total Victim Service Funds Retained by Municipality/County Treasurer (A-B)	\$ -	N/A	\$ -
Less: Prior Year Fund Deficit Repayment	\$ -	N/A	\$ -
Carryforward Funds - End of Year	\$ 0	N/A	\$ 0

CITY OF HARDEEVILLE, SOUTH CAROLINA

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Grant Identification Number	Expenditures	Passed Through to Subrecipients
<u>U.S. Department of Housing and Urban Development</u>				
Passed through - South Carolina Department of Community Development Community Development Block Grant - State's Program	14.228	4-CI-15-016	\$ 632,937	\$ -
Total U.S. Department of Housing and Urban Development			<u>632,937</u>	<u>-</u>
<u>U.S. Department of Agriculture</u>				
Direct Awards: USDA Community Facilities Direct Loan and Grant Program	10.766	N/A	\$ 80,230	\$ -
Total U.S. Department of Agriculture			<u>80,230</u>	<u>-</u>
<u>U.S. Department of Justice</u>				
Direct Awards: COPS Grant	16.710	2016 UMWX0085	\$ 47,785	\$ -
BP Vest Partnership	16.607	OMB: 1121-0235	1,341	-
Total U.S. Department of Justice			<u>49,126</u>	<u>-</u>
<u>U.S. Department of Homeland Security</u>				
Direct Awards: FEMA-Safer Grant	97.083	EMW-2015-FO-05491	36,199	-
Passed through - South Carolina Emergency Management Agency Federal Emergency Disaster Public Assistance Grant	97.036	FEMA 4346-PA-SC	22,981	-
Federal Emergency Disaster Public Assistance Grant	97.036	FEMA 4394-DR	20,866	-
Total U.S. Department of Homeland Security			<u>80,046</u>	<u>-</u>
Total Expenditures of Federal Awards			<u>\$ 842,339</u>	<u>\$ -</u>

CITY OF HARDEEVILLE, SOUTH CAROLINA

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Schedule of Expenditures of Federal Awards is prepared using the accrual basis of accounting.

Measurement Focus

The determination of when an award is expended is based on when the activity related to the award occurred.

Program Type Determination

Type A programs are defined as federal programs with federal expenditures exceeding the larger of \$750,000 or 3% of total federal expenditures. The threshold of \$750,000 was used in distinguishing between Type A and Type B programs.

Method of Major Program Selection

The risk-based approach was used in the selection of federal programs to be tested as major programs. The City did not qualify as a low-risk auditee for the fiscal year ended June 30, 2019.

De-Minimis Indirect Cost Rate

The City did not elect to use the de-minimis indirect cost rate for the fiscal year ended June 30, 2019.

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STATISTICAL SECTION

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

Schedule 1

	FISCAL YEAR									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
GOVERNMENTAL ACTIVITIES										
Net Investment in capital assets	\$ 9,679,115	\$ 10,198,084	\$ 10,292,986	\$ 10,978,201	\$ 11,829,740	\$ 13,120,424	\$ 13,603,946	\$ 14,644,350	\$ 17,518,262	\$ 19,827,212
Restricted	2,515,737	2,722,233	2,380,701	3,249,213	4,052,101	4,415,600	5,859,467	6,527,798	7,639,163	9,516,222
Unrestricted	697,696	1,818,948	3,141,876	3,327,367	3,555,794	(596,692)	(59,152)	239,013	(1,844,255)	(3,152,527)
Total Governmental Activities Net Position	\$ 12,892,548	\$ 14,739,265	\$ 15,815,563	\$ 17,554,781	\$ 19,437,635	\$ 16,939,332	\$ 19,404,261	\$ 21,411,161	\$ 23,313,170	\$ 26,190,907

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

Schedule 2

	FISCAL YEAR									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Expenses										
Governmental Activities:										
General Government	\$ 1,359,145	\$ 1,257,368	\$ 1,183,194	\$ 1,291,352	\$ 1,248,787	\$ 1,153,964	\$ 1,413,320	\$ 1,710,797	\$ 2,215,379	\$ 2,679,428
Courts	211,051	235,894	246,588	259,294	244,817	301,040	167,491	186,362	247,211	233,137
Public Safety	2,700,650	2,746,659	2,866,312	2,903,566	3,134,482	3,936,990	4,102,079	5,171,594	5,545,111	6,392,157
Public Works	-	-	548,401	616,551	724,470	773,727	724,394	1,148,828	1,212,460	1,199,233
Recreation	1,165,568	995,062	461,959	509,674	562,885	550,556	540,235	384,577	361,922	650,362
Housing and development	806,167	1,050,233	750,548	686,764	1,054,315	1,144,424	1,157,894	1,070,263	1,569,490	1,199,508
Interest Expense	232,645	219,369	194,678	176,724	117,433	130,114	107,741	112,704	377,145	568,780
Total Expenses	6,475,226	6,504,585	6,251,680	6,443,925	7,087,189	7,990,815	8,213,154	9,785,125	11,528,718	12,922,605
Revenues										
Governmental Activities:										
Program Revenues	1,539,522	1,459,182	1,009,992	1,130,516	953,973	1,315,376	1,307,880	1,328,973	2,049,437	2,334,181
Charges for Services	1,045,726	1,247,729	927,072	821,607	786,125	1,238,758	1,366,334	1,155,791	1,522,028	1,024,024
Operating Grants and Contributions	613,557	987,767	547,947	738,639	1,378,858	1,439,226	1,085,244	1,596,553	1,303,724	2,597,941
Capital Grants and Contributions										
General Revenues	3,472,393	3,758,883	3,805,041	4,405,241	4,625,550	6,410,434	6,688,699	6,478,505	7,037,342	7,664,336
Taxes	634,330	777,496	862,269	960,156	898,804	-	-	990,114	1,023,496	1,232,482
Business Licenses	38,097	55,869	54,276	70,230	64,356	67,767	70,859	-	-	293,622
Grants and Contributions not restricted	28,995	581	14,810	338	6,872	3,974	4,877	9,294	141,760	293,622
Interest Income	14,436	63,795	106,571	144,487	255,505	3,276	174,190	232,795	352,940	653,756
Miscellaneous	7,387,056	8,351,302	7,327,978	8,271,214	8,970,043	10,478,811	10,678,083	11,792,025	13,430,727	15,800,342
Total Revenues	911,830	1,846,717	1,076,298	1,827,289	1,882,854	2,487,996	2,464,929	2,006,900	1,902,009	2,877,737
Increase in Net Position	11,980,718	12,892,548	14,739,265	15,815,563	17,554,781	19,437,631	16,939,332	19,404,261	21,411,161	23,313,170
Net Position-Beginning	-	-	-	(88,071)	-	(4,986,295)	-	-	-	-
Prior Period Adjustment	-	-	-	\$ 17,554,781	\$ 19,437,635	\$ 16,939,332	\$ 19,404,261	\$ 21,411,161	\$ 23,313,170	\$ 26,190,907
Net Position-Ending	\$ 12,892,548	\$ 14,739,265	\$ 15,815,563	\$ 17,554,781	\$ 19,437,635	\$ 16,939,332	\$ 19,404,261	\$ 21,411,161	\$ 23,313,170	\$ 26,190,907

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

Schedule 3

	FISCAL YEAR									
	2010	2011*	2012	2013	2014	2015	2016	2017	2018	2019
GENERAL FUND										
Unreserved	\$ -	\$ -	\$ -	\$ -	\$ 55,066	\$ -	\$ -	\$ -	\$ -	\$ 16,300
Nonspendable	-	-	-	-	-	207,156	-	-	-	8,482,358
Restricted	-	-	-	-	368,881	-	211,782	230,742	11,370,279	3,535,257
Committed	-	-	-	-	250,000	582,000	-	2,198,070	2,725,861	-
Assigned	-	311,920	370,667	388,486	2,441,121	2,864,719	-	2,506,298	690,715	-
Unassigned	867,797	1,416,724	1,979,512	2,439,559	2,441,121	2,864,719	4,527,112	2,506,298	690,715	998,735
Total General Funds	\$ 867,797	\$ 1,728,644	\$ 2,350,179	\$ 2,828,045	\$ 3,115,068	\$ 3,653,875	\$ 4,738,894	\$ 4,935,110	\$ 14,786,855	\$ 13,032,650
ALL OTHER GOVERNMENTAL FUNDS										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:										
Special Revenue Funds	-	-	-	-	-	-	-	-	-	-
Nonspendable	-	-	-	-	-	-	-	-	-	-
Restricted	2,556,032	2,722,233	3,289,443	4,019,884	4,591,962	5,117,186	6,791,154	7,568,779	8,816,876	9,443,775
Committed	256,624	106,721	82,186	138,070	228,664	536,490	-	-	-	-
Assigned	151	120,124	118,934	72	2,514	438	5,869	-	-	-
Total All Other Governmental Funds	\$ 2,812,807	\$ 2,949,078	\$ 3,490,563	\$ 4,158,026	\$ 4,823,140	\$ 5,654,114	\$ 6,797,023	\$ 7,568,779	\$ 8,816,876	\$ 9,443,775

* 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

	FISCAL YEAR									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Revenues										
Taxes	\$ 3,651,550	\$ 4,132,036	\$ 4,136,876	\$ 4,551,472	\$ 4,923,258	\$ 5,817,793	\$ 6,094,820	\$ 5,749,832	\$ 6,249,948	\$ 6,901,649
Fines, Fees and Licenses	1,931,212	1,962,492	2,124,065	2,500,675	2,313,503	2,604,099	2,630,015	2,927,388	3,641,014	4,280,880
Special Assessments	999,956	1,095,246	698,119	830,352	880,898	1,437,338	933,022	871,095	979,673	1,494,328
Donations	179,599	-	-	-	-	-	-	-	-	-
Intergovernmental	38,097	55,869	54,276	70,230	560,606	489,116	220,859	1,973,375	1,813,114	1,915,509
Miscellaneous	372,519	1,168,380	353,661	270,209	363,662	126,931	823,237	296,372	541,072	882,633
Total Revenues	7,172,933	8,414,023	7,366,987	8,222,938	9,041,927	10,475,277	10,701,953	11,818,062	13,224,821	15,474,999
Expenditures										
Governmental Activities										
General Government	1,238,880	1,243,681	1,036,209	1,152,236	1,137,753	1,114,719	1,334,180	1,671,332	2,178,950	2,397,901
Courts	207,340	230,334	239,677	251,862	265,132	231,792	163,068	180,586	236,769	196,375
Public Safety	2,454,534	2,529,014	2,607,921	2,698,879	3,095,743	3,618,630	3,760,585	4,570,028	4,546,228	5,261,889
Public Works	-	-	454,642	526,225	604,478	640,664	546,871	977,142	923,397	855,058
Recreation	922,156	781,120	313,910	367,844	421,410	405,441	404,155	256,990	213,142	453,507
Downtown Development	816,888	1,027,133	730,538	699,166	1,047,320	1,124,546	1,157,684	994,672	1,204,774	1,192,420
Capital Outlay	574,834	769,478	175,137	444,060	1,069,526	1,755,687	1,259,727	2,261,942	4,453,639	6,842,725
Debt Service										
Principal	586,872	614,274	450,919	746,881	518,776	467,780	449,675	530,779	720,457	1,549,745
Interest	215,978	221,871	195,024	190,456	135,564	132,654	110,022	112,720	253,748	589,336
Bond Issue Costs	-	-	-	-	-	-	-	-	153,875	-
Total Expenditures	7,017,282	7,416,905	6,203,977	7,077,609	8,295,702	9,491,913	9,185,967	11,556,191	14,884,979	19,338,956
Excess (deficiency) of revenues over (under) expenditures	155,651	997,118	1,163,020	1,145,329	746,225	983,364	1,515,986	261,871	(1,660,158)	(3,863,957)
Other Financing Sources										
Issuance of Debt	300,000	-	-	-	205,912	386,419	711,942	706,102	12,760,000	2,482,000
Sale of capital assets	(191,781)	(170,393)	(194,922)	(149,952)	(125,630)	(150,303)	(182,447)	(597,203)	(185,842)	254,651
Transfers Out	191,781	170,393	194,922	149,952	125,630	150,303	182,447	597,203	185,842	(307,247)
Transfers In	300,000	-	-	-	205,912	386,419	711,942	706,102	12,760,000	307,247
Total Other Financing Sources (Uses)	455,651	997,118	1,163,020	1,145,329	746,225	983,364	1,515,986	261,871	(1,660,158)	(3,863,957)
Net Change in Fund Balances	3,224,953	3,680,604	4,677,722	5,840,742	6,986,071	7,933,206	9,307,988	11,535,916	12,503,889	23,603,731
Fund Balances, Ending	\$ 3,680,604	\$ 4,677,722	\$ 5,840,742	\$ 6,986,071	\$ 7,933,208	\$ 9,307,989	\$ 11,535,916	\$ 12,503,889	\$ 23,603,731	\$ 22,476,425
Fund Balances, Beginning	14,24%	14,39%	12,00%	16,46%	9,96%	8,41%	7,60%	7,44%	10,47%	20,65%

¹ - The principal portion includes current refunding of the 2008 series bonds. The amount refunded was \$430,000.

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				SCHOOL DEBT SERVICE	TOTAL OVERLAPPING RATE
	BASIC RATE	COUNTY OPERATIONS	CHERRY POINT FIRE DISTRICT		COUNTY DEBT SERVICE			
			FIRE DISTRICT	SCHOOL OPERATIONS	DEBT SERVICE	SCHOOL OPERATIONS		
2010	153.00	126.00	31.00	129.00	-	12.00	298.00	
2011	153.00	123.00	31.00	131.50	3.00	19.00	307.50	
2012	153.00	145.00	31.00	165.25	12.00	25.00	378.25	
2013	147.00	143.00	33.00	172.00	12.00	25.00	385.00	
2014	142.00	142.00	33.00	166.00	12.00	25.00	378.00	
2015	136.00	142.00	32.00	164.00	12.00	25.00	375.00	
2016	130.00	142.00	32.00	164.00	12.00	25.00	375.00	
2017	123.00	142.00	32.00	164.00	12.00	25.00	375.00	
2018	120.00	142.00	32.00	166.00	12.00	25.00	377.00	
2019	117.00	142.00	32.00	166.00	12.00	25.00	377.00	

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

	2018 ⁽¹⁾			2010		
	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
Courtney Bend Owner LLC	792,310	2	2.94%	1,014,700	2	7.08%
Toll SC III LP	664,760	3	2.46%	368,340	3	2.57%
Del Webb Communities Inc	643,640	4	2.39%	1,219,060	1	8.50%
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
Boume Blvd Partners	N/A	N/A	N/A	227,640	4	1.59%
Forino Co LP	N/A	N/A	N/A	191,340	5	1.33%
Carolina Oak Homes LLC	N/A	N/A	N/A	165,730	6	1.16%
Core Communities LLC	N/A	N/A	N/A	130,580	7	0.91%
Shree Hospitality Krishna Inc	N/A	N/A	N/A	100,340	8	0.70%
Shree Radha Krishna, Inc	N/A	N/A	N/A	95,420	9	0.67%
Gateway Properties LLC	N/A	N/A	N/A	85,110	10	0.59%
Total	5,165,910		19.14%	3,598,260		25.09%

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 AMOUNT	PERCENTAGE OF LEVY	AMOUNT	PERCENTAGE OF LEVY	AMOUNT	PERCENTAGE OF LEVY
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%	
2018	4,066,769	3,213,966	79.0%	131,683	3,345,649	82.3%	
2019	4,228,656	3,694,748	87.4%	131,515	3,826,263	90.5%	

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							TOTAL PRIMARY GOVERNMENT	PERCENTAGE OF PERSONAL INCOME	PER CAPITA
	AMOUNT	REVENUE BONDS	LEASES PAYABLE	CONTRACTUAL OBLIGATION	GENERAL OBLIGATION BOND					
2010	\$ 300,000	\$ 1,120,000	\$ 3,202,399	\$	\$ 368,436	\$	4,990,835	9.10%	\$ 1,394	
2011	-	1,060,000	2,707,882		333,722		4,376,561	7.20%	1,445	
2012	274,957	995,000	2,358,062		297,623		3,925,642	6.70%	1,160	
2013	-	925,000	1,993,768		259,992		3,178,760	4.40%	839	
2014	-	855,000	1,794,105		220,854		2,869,959	8.00%	669	
2015	-	780,000	1,828,485		180,112		2,788,597	7.80%	582	
2016	-	700,000	2,138,780		212,083		3,050,863	8.00%	573	
2017	-	615,000	1,771,063		840,477		3,226,540	7.80%	564	
2018	-	7,025,000	1,943,384	5,568,000	729,700		15,266,084	9.21%	2,558	
2019	-	8,622,000	1,464,355	5,400,000	711,984		16,198,339	7.97%	2,486	

Data Source:
US Bureau of the Census
City Finance Department

N/A Information is not available.

**CITY OF HARDEEVILLE, 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
2010	\$ 368,436	2.12%	155
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
2018	729,700	2.37%	122.29
2019	711,984	2.04%	109.28

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	\$ 21,840,316 *	17.5%	\$ 3,822,055
Jasper County	20,747,472 *	17.5%	3,630,808
Subtotal overlapping debt	<u>42,587,788</u>		<u>7,452,863</u>
City direct debt	16,198,339	100.0%	16,198,339
Total direct and overlapping debt	<u>\$ 58,786,127</u>		<u>\$ 23,651,202</u>

Source: City Financial Statements
Jasper County School District Financial Statements
Jasper County Assessor

* - These balances are estimated amounts for June 30, 2019.

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 2019

Assessed Value	\$ 38,624,290
Debt limit (8% of assessed value)	3,089,943
Debt applicable to limit:	
General Obligation Bonds	(711,984)
Total net debt applicable to limit	(711,984)
Legal Debt Margin	<u>\$ 2,377,959</u>

	FISCAL YEAR									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Debt Limit	\$ 1,392,296	\$ 1,262,300	\$ 1,331,043	\$ 1,666,030	\$ 1,780,702	\$ 2,052,230	\$ 2,432,427	\$ 2,400,438	\$ 2,400,438	\$ 3,089,943
Total net debt applicable to limit	(368,436)	(333,722)	(297,623)	(259,992)	(220,885)	(180,112)	(212,083)	(640,477)	(1,657,700)	(711,984)
Legal debt margin	<u>\$ 1,023,860</u>	<u>\$ 928,578</u>	<u>\$ 1,033,420</u>	<u>\$ 1,406,038</u>	<u>\$ 1,559,817</u>	<u>\$ 1,872,118</u>	<u>\$ 2,220,344</u>	<u>\$ 1,559,961</u>	<u>\$ 742,738</u>	<u>\$ 2,377,959</u>

Total net debt applicable to the limit as a percentage of debt limit	26.46%	26.44%	22.36%	15.61%	12.40%	8.78%	8.72%	35.01%	69.06%	23.04%
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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	INTEREST		
2010	\$ 273,215	\$ 64,938	\$ 60,000	218.68%
2011	114,160	61,938	60,000	93.62%
2012	119,517	57,240	65,000	97.77%
2013	120,331	55,688	70,000	95.74%
2014	93,178	52,188	70,000	76.26%
2015	118,388	48,388	75,000	95.95%
2016	121,263	44,213	80,000	97.63%
2017	167,225	39,813	85,000	133.98%
2018	242,388	61,146	152,953	113.21%
2019	718,099	239,485	360,000	119.79%

Source: City Finance Department

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
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%
2018	5,967	52,705	27,774	1,180	4.9%
2019	6,515	52,705 *	31,177	1,180 *	3.0%

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

* - estimated amounts

N/A Information is not available.

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

Schedule 15

EMPLOYER	2019			2010		
	EMPLOYEES	RANK	PERCENTAGE OF TOTAL CITY EMPLOYMENT	EMPLOYEES	RANK	PERCENTAGE OF TOTAL CITY EMPLOYMENT
Coastal Carolina Medical Center	365	1	14.26%	222	1	18.10%
Jasper County School District	157	2	6.14%	125	2	10.20%
City of Hardeeville	97	3	3.28%	55	6	4.50%
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
Carastar	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%	30	8	2.40%
The Greenery	N/A	N/A	N/A	100	3	8.20%
Beverly Processing Inc	N/A	N/A	N/A	77	4	6.30%
Waste Pro USA Inc	N/A	N/A	N/A	64	5	5.20%
Gale Contractors	N/A	N/A	N/A	50	7	4.10%
Shoneys	N/A	N/A	N/A	24	9	2.00%
Price Wise	N/A	N/A	N/A	20	10	1.60%
Total	943		36.34%	767		62.60%

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									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General Administration	4.0	4.0	3.0	2.0	2.0	2.0	3.0	3.0	4.0	5.0
Council	5.0	5.0	5.0	5.0	5.0	5.0	4.0	5.0	5.0	5.0
Finance	2.0	2.0	3.0	3.0	3.0	2.0	3.0	3.0	3.0	3.0
Public Information	2.0	2.0	2.5	2.5	2.5	3.0	3.0	3.0	3.0	3.0
Courts	3.5	3.5	3.5	3.0	2.5	2.0	2.0	2.0	1.0	2.0
Fire Department	15.0	16.0	16.0	17.0	19.0	23.0	26.0	29.0	32.0	30.0
Police Department	17.0	19.0	20.0	20.0	19.0	21.0	21.0	23.0	24.0	23.0
Public Works/Recreation/Engineering*	7.0	9.5	-	-	-	-	-	-	-	-
Public Works	-	-	8.0	7.0	8.5	10.0	10.0	11.0	11.0	12.0
Recreation	-	-	2.5	2.5	2.5	2.0	2.0	1.0	2.0	2.0
Planning/Development Services	4.0	5.0	4.0	4.0	3.0	3.0	3.0	4.0	4.0	4.0
Downtown Development	-	-	-	-	1.0	1.0	1.0	1.0	2.0	3.0
Building Inspection	-	-	-	-	-	-	-	3.0	3.0	5.0
Economic Development	1.0	1.0	-	-	-	-	-	-	-	-
	60.5	67.0	67.5	66.0	68.0	74.0	78.0	88.0	94.0	97.0

Source: City Finance Department

N/A Information is not available.

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

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

Schedule 17

	FISCAL YEAR									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Business Licenses Issued	439	454	488	589	644	462	534	559	734	873
Sales Reported for Licenses* (millions)	\$ 133	\$ 187	\$ 213	\$ 241	\$ 296	\$ 348	\$ 311	\$ 353	\$ 423	\$ 571
Commercial Building Permits	9	20	18	54	36	28	42	78	104	125
Valuation of Permits Issued* (thousands)	\$ 1,831	\$ 3,637	\$ 4,714	\$ 4,831	\$ 5,702	\$ 4,657	\$ 3,634	\$ 15,661	\$ 14,938	\$ 41,830
Residential Building Permits Issued	155	198	149	252	320	324	342	392	433	617
Valuation of Permits Issued* (thousands)	\$ 40,234	\$ 35,135	\$ 40,431	\$ 43,064	\$ 51,236	\$ 51,975	\$ 50,700	\$ 57,029	\$ 63,137	\$ 106,703

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									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Police Department										
Patrol Units	21	21	21	21	22	24	24	24	24	26
Fire Department										
Engines in Operation	4	5	5	5	4	4	3	4	4	4
Rescue Vehicles in Operation	1	1	1	1	1	0	0	1	1	1
Ladder Trucks in Operation	1	1	1	1	1	1	1	1	1	1

Source: City Capital Assets records

COMPLIANCE SECTION

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**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** (the "City"), as of and for the year ended June 30, 2019, 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 25, 2019.

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.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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*.

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.

A handwritten signature in black ink that reads "Mauldin & Jenkins, LLC". The signature is written in a cursive, flowing style.

Savannah, Georgia
November 25, 2019



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY 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 the **City of Hardeeville, South Carolina's** (the "City") compliance with the types of compliance requirements described in the *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, 2019. 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 federal statutes, regulations, and the terms and conditions of its federal awards 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* 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 The 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 its major federal program for the year ended June 30, 2019.

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 to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our 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.

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.

Mauldin & Jenkins, LLC

Savannah, Georgia
November 25, 2019

CITY OF HARDEEVILLE, SOUTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

SECTION I
SUMMARY OF AUDIT RESULTS

Financial Statements

Type of auditor's report issued Unmodified

Internal control over financial reporting:
 Material weaknesses identified? Yes No

Significant deficiencies identified not considered
 to be material weaknesses? Yes None reported

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major programs:
 Material weaknesses identified? Yes No

Significant deficiencies identified not considered
 to be material weaknesses? Yes None reported

Type of auditor's report issued on compliance for
 major programs Unmodified

Any audit findings disclosed that are required to be
 reported in accordance with the Uniform Guidance? Yes No

Identification of major program:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
97.036	U.S. Department of Housing and Urban Development Community Development Block Grant Program

Dollar threshold used to distinguish between
 Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? Yes No

CITY OF HARDEEVILLE, SOUTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

SECTION II
FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III
FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

Not applicable.

CITY OF HARDEEVILLE, SOUTH CAROLINA

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS FOR THE FISCAL YEAR ENDED JUNE 30, 2019

STATUS OF PRIOR YEAR AUDIT FINDINGS

Finding 2018-001: Recording of Accounts Receivables

Condition and Background: Numerous audit adjustments to accounts receivables were proposed to correct receivable balances. In addition, receivables were not recorded in a timely manner.

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

Status: Resolved

Finding 2018-002: Calculation of Payroll Accrual and Compensated Absences

Condition: The calculation of the payroll accrual and the compensated absences was incorrect causing errors in the recording of the year-end liabilities.

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

Status: Resolved

Finding 2018-003: Accounts Payable and Disbursement System

Condition: During test work of disbursements, we noted 3 invoices were received by the City in December 2017, but were paid and recorded in fiscal year 2019. Also, we noted that a significant amount of payables were not recorded in a timely manner.

Criteria: Accounts payable and disbursements should be recorded and made in a timely manner for accurate financial reporting.

Status: Resolved

CITY OF HARDEEVILLE, SOUTH CAROLINA

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Finding 2018-004: 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. 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.

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

Status: Resolved

Finding 2018-005: Journal Entries

Condition: Journal entries are not adequately documented. 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.

Status: Resolved

Finding 2018-006: Bank Reconciliations and Reconciliation of Pooled Cash Fund to the Funds

Condition: The book 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.

Status: Resolved

Finding 2018-007: Reconciliation of Schedule of Expenditures Federal Awards (SEFA)

Condition: The amounts reported on the initial SEFA was not easily traceable to the City's general ledger.

Criteria: SEFA should be reconciled to the general ledger.

Status: Resolved