

Basic Financial Statements

CITY OF GEORGETOWN, SOUTH CAROLINA

Statement of Net Assets

June 30, 2005

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 2,467,762	\$ 13,005,783	\$ 15,473,545
Investments	-	14,290	14,290
Receivables (net of allowances)			
From taxpayers and customers	443,618	2,042,873	2,486,491
From other governments	1,075,632	78,820	1,154,452
From employees	-	45,389	45,389
Other	21,278	43,004	64,282
Internal balances	201,066	(201,066)	-
Inventories	-	763,644	763,644
Prepays	132	-	132
Restricted assets			
Cash and cash equivalents			
Deposits with other agencies	593,997	-	593,997
Customer deposits	-	514,444	514,444
Other deposits	261,250	3,063,356	3,324,606
Capital assets			
Land, improvements and construction in progress	2,383,277	1,874,544	4,257,821
Other capital assets, net of accumulated depreciation	9,929,963	32,824,055	42,754,018
Total Assets	<u>17,377,975</u>	<u>54,069,136</u>	<u>71,447,111</u>
Liabilities			
Payables			
Trade and other accounts	352,017	978,696	1,330,713
Wages, withholdings and benefits	46,611	42,103	88,714
Accrued interest on debt	18,785	-	18,785
Liabilities payable from restricted assets			
Liability for health claims	341,655	-	341,655
Court bonds	158,006	-	158,006
Customer deposits	-	514,444	514,444
Deferred revenue	876,756	3,063,356	3,940,112
Noncurrent liabilities			
Due within one year	635,288	490,397	1,125,685
Due in more than one year	544,851	8,870,713	9,415,564
Total Liabilities	<u>2,973,969</u>	<u>13,959,709</u>	<u>16,933,678</u>
Net Assets			
Invested in capital assets, net of related debt	11,273,063	25,444,619	36,717,682
Restricted for:			
Public safety programs	91,405	-	91,405
Tourism development and support	592,160	-	592,160
Community development	7,852	-	7,852
General Government	252,342	-	252,342
Unrestricted	2,187,184	14,664,808	16,851,992
Total Net Assets	<u>\$ 14,404,006</u>	<u>\$ 40,109,427</u>	<u>\$ 54,513,433</u>

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

CITY OF GEORGETOWN, SOUTH CAROLINA

Statement of Activities Year Ended June 30, 2005

	Program Revenues			Net Revenues (Expenses) and Changes in Net Assets		
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Functions/Programs						
Governmental Activities:						
General government	\$ 2,209,732	\$ -	\$ 2,639	\$ (110,209)	-	\$ (110,209)
Public safety	4,809,497	107,465	-	(4,343,886)	-	(4,343,886)
Public works	920,279	57,472	-	(862,807)	-	(862,807)
Community development	126,897	74,586	-	(49,811)	-	(49,811)
Interest on debt	49,572	-	-	(49,572)	-	(49,572)
Total Governmental Activities	8,115,977	239,523	2,639	(5,416,285)	-	(5,416,285)
Business-Type Activities:						
Electric utility	9,349,691	52,928	-	-	2,294,648	2,294,648
Water utility	1,741,854	5,207	-	-	(14,899)	(14,899)
Wastewater utility	2,707,361	-	-	-	(222,446)	(222,446)
Stormwater utility	494,384	-	-	-	(110,226)	(110,226)
Waste management	1,411,961	137,845	-	-	(228,082)	(228,082)
Kaminski House Museum	293,625	-	-	-	(256,468)	(256,468)
Total Business-Type Activities	15,998,876	195,980	-	-	1,462,527	1,462,527
Totals	24,114,853	435,503	2,639	(5,416,285)	1,462,527	(3,953,758)
General Revenue						
Property taxes, levied for general purposes				2,463,781	-	2,463,781
Local accommodations and hospitality taxes				676,138	-	676,138
Fees in lieu of taxes				30,814	-	30,814
Shared revenues from other governments				513,602	-	513,602
Unrestricted investment earnings				43,755	226,634	270,389
Miscellaneous				49,102	13,351	62,453
Transfers In				1,182,600	(1,182,600)	-
Total General Revenue and Transfers				4,959,792	(942,615)	4,017,177
Change in Net Assets				(456,493)	519,912	63,419
Net Assets - Beginning of Year, As Restated (Note 1B)				14,860,499	39,589,515	54,450,014
Net Assets - End of Year				\$ 14,404,006	\$ 40,109,427	\$ 54,513,433

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

CITY OF GEORGETOWN, SOUTH CAROLINA

Balance Sheet Governmental Funds June 30, 2005

	General Fund	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 1,823,065	\$ 576,601	\$ 2,399,666
Receivables (net of allowances)			
Taxes	82,698	64,945	147,643
Business licenses	139,638	-	139,638
Police fines	83,500	-	83,500
From other governments	1,050,301	25,331	1,075,632
From other City funds	1,267	-	1,267
Other	21,079	-	21,079
Prepaid expense	132	-	132
Restricted assets			
Cash and cash equivalents			
Deposits with other agencies	593,997	-	593,997
Other deposits	261,250	-	261,250
Total Assets	\$ 4,056,927	\$ 666,877	\$ 4,723,804
 LIABILITIES AND FUND BALANCES			
Liabilities			
Payables			
Trade and other accounts	\$ 321,241	\$ 27,564	\$ 348,805
Wages, withholdings and benefits	44,617	-	44,617
To other City funds	-	1,267	1,267
Deferred revenue			
Property taxes	63,317	-	63,317
Police fines	81,834	-	81,834
Grants	26,893	-	26,893
Other	849,863	-	849,863
Payable from restricted assets			
Liability for health claims	341,655	-	341,655
Court bonds	158,006	-	158,006
Total Liabilities	1,887,426	28,831	1,916,257
 Fund Balances			
Reserved for:			
Encumbrances	86,481	8,834	95,315
Safe streets program	30,935	-	30,935
Fire impact fees	21,169	-	21,169
Health Claims	252,342	-	252,342
Unreserved - designated	1,100,000	-	1,100,000
Unreserved - undesignated, reported in:			
General fund	678,574	-	678,574
Special revenue funds	-	629,212	629,212
Total Fund Balances	2,169,501	638,046	2,807,547
Total Liabilities and Fund Balances	\$ 4,056,927	\$ 666,877	\$ 4,723,804

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

CITY OF GEORGETOWN, SOUTH CAROLINA

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets

June 30, 2005

Total Fund Balances of Governmental Funds (reported on page 16)	\$ 2,807,547
<i>Amounts reported for governmental activities in the government-wide statement of net assets presented on page 16 are different because:</i>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.	12,155,212
Other long-term assets are not available to pay current period expenditures and therefore are deferred or not recognized in the governmental funds.	217,988
Internal service funds are used by management to charge the costs of various service activities to individual funds. The assets and liabilities of the Information Technology internal service fund is reported with governmental activities in the statement of net assets.	296,822
Some liabilities, including bonds, leases and compensated absences payable, are not due and payable in the current period and therefore are not reported in the governmental funds.	<u>(1,073,563)</u>
Net Assets of Governmental Activities (reported on page 14)	<u><u>\$ 14,404,006</u></u>

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

CITY OF GEORGETOWN, SOUTH CAROLINA

Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

For the Year Ended June 30, 2005

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues			
Taxes	\$ 2,476,864	\$ 675,515	\$ 3,152,379
Licenses and permits	2,103,982	-	2,103,982
Fire impact fees	14,095	-	14,095
Fines and forfeitures	321,874	6,853	328,727
Intergovernmental	700,624	64,153	764,777
Investment earnings	36,432	7,323	43,755
Miscellaneous	80,558	4,000	84,558
Total Revenues	<u>5,734,429</u>	<u>757,844</u>	<u>6,492,273</u>
Expenditures			
Current			
General government	846,138	-	846,138
Public safety	4,355,157	14,262	4,369,419
Public works	778,412	-	778,412
Community development	-	94,128	94,128
Nondepartmental	1,231,873	-	1,231,873
Capital Outlay			
General government	437	-	437
Public safety	17,120	-	17,120
Community development	-	92,620	92,620
Nondepartmental	11,287	-	11,287
Debt Service			
Principal	314,840	135,000	449,840
Interest	20,109	18,760	38,869
Fiscal charges	-	1,075	1,075
Total Expenditures	<u>7,575,373</u>	<u>355,845</u>	<u>7,931,218</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(1,840,944)</u>	<u>401,999</u>	<u>(1,438,945)</u>
Other Financing Sources (Uses)			
Proceeds from sale of capital assets	2,924	4,506	7,430
Transfers in	1,988,458	-	1,988,458
Transfers out	(432,900)	(372,958)	(805,858)
Total Other Financing Sources (Uses)	<u>1,558,482</u>	<u>(368,452)</u>	<u>1,190,030</u>
Net Change in Fund Balances	(282,462)	33,547	(248,915)
Fund Balances - Beginning of Year	<u>2,451,963</u>	<u>604,499</u>	<u>3,056,462</u>
Fund Balances - End of Year	<u>\$ 2,169,501</u>	<u>\$ 638,046</u>	<u>\$ 2,807,547</u>

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

CITY OF GEORGETOWN, SOUTH CAROLINA

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities

For the Year Ended June 30, 2005

Net Change in Fund Balances of Governmental Funds (reported on page 18) **\$ (248,915)**

Amounts reported for governmental activities in the government-wide statement of activities presented on page 17 are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current year. (615,860)

In the statement of activities, only the gain or loss from the sale or disposal of capital assets is reported. However, in the governmental funds, the proceeds from the sale increase financial resources. Thus the change in net assets differs from the change in fund balance by the cost of the assets sold or otherwise disposed of. (17,449)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds. (15,389)

Some expenses reported in the statement of activities do not provide current financial resources and therefore are not recognized as expenditures in the governmental funds. (6,837)

Internal service funds are used by management to charge the costs of various service activities to individual funds. The net revenues (expenses) of the Information Technology internal service fund is reported with governmental activities in the statement of activities. (1,883)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of the long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt and related items. 449,840

Change in Net Assets of Governmental Activities (reported on page 15) **\$ (456,493)**

CITY OF GEORGETOWN, SOUTH CAROLINA

Statement of Net Assets

Proprietary Funds
June 30, 2005

	Enterprise Funds					Internal Service Funds
	Electric Utility	Water & Wastewater Utility	Stormwater Drainage Utility	Other Enterprise Funds	Total Enterprise Funds	
Assets						
Current Assets						
Cash and cash equivalents	\$ 5,588,052	\$ 5,353,718	\$ 1,471,444	\$ 479,138	\$ 12,892,352	\$ 181,527
Investments	9,231	5,059	-	-	14,290	-
Receivables (net of allowances)						
Customer accounts	1,418,968	428,337	19,977	57,614	1,924,896	-
From other governments	22,683	-	-	56,137	78,820	-
From other City funds	32,939	-	-	-	32,939	-
From employees	45,389	-	-	-	45,389	-
From Regional WWTP partners	-	117,977	-	-	117,977	-
Other	33,219	8,232	83	1,470	43,004	199
Inventories	578,614	52,396	2,773	20,965	654,748	108,896
Restricted assets						
Cash and cash equivalents						
Customer deposits	364,660	149,784	-	-	514,444	-
Other deposits	-	3,060,349	-	3,007	3,063,356	-
Noncurrent Assets						
Advances to other City Funds	835,236	-	-	-	835,236	-
Capital assets						
Land and improvements	60,835	110,803	212,075	32,340	416,053	-
Buildings and improvements	345,971	443,322	10,000	254,566	1,053,859	96,666
Vehicles, equipment and furnishings	1,396,766	1,500,211	231,902	739,774	3,868,653	431,085
Electric system	5,838,541	-	-	-	5,838,541	-
Fiber optics system	899,454	-	-	-	899,454	-
Water system	-	13,772,287	-	-	13,772,287	-
Wastewater system	-	22,566,926	-	-	22,566,926	-
Stormwater drainage system	-	-	4,037,723	-	4,037,723	-
Construction-in-progress	94,319	72,944	1,495,206	-	1,662,469	-
Accumulated depreciation	(5,273,326)	(13,219,111)	(971,912)	(498,915)	(19,963,264)	(284,070)
Intangible asset-sludge disposal rights	-	472,047	-	-	472,047	-
Accumulated amortization	-	(11,802)	-	-	(11,802)	-
Total Assets	12,291,551	34,883,479	6,509,271	1,146,096	54,830,397	534,303

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

CITY OF GEORGETOWN, SOUTH CAROLINA

Statement of Net Assets

Proprietary Funds
June 30, 2005

	Enterprise Funds					Internal Service Funds
	Electric Utility	Water & Wastewater Utility	Stormwater Drainage Utility	Other Enterprise Funds	Total Enterprise Funds	
Liabilities						
Current Liabilities						
Payables						
Trade and other accounts	755,549	146,834	1,144	26,687	930,214	51,694
Wages, withholdings and benefits	13,407	11,666	2,291	11,121	38,485	5,612
To other City funds	-	32,939	-	-	32,939	-
Revenue note	-	383,267	-	-	383,267	-
Capital lease	-	-	-	-	-	59,618
Accrued interest	-	-	-	-	-	1,255
Liability for compensated absences	35,221	31,261	5,954	23,563	95,999	14,386
Current Liabilities Payable from Restricted Assets						
Customer deposits	364,660	149,784	-	-	514,444	-
Deferred revenue	-	3,060,349	-	3,007	3,063,356	-
Noncurrent Liabilities						
Revenue note	-	8,870,713	-	-	8,870,713	-
Capital lease	-	-	-	-	-	61,233
Advances from other City funds	-	835,236	-	-	835,236	-
Total Liabilities	<u>1,168,837</u>	<u>13,522,049</u>	<u>9,389</u>	<u>64,378</u>	<u>14,764,653</u>	<u>193,798</u>
Net Assets						
Invested in capital assets, net of related debt	3,362,560	16,453,647	5,014,994	527,765	25,358,966	122,830
Unrestricted	7,760,154	4,907,783	1,484,888	553,953	14,706,778	217,675
Total Net Assets	<u>\$ 11,122,714</u>	<u>\$ 21,361,430</u>	<u>\$ 6,499,882</u>	<u>\$ 1,081,718</u>	<u>\$ 40,065,744</u>	<u>\$ 340,505</u>
<p>Some amounts reported for business-type activities in the statement of net assets are different because certain internal service fund assets and liabilities are included with business-type activities.</p>						
Net assets of business-type activities					<u>43,683</u>	
					<u>\$ 40,109,427</u>	

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

CITY OF GEORGETOWN, SOUTH CAROLINA

Statement of Revenues, Expenses, and Changes in Fund Net Assets

Proprietary Funds
For the Year Ended June 30, 2005

	Enterprise Funds					Internal Service Funds
	Electric Utility	Water & Wastewater Utility	Stormwater Drainage Utility	Other Enterprise Funds	Total Enterprise Funds	
Operating Revenues						
Charges for sales and services	\$ 11,613,946	-	-	-	\$ 11,613,946	-
Sale of electricity, fees and penalties	-	1,728,118	-	-	1,728,118	-
Sale of water, fees and penalties	-	2,491,650	-	-	2,491,650	-
Sale of wastewater services, fees & penalties	-	-	386,752	-	386,752	-
Stormwater drainage fees and penalties	-	-	-	1,050,234	1,050,234	-
Sanitation fees and penalties	-	-	-	37,157	37,157	602,763
Other sales and service fees	-	-	-	(4,200)	(4,200)	-
Provision for bad debts	(22,535)	(13,105)	(2,594)	-	(42,434)	-
Total Operating Revenue	11,591,411	4,206,663	384,158	1,083,191	17,265,423	602,763
Operating Expenses						
Purchase of electricity	6,900,725	-	-	-	6,900,725	-
Purchase of raw water	-	50,144	-	-	50,144	-
Personal services	1,118,399	1,039,645	201,187	904,062	3,263,293	410,242
Supplies	165,743	388,573	10,635	18,126	583,077	13,291
Other charges and services	779,979	1,269,212	143,274	701,179	2,893,644	86,482
Depreciation	385,262	1,370,831	139,288	82,474	1,977,855	88,016
Total Operating Expenses	9,350,108	4,118,405	494,384	1,705,841	15,668,738	598,031
Operating Income (Loss)	2,241,303	88,258	(110,226)	(622,650)	1,596,685	4,732
Nonoperating Revenues (Expenses)						
Gain (loss) on disposal of assets	-	-	-	-	-	(713)
Investment earnings	138,786	93,570	18,585	7,193	258,134	-
Operating grants	52,928	5,207	-	137,845	195,980	-
Interest expense	-	(363,521)	-	-	(363,521)	(4,319)
Miscellaneous	112	4,103	(2,186)	11,322	13,351	300
Total Nonoperating Revenues (Expenses)	191,826	(260,641)	16,399	156,360	103,944	(4,732)

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

CITY OF GEORGETOWN, SOUTH CAROLINA

Statement of Revenues, Expenses, and Changes in Fund Net Assets

Proprietary Funds

For the Year Ended June 30, 2005

	Enterprise Funds				Total Enterprise Funds	Internal Service Funds
	Electric Utility	Water & Wastewater Utility	Stormwater Drainage Utility	Other Enterprise Funds		
Income (Loss) Before Transfers	2,433,129	(172,383)	(93,827)	(466,290)	1,700,629	-
Transfers in	-	-	762,000	561,900	1,323,900	-
Transfers out	(2,164,500)	(342,000)	-	-	(2,506,500)	-
Changes in Net Assets	268,629	(514,383)	668,173	95,610	518,029	-
Total Net Assets - Beginning of Year	10,854,085	21,875,813	5,831,709	986,108	340,505	-
Total Net Assets - End of Year	<u>\$ 11,122,714</u>	<u>\$ 21,361,430</u>	<u>\$ 6,499,882</u>	<u>\$ 1,081,718</u>	<u>\$ 340,505</u>	<u>\$ 340,505</u>
					1,883	
					<u>\$ 519,912</u>	

Some amounts reported for business-type activities in the statement of activities are different because the net revenue (expense) of certain internal service funds is reported with business-type activities.

Change in net assets of business-type activities

CITY OF GEORGETOWN, SOUTH CAROLINA

Statement of Cash Flows

Proprietary Funds

For the Year Ended June 30, 2005

	Enterprise Funds					Internal Service Funds
	Electric Utility	Water & Wastewater Utility	Stormwater Drainage Utility	Other Enterprise Funds	Total Enterprise Funds	
Cash Flows of Operating Activities						
Receipts from customers and users	\$ 11,165,499	\$ 3,954,088	\$ 377,959	\$ 1,063,232	\$ 16,560,778	\$ -
Receipts from other funds for services provided	513,564	26,203	7,189	12,410	559,366	606,761
Other receipts	112	8,748	-	9,082	17,942	300
Payments to or on behalf of employees	(1,151,907)	(1,056,627)	(199,893)	(925,770)	(3,334,197)	(420,789)
Payments to suppliers for goods and services	(7,567,832)	(1,428,238)	(190,893)	(454,704)	(9,641,667)	(54,640)
Payments to other funds for services used	(367,158)	(725,088)	(65,031)	(258,954)	(1,416,231)	(27,877)
Net Cash Provided (Used) by Operating Activities	2,592,278	779,086	(70,669)	(554,704)	2,745,991	103,755
Cash Flows of Noncapital Financing Activities						
Transfers to/from other funds	(2,164,500)	(342,000)	762,000	561,900	(1,182,600)	-
Operating grant contributions	30,245	5,207	-	82,822	118,274	-
Operating contributions from public	-	-	-	2,240	2,240	-
Repayment of temporary loan from other enterprise fund	31,825	(31,825)	-	-	-	-
Interest paid on temporary loan from other enterprise fund	31,500	(31,500)	-	-	-	-
Net Cash Provided (Used) by Noncapital Financing Activities	(2,070,930)	(400,118)	762,000	646,962	(1,062,086)	-
Cash Flows of Capital and Related Financing Activities						
Capital grant contributions	-	-	12,193	-	12,193	-
Principal paid on revenue note	-	(370,142)	-	-	(370,142)	-
Interest paid on revenue note	-	(332,021)	-	-	(332,021)	-
Principal paid on capital lease	-	-	-	-	-	(58,439)
Interest paid on capital lease	-	-	-	-	-	(4,454)
Purchase or construction of capital assets	(410,789)	(253,176)	(323,581)	(122,504)	(1,110,050)	(14,987)
Net Cash Provided (Used) by Capital and Related Financing Activities	(410,789)	(955,339)	(311,388)	(122,504)	(1,800,020)	(77,880)

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

CITY OF GEORGETOWN, SOUTH CAROLINA

Statement of Cash Flows

Proprietary Funds

For the Year Ended June 30, 2005

	Enterprise Funds					Internal Service Funds
	Electric Utility	Water & Wastewater Utility	Stormwater Drainage Utility	Other Enterprise Funds	Total Enterprise Funds	
Cash Flows of Investing Activities						
Earnings on deposits and investments	106,937	93,052	18,585	7,193	225,767	-
Proceeds from maturities of investments	8,094	4,090	-	-	12,184	-
Net Cash Provided (Used) by Investing Activities	<u>115,031</u>	<u>97,142</u>	<u>18,585</u>	<u>7,193</u>	<u>237,951</u>	<u>-</u>
Net Increase (Decrease) in Cash and Cash Equivalents	225,590	(479,229)	398,528	(23,053)	121,836	25,875
Cash and Cash Equivalents - Beginning of Year	5,727,122	9,043,080	1,072,916	505,198	16,348,316	155,652
Cash and Cash Equivalents - End of Year	<u>\$ 5,952,712</u>	<u>\$ 8,563,851</u>	<u>\$ 1,471,444</u>	<u>\$ 482,145</u>	<u>\$ 16,470,152</u>	<u>\$ 181,527</u>

CITY OF GEORGETOWN, SOUTH CAROLINA

Statement of Cash Flows

Proprietary Funds

For the Year Ended June 30, 2005

	Enterprise Funds					Internal Service Funds
	Electric Utility	Water & Wastewater Utility	Stormwater Drainage Utility	Other Enterprise Funds	Total Enterprise Funds	
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities						
Operating income (loss)	\$ 2,241,303	\$ 88,258	\$ (110,226)	\$ (622,650)	\$ 1,596,685	\$ 4,732
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:						
Depreciation	385,262	1,370,831	139,288	82,474	1,977,855	88,016
Decreases (increases) in current assets						
Receivables	71,216	18,846	990	(7,549)	83,503	3,998
Inventories	(25,917)	7,344	(306)	(4,729)	(23,608)	(3,918)
Increases (decreases) in current liabilities						
Trade accounts payable (exclusive of capital items)	(62,626)	(448,096)	(99,523)	10,376	(599,869)	21,174
Accrued wages, withholdings and benefits payable	(38,805)	(25,830)	(2,349)	(26,485)	(93,469)	(12,619)
Liability for compensated absences	5,297	8,848	3,643	4,777	22,565	2,072
Customer deposits	16,436	10,491	-	-	26,927	-
Deferred revenues	-	(255,709)	-	-	(255,709)	-
Miscellaneous proceeds	112	4,103	(2,186)	9,082	11,111	300
Net Cash Provided (Used) by Operating Activities	\$ 2,592,278	\$ 779,086	\$ (70,669)	\$ (554,704)	\$ 2,745,991	\$ 103,755
Noncash Capital and Related Financing Activities						
Disposal of capital assets (book value)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 588
Noncash Investing Activities						
Decreases in fair value of investments	\$ 371	\$ 188	\$ -	\$ -	\$ 559	\$ -

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

CITY OF GEORGETOWN, SOUTH CAROLINA

Statement of Fiduciary Net Assets

Fiduciary Funds

June 30, 2005

	Guerry Scholarship Private Purpose Trust Fund	Firemen's Agency Fund
Assets		
Cash and cash equivalents	\$ 26,419	\$ 2,970
Total Assets	26,419	2,970
Liabilities		
Due to City firemen's association	-	2,970
Total Liabilities	-	2,970
Net Assets		
Held in trust for benefit of future scholarship recipients	26,419	-
Total Net Assets	\$ 26,419	\$ -

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

CITY OF GEORGETOWN, SOUTH CAROLINA

Statement of Changes in Fiduciary Net Assets

Fiduciary Funds

For the Year Ended June 30, 2005

	<u>Guerry Scholarship Private Purpose Trust Fund</u>
Additions	
Investment earnings	\$ 522
Deductions	-
Change in Net Assets	<u>522</u>
Net Assets - Beginning of Year	<u>25,897</u>
Net Assets - End of Year	<u><u>\$ 26,419</u></u>

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

CITY OF GEORGETOWN, SOUTH CAROLINA

Notes to Financial Statements

June 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. Although the City has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, the City has chosen not to do so.

The financial statement presentation for the City meets the requirements of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* and related amendments, pronouncements, and interpretations. The financial statement presentation provides a comprehensive, entity-wide perspective of the City's net assets, revenues, expenses, and changes in net assets and cash flows that replaces the fund-group perspective previously required and provides for the inclusion of certain required supplementary information such as Management's Discussion and Analysis.

Description of Reporting Entity

The City of Georgetown, South Carolina, (the City), was incorporated in 1805 under the laws of the State of South Carolina. The City's governing body, consisting of a mayor and a six-member council, operates under the Mayor-Council form of government in accordance with Home Rule Act Number 283 and offers services as provided for in the Act. Those services are generally reported by the following functional categories: general government, public safety, public works, and community development. The City also owns and operates its own electric, water, wastewater and stormwater drainage service utilities and an historic house museum.

As required by generally accepted accounting principles, these financial statements present the activities of all operations of the City. There are no other organizations for which the City is financially accountable or for which the nature and significance of their relationship with the City are such that the exclusion of their activities from these financial statements would cause the statements to be misleading.

Basic Financial Statements

The City's basic financial statements include both "government-wide" (reporting the City as a whole) and "fund" financial statements (which focuses on the City's major funds). Both the government-wide and the fund financial statements categorize primary activities as either a) governmental, or b) business-type. The City's general government, public safety, public works and community development functions are classified as governmental activities. The City's electric, water, wastewater and stormwater drainage services, as well as waste management services and the operations of the Kaminski House Museum are classified as business-type activities.

Government-Wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the nonfiduciary activities of the City as a whole. The effect of interfund activity (other than for services provided and used), within the governmental and business-type columns, has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and user charges for support.

CITY OF GEORGETOWN, SOUTH CAROLINA

Notes to Financial Statements

June 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In the government-wide **Statement of Net Assets**, both the governmental and business-type activities columns are presented on a consolidated basis. The City's net assets are reported in three parts: 1) net assets invested in capital assets, net of related debt; 2) restricted net assets; and 3) unrestricted net assets. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the City's practice is to apply restricted resources first.

The government-wide **Statement of Activities** demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues. Allocations of overhead expenses from one function to another, and within one function, are eliminated in the statement of activities so that allocated expenses are reported only by the function from which they were allocated.

The government-wide financial statement focus is on the sustainability of the City as an entity and the change in the City's net assets resulting from the current year's activities.

Fund Financial Statements

The City segregates transactions related to certain functions or activities in separate funds in order to aid financial management and demonstrate legal compliance. Separate fund financial statements are presented for governmental, proprietary, and fiduciary activities (even though the latter are excluded from the government-wide financial statements). The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Each major fund, determined in accordance with criteria established by the Governmental Accounting Standards Board, is presented in a separate column on the fund financial statements. All nonmajor funds are aggregated and reported in a single column on each of the fund statements.

The City's internal service funds are presented in a single column in the proprietary fund financial statements. Residual balances of individual internal service funds are consolidated into the government-wide financial statements as either governmental activities or business-type activities depending upon which activity type receives the predominant amount of services from each fund.

The City's fiduciary funds are presented in the fiduciary fund financial statements by type (private purpose and agency). Since by definition these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the City, these funds are not incorporated into the government-wide statements.

Governmental Funds

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The City utilizes the following governmental funds:

CITY OF GEORGETOWN, SOUTH CAROLINA

Notes to Financial Statements

June 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

General Fund. This fund is the general operating fund of the City and is used to account for all financial resources except those required to be accounted for in another fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the General Fund. **The general fund is reported as a major governmental fund.**

Special Revenue Funds. These funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The City uses the following special revenue funds, none of which are considered to be major funds: 1) state accommodations tax fund, 2) local accommodations and hospitality tax fund, 3) community development fund, and 4) seized and forfeited property fund.

Proprietary Funds

The focus of proprietary fund measurement is upon determination of operating income, changes in net assets, financial position, and cash flows. The generally accepted accounting principles applicable to proprietary funds are similar to those applicable to businesses in the private sector.

The following is a description of the proprietary fund types of the City:

Enterprise Funds. Enterprise funds are used to account for operations for which a fee is charged to external users for goods or services and the activity (a) is financed with debt that is solely secured by a pledge of the net revenues, (b) has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges, or (c) establishes fees and charges based on a pricing policy designed to recover similar costs.

The City uses the following major enterprise funds:

Electric Utility Enterprise Fund. This fund is used to account for assets and activities of the City's electric distribution operations. All costs are financed through charges to utility customers.

Water and Wastewater Utility Enterprise Fund. This combined fund is used to account for assets and activities of the City's water and wastewater operations. All costs are financed through charges to utility customers.

Stormwater Drainage Utility Enterprise Fund. This fund is used to account for the assets and activities of the City's stormwater drainage operations. Costs are financed through charges to utility customers, along with subsidies from other City funds.

Other enterprise funds used are as follows: 1) waste management fund, and 2) Kaminski House Museum fund.

Internal Service Funds. These funds are used to account for the financing and provision of goods and services by one department, or activity, to other departments and funds of the City on a cost-reimbursement basis. Internal service funds are reported on an aggregated basis in the fund financial statements and, therefore, are not classified as major or nonmajor.

The City uses the following internal service funds: 1) fleet services fund, 2) engineering services fund, and 3) information technology services fund. The fleet services fund and the engineering services fund predominantly serve business-type activities and the information technology services fund predominantly serves governmental activities.

CITY OF GEORGETOWN, SOUTH CAROLINA

Notes to Financial Statements

June 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fiduciary Funds

Fiduciary funds are used to report assets held in a trustee or agency capacity for others. Since by definition these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the City, these funds are not incorporated into the government-wide statements. These funds are, however, reported in the fund financial statements where the reporting focus is on net assets and changes in net assets. Fiduciary funds are used by the City for reporting the following:

Guerry Scholarship Private Purpose Trust Fund. This fund is used to account for assets and transactions of a scholarship fund established with contributions made in memory of Major Spencer Guerry, a City policeman who lost his life in 1994 while serving in the line of duty.

Firemen's Agency Fund. This fund is used to account for insurance premium rebates remitted by the State Treasurer to be expended for the collective benefit and enjoyment of the City firefighters.

Measurement Focus and Basis of Accounting

Measurement focus refers to *what* is being measured; basis of accounting refers to *when* revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements and fund financial statements for proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statements of net assets and the operating statements present increases (revenues) and decreases (expenses) in net total assets. Under the accrual basis of accounting, revenues are recognized when earned. Expenses are recognized at the time the liability is incurred.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The City considers revenue to be available if collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when payment is due.

Estimates

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

CITY OF GEORGETOWN, SOUTH CAROLINA

Notes to Financial Statements

June 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and with fiscal agents, demand deposits (including deposits in the South Carolina Local Government Investment Pool and the South Carolina Local Government Assurance Group), and short-term investments with original maturities of three months or less from the date of acquisition.

Deposits in the South Carolina Local Government Investment Pool (SCLGIP) are invested in money market investments and can be withdrawn at par plus accrued interest on demand. Positions in the pool are determined by the pool's share price. The SCLGIP, which is operated by and under the oversight of the State Treasurer's Office, is not registered with the Securities and Exchange Commission (SEC) as an investment company. It does, however, operate in a manner consistent with SEC Rule 2a7 of the Investment Company Act of 1940.

Investments

State statutes authorize the City to invest in obligations of the U.S. Treasury and agencies thereof, obligations of the State of South Carolina or any of its political units, savings and loan associations to the extent secured by the Federal Deposit Insurance Corporation, and certificates of deposit and repurchase agreements where the certificates or agreements are collaterally secured by obligations of the United States and agencies thereof or by obligations of the State of South Carolina or any of its political units. Investments are reported in the financial statements at fair value. Fair values are based on market prices.

Receivables

All accounts receivables are reported in these financial statements net of allowances for uncollectible amounts. Such allowances are estimated based on length of delinquency, historical analysis, and available means for collection enforcement.

Interfund Balances and Activity

Interfund activity is reported as either loans (advances), services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Residual balances outstanding between governmental and business-type activities are reported in the government-wide financial statements as internal balances. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

Prepaid Items

Payments made by governmental fund types to vendors for insurance coverage and similar services extending into the following accounting period are generally recognized as expenditures in the period of acquisition. Such prepayments in proprietary funds are recognized as an expense during the period of benefit or use.

CITY OF GEORGETOWN, SOUTH CAROLINA

Notes to Financial Statements

June 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventories

All inventories of the proprietary funds consist of expendable supplies and are valued at lower of cost, using the first-in, first-out (FIFO) method, or market value.

Restricted Assets

Customer deposits are classified as restricted assets, as are funds set aside for the payment of future employee health claims for which the City is self-funded. Restricted assets also include unexpended law enforcement grant funds held for specified uses and deposit balances generated in conjunction with the City's "Safe Streets" ordinance to be used in creating and maintaining youth programs. Balances on hand required by state statute to be used in providing services to victims of and witnesses to crimes are also reported as restricted assets. All assets of the special revenue funds, while not separately described as such on the balance sheet, are considered restricted by the nature of their fund types.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements for proprietary funds. Capital assets are defined by the City as assets with an initial, individual cost of \$5,000 or more. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that add to the value or significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

Interest incurred during the construction of proprietary fund assets is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period. Assets impaired as a result of loss of use, cost overruns, significant decline in value, legal or business factors, or similar circumstances, are adjusted to recoverable amounts.

Depreciation on all capital assets is computed using the straight-line method over the following estimated useful lives:

<u>Asset Classification</u>	<u>Useful Life</u>
Land improvements	10-40 Years
Buildings and improvements	10-40 Years
Furniture and fixtures	10 Years
Vehicles, equipment and furnishings	5-10 Years
Electric system	25-40 Years
Fiber optics system	10 Years
Water and wastewater systems	10-40 Years
Stormwater drainage systems	5-40 Years

The City has a collection of historical furnishings presented for public exhibition and education at the Kaminski House Museum. These assets are being preserved for future generations. The collection is not capitalized or depreciated as part of capital assets.

CITY OF GEORGETOWN, SOUTH CAROLINA

Notes to Financial Statements

June 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Compensated Absences

It is the City's policy to allow employees to accumulate earned but unused vacation and sick leave benefits. There is no liability for unpaid accumulated sick leave because the City does not have a policy to pay for any such amounts when employees separate from service. All vacation pay is accrued and recognized as a liability when incurred. Leave balances are depleted on the first-in, first-out (FIFO) basis and employees are only allowed to carry over two weeks of accumulated vacation leave from one fiscal year to the next. Accordingly, the City's liability for compensated absences is reported entirely as a current liability (due within one year) in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental fund financial statements only if they have matured, for example, as a result of employee resignations and retirements.

Long-Term Obligations

In the government-wide financial statements and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net assets. Bond premiums and discounts, as well as bond issuance costs, are deferred and amortized over the life of the bonds using the bond principal outstanding method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Reservations and Designations of Fund Balances

In the fund financial statements, governmental funds report reservations of fund balances for amounts that are not available for appropriation or are legally restricted for a specific future use. Designated fund balances represent tentative management plans for future use of available financial resources. Designations are subject to change.

Revenues

Real property and personal property, other than vehicles, are assessed for property tax purposes on the first day of January each year. An enforceable lien attaches to such property at that time. Tax levies are effective on the first day of July and are payable between September 30th and January 15th following mailing of notices. Unpaid taxes after January 15th are considered to be delinquent and are subject to penalties for late payment. Taxes still unpaid at March 15th go into execution and subject properties become eligible for sale at public auction.

New vehicle property taxes are assessed and levied within 120 days of the registration date of the vehicle and payment is due upon receipt of the property tax notice. Other vehicle property taxes are assessed and levied in the month the vehicle is scheduled for license renewal with the South Carolina Department of Transportation and payment is due before the end of the month of the scheduled renewal.

CITY OF GEORGETOWN, SOUTH CAROLINA

Notes to Financial Statements June 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property tax revenues are recognized in the year in which they are due and collected, or expected to be collected, within 60 days after the end of the fiscal year. The Georgetown County Treasurer collects and remits property taxes as an agent for the City.

In addition to property taxes, business licenses, local accommodations and hospitality taxes, intergovernmental shared revenues, and other miscellaneous revenues when their receipt occurs, or is expected to occur, within 60 days after year-end 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 generally considered to be measurable and available only when cash is received.

Proprietary funds distinguish operating revenues from nonoperating revenues and capital contributions and transfers. Operating revenues result primarily from providing goods and services in connection with a proprietary fund's principal ongoing operations. Subsidies and grants to proprietary funds, which can be used to finance either capital or current operations, are reported as nonoperating revenue in the fund financial statements. Grant revenues are recognized as receivables and revenue when all applicable eligibility requirements, including time requirements, are met. Grants restricted for capital use are reported as capital contributions. Resources transmitted before the eligibility requirements are met are reported as deferred revenue.

NOTE 2 - CASH, DEPOSITS AND INVESTMENTS

Deposits - The City generally pools cash of all funds into a central depository bank account for operating purposes. At June 30, 2005, the carrying amount of the City's total cash deposits was \$2,480,726 with corresponding bank balances of \$2,669,169. Petty cash on hand totaled \$1,487.

Custodial Credit Risk - In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits might not be recovered. The City does not have a deposit policy for custodial credit risk. As of June 30, 2005, none of the City's bank balances of \$2,669,169 were exposed to custodial credit risk.

Investments - The City's investment policies are limited by State statutes which authorize the City to invest in obligations of the United States and agencies thereof, obligations of the State of South Carolina or any of its political units, savings and loan associations to the extent secured by an agency of the federal government, and certificates of deposit and repurchase agreements when collateralized by securities of the type described above. Certain other limited investments are authorized by the statutes when made by financial institutions acting as trustee or agent with respect to debt issues of the City. The statutes provide that all authorized investments shall have maturities consistent with the time or times when the invested monies will be needed in cash. Statutes also allow the State Treasurer to assist local governments in investing funds. The deposits in the State Treasurer's investment pool and deposits with the South Carolina Local Government Assurance Group, shown below, are classified and presented on the balance sheet as cash equivalents in accordance with criteria established for defining cash equivalents.

As of June 30, 2005 the City had the following investments and maturities:

Investment Type	Fair Value	Maturities (in Years)		
		Less Than 1	1 - 5	6-10
U.S. mortgage backed securities	\$ 14,290	\$ 524	\$ 7,440	\$ 6,326
State Treasurer's investment pool	16,859,771	16,859,771	--	--
Other external investment pool	593,997	593,997	--	--
Total Investments	<u>\$17,468,058</u>	<u>\$17,454,292</u>	<u>\$ 7,440</u>	<u>\$ 6,326</u>

CITY OF GEORGETOWN, SOUTH CAROLINA

Notes to Financial Statements

June 30, 2005

NOTE 2 - CASH, DEPOSITS AND INVESTMENTS (CONTINUED)

Custodial Credit Risk - For investments, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City does not have an investment policy regarding the amount of securities that can be held by counterparties. As of June 30, 2005, none of the City's investments were exposed to custodial credit risk.

Credit Risk - The City's investment policy requires that its portfolio consist largely of securities with top ratings issued by nationally recognized statistical rating organizations. As of June 30, 2005, the City's investment in U.S. mortgage backed securities was unrated. The City's investment in the State Treasurer's investment pool and in the South Carolina Local Government Assurance Group was also unrated. Funds deposited into the State Treasurer's investment pool are used to purchase: 1) direct obligations of the U.S. government, 2) federal agency securities, 3) repurchase agreements secured by the U.S. government and/or federal agency securities, and 4) commercial paper rated A1/P1 (S&P/Moody's highest rating).

Concentration of Credit Risk - The City's investment policy places no limit on the amount it may invest in any one issuer. Investments issued or explicitly guaranteed by the U.S. government and investments in external investment pools are excluded from this disclosure requirement.

Interest Rate Risk - The City's investment policy is to mitigate interest rate risk and ensure the preservation of capital in the overall portfolio. The policy does not place a limit on its investment maturities to help manage its exposure to fair value losses from increasing interest rates.

NOTE 3 - RECEIVABLES

Property taxes receivable at June 30, 2005, total \$321,386. Of that amount, an allowance for uncollectible amounts has been estimated at \$238,688, leaving net taxes receivable expected to be collected of \$82,698. Collections expected to be received beyond 60 days after year-end have been recorded as deferred revenue in the amount of \$63,317.

Accounts receivable from customers primarily represent balances due for electric, water, wastewater, stormwater and waste management services provided. The balances also include estimates for services provided but not yet billed at fiscal year end. Accounts receivable are presented in the financial statements net of allowances for estimated uncollectible amounts of \$653,799 in the proprietary funds.

Amounts due from other governments at June 30, 2005, were as follows:

Governmental Activities

General Fund

From State Government	
Local government aid and state revenue sharing	\$ 99,288
Grants	66,287
Insurance reimbursements	838,293
From County Government	
Property taxes	43,611
Other reimbursements	<u>2,822</u>
	<u>\$1,050,301</u>

CITY OF GEORGETOWN, SOUTH CAROLINA

Notes to Financial Statements June 30, 2005

NOTE 3 - RECEIVABLES (CONTINUED)

Nonmajor Governmental Fund

State Accommodations Tax Fund

From State Government State accommodations tax	<u>\$ 25,331</u>
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Business-Type Activities

Electric Utility Enterprise Fund

From State Government Grants	<u>\$ 22,683</u>
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Nonmajor Enterprise Fund

Waste Management Utility Enterprise Fund

From State Government Grants	<u>\$ 56,137</u>
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NOTE 4 - RESTRICTED ASSETS

Restricted assets at June 30, 2005, consist of the following:

Governmental Activities:

General Fund

Deposits with other agencies

Deposits with Local Government Assurance Group restricted for payment of health claims	<u>\$ 593,997</u>
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Other deposits

Deposits of unexpended restricted grant funds	\$ 51,140
Deposits restricted for "safe streets" program	30,935
Deposits restricted for fire impact fees	21,169
Court bond deposits	<u>158,006</u>
	<u>\$ 261,250</u>

Business-Type Activities:

Customer utility deposits

Electric Utility Enterprise Fund	\$ 364,660
Water and Wastewater Utility Enterprise Fund	<u>149,784</u>
	<u>\$ 514,444</u>

Other deposits

Water and Wastewater Utility Enterprise Fund – prepayments from regional WWTP partners	<u>\$3,060,349</u>
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Nonmajor Enterprise Fund - Waste Management – unexpended restricted grant funds	<u>\$ 3,007</u>
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CITY OF GEORGETOWN, SOUTH CAROLINA

Notes to Financial Statements

June 30, 2005

NOTE 5 - CAPITAL ASSETS

Following is a summary of capital asset activity for the year ended June 30, 2005:

	Balances June 30, 2004	Additions and Transfers	Disposals and Transfers	Balances June 30, 2005
Governmental Activities				
Capital assets not being depreciated:				
Land	\$ 2,395,736	\$ --	\$ (33,101)	\$ 2,362,635
Construction in progress				
Winyah Auditorium	--	9,500	--	9,500
Frontage road	260,886	--	(260,886)	--
Other miscellaneous projects	14,693	--	(3,551)	11,142
	<u>2,671,315</u>	<u>9,500</u>	<u>(297,538)</u>	<u>2,383,277</u>
Other capital assets:				
Buildings and improvements	6,989,433	27,870	(22,758)	6,994,545
Vehicles, equipment & furnishings	4,802,045	24,953	(79,316)	4,747,682
Infrastructure				
Roads	2,038,306	--	--	2,038,306
Sidewalks	489,886	--	--	489,886
Other improvements	1,326,010	81,560	--	1,407,570
	<u>15,645,680</u>	<u>134,383</u>	<u>(102,074)</u>	<u>15,677,989</u>
Less accumulated depreciation for:				
Buildings and improvements	(1,217,886)	(200,745)	15,112	(1,403,519)
Vehicles, equipment & furnishings	(2,504,066)	(474,705)	61,278	(2,917,493)
Infrastructure	(761,256)	(81,344)	--	(842,600)
Other improvements	(515,308)	(69,106)	--	(584,414)
Total accumulated depreciation	<u>(4,998,516)</u>	<u>(825,900)</u>	<u>76,390</u>	<u>(5,748,026)</u>
Net Governmental Activities Capital Assets	<u>\$ 13,318,479</u>	<u>\$ (682,017)</u>	<u>\$ (323,222)</u>	<u>\$ 12,313,240</u>
Business-Type Activities				
Capital assets not being depreciated:				
Land	\$ --	\$ 212,075	\$ --	\$ 212,075
Construction in progress				
Electric distribution upgrade	82,992	11,327	--	94,319
Water distribution upgrade	18,450	46,522	(18,450)	46,522
Wastewater collection upgrade	23,284	11,885	(8,747)	26,422
Stormwater drainage upgrades	1,466,741	32,635	(4,170)	1,495,206
Kaminski House Museum	27,835	--	(27,835)	--
	<u>1,619,302</u>	<u>314,444</u>	<u>(59,202)</u>	<u>1,874,544</u>
Other capital assets:				
Land improvements	161,283	42,695	--	203,978
Buildings and improvements	1,135,538	14,987	--	1,150,525
Vehicles, equipment & furnishings	3,786,790	191,256	(56,581)	3,921,465
Electric system	5,439,079	399,462	--	5,838,541
Fiber optics system	899,454	--	--	899,454
Water system				
Distribution	5,821,612	118,365	--	5,939,977
Filtration plant	7,832,310	--	--	7,832,310
Wastewater system				
Collection	4,939,277	93,245	--	5,032,522
Treatment plant	17,534,404	--	--	17,534,404
Stormwater drainage system	4,027,939	9,784	--	4,037,723
Sludge disposal rights	472,047	--	--	472,047
	<u>52,049,733</u>	<u>869,794</u>	<u>(56,581)</u>	<u>52,862,946</u>

CITY OF GEORGETOWN, SOUTH CAROLINA

Notes to Financial Statements June 30, 2005

NOTE 5 - CAPITAL ASSETS (CONTINUED)

	Balances June 30, 2004	Additions and Transfers	Disposals and Transfers	Balances June 30, 2005
Other capital assets (continued):				
Less accumulated depreciation for:				
Land improvements	(51,570)	(6,598)	--	(58,168)
Buildings and improvements	(540,885)	(41,978)	--	(582,863)
Vehicles, equipment & furnishings	(2,392,374)	(299,759)	56,582	(2,635,551)
Electric system	(3,397,696)	(175,556)	--	(3,573,252)
Fiber optics system	(434,533)	(89,945)	--	(524,478)
Water system				
Distribution	(2,123,645)	(147,842)	--	(2,271,487)
Filtration plant	(2,617,563)	(232,208)	--	(2,849,771)
Wastewater system				
Collection	(2,298,211)	(148,733)	--	(2,446,944)
Treatment plant	(3,553,806)	(706,355)	--	(4,260,161)
Stormwater drainage system	(696,673)	(127,741)	--	(824,414)
Sludge disposal rights	--	(11,802)	--	(11,802)
Total accumulated depreciation	<u>(18,106,956)</u>	<u>(1,988,517)</u>	<u>56,582</u>	<u>(20,038,891)</u>
Net Business-Type Activities Capital Assets	<u>\$ 35,562,079</u>	<u>\$ (804,279)</u>	<u>\$ (59,201)</u>	<u>\$ 34,698,599</u>

Depreciation expense was charged to functions as follows:

Governmental Activities		
General government		\$ 120,922
Public safety		427,889
Public works		139,400
Community development		32,769
Depreciation included in Internal service fund charges		77,354
Total Governmental Activities Depreciation Expense		<u>\$ 798,334</u>
Business-Type Activities		
Electric utility		\$ 385,262
Water utility		431,429
Wastewater utility		939,402
Stormwater utility		139,288
Waste management		72,691
Kaminski House Museum		9,783
Depreciation included in Internal service fund charges		10,662
Total Business-Type Activities Depreciation Expense		<u>\$ 1,988,517</u>

The above schedules reflect various reclassifications of assets between functions.

In June 2003, the City deeded the old Winyah High School property to a private developer. The building, which was constructed in 1908, includes the original auditorium and classrooms and is considered to be historically significant. Under terms of the sales contract, the developer will completely renovate the outside of the building and certain areas within the building, and then re-convey the auditorium space and certain other office space back to the City. Ownership of the remaining portions of the property will be retained by the developer.

See Note 12 for additional information regarding certain construction projects in progress at June 30, 2005.

CITY OF GEORGETOWN, SOUTH CAROLINA

Notes to Financial Statements June 30, 2005

NOTE 6 - LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2005, was as follows:

	Outstanding 6-30-04	Issued	Retired	Outstanding 6-30-05	Due Within One Year
Governmental Activities:					
Series 1991 General Obligation Bonds	\$ 280,000	\$ --	\$ (135,000)	\$ 145,000	\$ 145,000
Capital Lease Obligations					
Governmental funds	1,089,166	--	(314,840)	774,326	290,708
Internal service funds	179,290	--	(58,439)	120,851	59,618
Liability for Compensated Absences					
Governmental funds	135,179	136,707	(135,179)	136,707	136,707
Internal service funds	<u>1,422</u>	<u>3,255</u>	<u>(1,422)</u>	<u>3,255</u>	<u>3,255</u>
	<u>\$ 1,685,057</u>	<u>\$ 139,962</u>	<u>\$ (644,880)</u>	<u>\$ 1,180,139</u>	<u>\$ 635,288</u>
Business-Type Activities:					
Series 2001A Combined Water and Sewer System Revenue Note					
Enterprise funds	\$ 9,624,122	\$ --	\$ (370,142)	\$ 9,253,980	\$ 383,267
Liability for Compensated Absences					
Enterprise funds	73,434	95,999	(73,434)	95,999	95,999
Internal service funds	<u>10,892</u>	<u>11,131</u>	<u>(10,892)</u>	<u>11,131</u>	<u>11,131</u>
	<u>\$ 9,708,448</u>	<u>\$ 107,130</u>	<u>\$ (454,468)</u>	<u>\$ 9,361,110</u>	<u>\$ 490,397</u>

Description of Debt

General Obligation Bonds, 1991 Series, with principal outstanding in the amount of \$145,000, were issued on July 1, 1991, in the original amount of \$1,400,000. These bonds are payable in annual principal and semi-annual interest installments through March 1, 2006, and bear interest at annual rates ranging from 6.6% to 6.7%. Proceeds of the Series 1991 Bonds were used to defray the cost of repaving Front Street, land acquisition, and construction of public parks in conjunction with the "Streetscape" project along Front Street in the City's historic waterfront district. Debt service on this bond issue is paid from the Local Accommodations and Hospitality Tax Special Revenue Fund.

Capital leases – governmental funds, with principal outstanding in the amount of \$774,326, are collateralized by the various vehicles and equipment, for which the proceeds were used to acquire. The City has six general obligation capital leases outstanding at June 30, 2005. These obligations are scheduled to be paid from the General Fund in annual installments with interest rates ranging from 2.38% to 5.09%.

Capital lease – internal service fund, with principal outstanding in the amount of \$120,851, was used to finance the acquisition of telephone and related network equipment and is collateralized with such equipment. This lease obligation is to be paid from the Information Technology Internal Services Fund in annual installments with an annual interest rate of 2.71%.

CITY OF GEORGETOWN, SOUTH CAROLINA

Notes to Financial Statements June 30, 2005

NOTE 6 - LONG-TERM LIABILITIES (CONTINUED)

Water and Sewer System Revenue Note, Series 2001A, with current principal outstanding in the amount of \$9,253,980, was issued on April 1, 2003, in the total amount of \$10,069,024 including capitalized interest. This revenue note, bearing interest at an annual rate of 3.5%, and the underlying loan from the South Carolina Water Pollution Control Revolving Fund were issued to partially finance improvements and expansion of the City's wastewater treatment facility. The expansion provides extra treatment capacity to the City and allows the City to provide wastewater treatment services to the Town of Andrews and the Georgetown County Water & Sewer District in conjunction with the West Georgetown County Regional Wastewater Treatment System Service Agreement entered into in 1997. Principal and interest payments are due in quarter-annual installments of \$175,541 each, with final maturity on April 1, 2023. Debt service on this loan is payable by and is secured by pledged revenues of the Combined Water and Wastewater Utility Enterprise Fund.

Liability for Compensated Absences attributable to governmental activities will be liquidated primarily from the General Fund with the remaining balance payable from the Information Technology Internal Services Fund. The compensated absence liability attributable to business-type activities will be liquidated by various enterprise and internal service funds.

Debt Service Requirements

Debt service requirements for the long-term debt of governmental activities outstanding at June 30, 2005, are as follows:

Fiscal Year Ending	Principal Requirements		Interest Requirements		Total Requirements
	G.O. Bond	Capital Lease	G.O. Bond	Capital Lease	
2006	\$ 145,000	\$ 350,326	\$ 9,715	\$ 25,159	\$ 530,200
2007	--	329,758	--	15,798	345,556
2008	--	76,554	--	6,899	83,453
2009	--	78,943	--	4,509	83,452
2010	--	29,296	--	2,044	31,340
2011-2014	--	30,300	--	1,040	31,340
	<u>\$ 145,000</u>	<u>\$ 895,177</u>	<u>\$ 9,715</u>	<u>\$ 55,449</u>	<u>\$ 1,105,341</u>

CITY OF GEORGETOWN, SOUTH CAROLINA

Notes to Financial Statements June 30, 2005

NOTE 6 - LONG-TERM LIABILITIES (CONTINUED)

Debt service requirements for the long-term debt of business-type activities outstanding at June 30, 2005, are as follows:

Fiscal Year Ending	Principal Requirements		Interest Requirements		Total Requirements
	Revenue Note	Capital Lease	Revenue Note	Capital Lease	
2006	\$ 383,267	\$ --	\$ 318,896	\$ --	\$ 702,163
2007	396,859	--	305,304	--	702,163
2008	410,932	--	291,231	--	702,163
2009	425,505	--	276,658	--	702,163
2010	440,594	--	261,569	--	702,163
2011-2015	2,448,716	--	1,062,099	--	3,510,815
2016-2020	2,914,805	--	596,010	--	3,510,815
2021-2023	<u>1,833,302</u>	<u>--</u>	<u>97,646</u>	<u>--</u>	<u>1,930,948</u>
	<u>\$ 9,253,980</u>	<u>\$ --</u>	<u>\$ 3,209,413</u>	<u>\$ --</u>	<u>\$ 12,463,393</u>

Following is a schedule of the future minimum lease payments under capital leases and the present value of minimum lease payments at June 30, 2005.

<u>Fiscal Year Ending</u>	<u>Governmental Activities</u>
June 30, 2006	\$ 375,485
June 30, 2007	345,556
June 30, 2008	83,453
June 30, 2009	83,452
June 30, 2010	31,340
June 30, 2011 – 2014	<u>31,340</u>
Total Minimum Lease Payments	\$ 950,626
Less: Amount Representing Interest	<u>(55,449)</u>
Present Value of Minimum Lease Payments – June 30, 2005	<u>\$ 895,177</u>

CITY OF GEORGETOWN, SOUTH CAROLINA

Notes to Financial Statements

June 30, 2005

NOTE 7 - INTERFUND BALANCES AND TRANSFERS

Interfund receivable and payable balances at June 30, 2005, were as follows:

Fund	Receivable	Payable
Due to/from other funds:		
General Fund	\$ 1,267	\$ --
Nonmajor Governmental Fund		
State Accommodations Tax Fund	--	1,267
Enterprise Funds		
Electric Utility Fund	32,939	--
Water and Wastewater Utility Fund	--	32,939
	32,939	32,939
Advances from/to other funds:		
Enterprise Funds		
Electric Utility Fund	835,236	--
Water and Wastewater Utility Fund	--	835,236
	835,236	835,236
Totals	\$ 869,442	\$ 869,442

Outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

The balance due from the Water and Wastewater Utility Fund to the Electric Utility Fund represents a long-term loan to finance the City's portion of the Regional Wastewater Treatment Plant not funded by grants or other external loans and the City's portion of the landfill compost pad. The loan was authorized by City Council on August 21, 2003 and is being repaid over a term of 20 years in annual installments of \$63,325 at 3.50%. The amount that the Electric Utility Fund expects to collect in the subsequent year is \$32,939.

Interfund transfers for the year ended June 30, 2005, were as follows:

Fund	Transfer In	Transfer Out
General Fund	\$ 1,988,458	\$ 432,900
Nonmajor Governmental Funds		
State Accommodations Tax Fund	--	26,958
Local Accommodations and Hospitality Tax Fund	--	346,000
	1,988,458	805,858
Enterprise Funds		
Electric Utility Fund	--	2,164,500
Water and Wastewater Utility Fund	--	342,000
Stormwater Drainage Utility Fund	762,000	--
Nonmajor Enterprise Funds		
Waste Management Fund	315,900	--
Kaminski House Museum Fund	246,000	--
	1,323,900	2,506,500
Totals	\$ 3,312,358	\$ 3,312,358

CITY OF GEORGETOWN, SOUTH CAROLINA

Notes to Financial Statements

June 30, 2005

NOTE 7 - INTERFUND BALANCES AND TRANSFERS (CONTINUED)

Most of the transfers shown above are used to move unrestricted revenues collected in one fund to partially subsidize various programs and services accounted for in other funds in accordance with budgetary authorizations.

In the year ended June 30, 2005, the City made the following one-time transfers: a transfer of \$164,500 from the Electric Utility Fund to the General Fund approved by the budget to fund City operating costs and a transfer of \$600,000 from the Electric Utility Fund to the Stormwater Utility Fund approved by the budget to fund capital improvement costs related to the City's drainage project.

NOTE 8 - FUND EQUITY

The City has reserved fund equity accounts in the fund financial statements for the following purposes and amounts at June 30, 2005:

- Reserved for Encumbrances - A fund balance reservation in the General Fund and Local Accommodations and Hospitality Tax Fund in the amount of \$95,315 to indicate purchase commitment amounts at year-end, to be honored in the subsequent fiscal year, are not available for appropriation or expenditure.
- Reserved for Safe Streets Program - A fund balance reservation in the General Fund in the amount of \$30,935 to indicate that this restricted amount, equal to unexpended program funds on hand at year end, is not available for unrestricted appropriation or expenditure.
- Reserved for Fire Impact Fees - A fund balance reservation in the General Fund in the amount of \$21,169 to indicate that this restricted amount, equal to unexpended program funds on hand at year-end, is not available for unrestricted appropriation or expenditure.
- Reserved for Health Claims - A fund balance reservation in the General Fund in the amount of \$252,342 to indicate that this restricted amount (net of current liabilities) on deposit with the South Carolina Local Government Assurance Group, is not available for unrestricted appropriation or expenditure to provide for future payment of health claim costs.

The City has also designated \$1,100,000 of the unreserved fund balance in the General Fund to be maintained in accordance with City policy for emergencies and contingencies related to unforeseen events and circumstances.

NOTE 9 - RISK FINANCING

The City participates in the South Carolina Local Government Assurance Group to provide for the administration of a plan providing health insurance coverage to all employees. The plan is self-funded for claims up to \$50,000 per employee per year. Claims between \$50,000 and \$100,000 per employee are insured through a "pooled" arrangement with other local governments and claims in excess of \$100,000 are insured by a private carrier selected by the Assurance Group. Cash is transferred by the City and its employees, in the form of "contributions" monthly to the Assurance Group to provide for payment of claims, including a reserve against unusually large claims, as they are filed.

The City had a reserve balance on hand with the Assurance Group at year-end in the amount of \$593,997. In addition, a liability was accrued for estimated claims incurred but not reported and for unpaid claims at June 30, 2005, in the amount of \$341,655. This estimate approximates claims paid within sixty days after year-end. Fund balance, when sufficient, is reserved in the fund financial statements if there is an excess of cash balances over the accrued liability to indicate such amounts are not available for appropriation.

CITY OF GEORGETOWN, SOUTH CAROLINA

Notes to Financial Statements

June 30, 2005

NOTE 9 - RISK FINANCING (CONTINUED)

Changes in the aggregate liability for health claims for the years ended June 30, 2005 and 2004, were as follows:

<u>Fiscal Year Ending</u>	<u>Beginning Liability</u>	<u>Claims and Changes In Estimates</u>	<u>Net Claims Paid</u>	<u>Ending Liability</u>
June 30, 2005	\$ 302,775	\$ 1,417,757	\$ (1,378,877)	\$ 341,655
June 30, 2004	\$ 268,827	\$ 1,588,458	\$ (1,554,510)	\$ 302,775

The City is also exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To manage losses incurred from these risks, the City participates as a member in the following public entity risk pools:

The City is member of the South Carolina Municipal Insurance Reserve Fund (SCMIRF), a self-sustaining public entity risk pool. Coverage provided by SCMIRF is a pooled arrangement with the risk being shared with other members. The coverage is referred to as broad form and includes tort, real and personal property, data processing, general liability, law enforcement and public official's liability, as well as crime and dishonesty coverages. The City also purchases excess liability coverage over and above the SCMIRF provisions. This coverage is designed to wrap around the State Tort Claims Act and provide protection in federal and out-of-state actions. It is underwritten by the National League of Cities Mutual Insurance Company.

Workers compensation losses are insured through the South Carolina Municipal Insurance Trust (SCMIT), also a self-sustaining public entity risk pool. The pool pays workers compensation losses and provides medical case management services for injured employees through a third party administrator.

During the year ended June 30, 2005, there were no significant reductions in insurance coverage from the prior year. For the years ended June 30, 2005, 2004 and 2003 there were no material settlements of claims in excess of coverage.

NOTE 10 - RETIREMENT PLANS

Plan Description

City employees participate in either the South Carolina Police Officers Retirement System (PORS) or the South Carolina Retirement System (SCRS), depending on their particular duties. Effective July 1, 1999, the City's firefighters, formerly members of the South Carolina Retirement System (SCRS), began participation in the South Carolina Police Officers Retirement System (PORS). Both plans are administered by the South Carolina Retirement Systems and are classified as cost-sharing multiple-employer public employee retirement systems (PERS). Each plan provides retirement, disability and death benefits to plan members and beneficiaries. Benefit provisions are established under authority of Title 9 of the South Carolina Code of Laws. The South Carolina Retirement Systems issue a Comprehensive Annual Financial Report which discloses detailed information regarding benefit provisions and actuarial information. That report is available to the public and may be obtained by writing to South Carolina Retirement Systems, Post Office Box 11960, Capitol Station, Columbia, South Carolina 29211-1960.

CITY OF GEORGETOWN, SOUTH CAROLINA

Notes to Financial Statements

June 30, 2005

NOTE 10 - RETIREMENT PLANS (CONTINUED)

Funding Policy

Members of the PORS and SCRS are required to contribute at the rates of 6.5% and 6.0% of their covered wages, respectively. The City is required to contribute at actuarially determined rates, currently 10.7% of PORS member wages and 6.85% of SCRS member wages. The contribution requirements of plan members and the City are established by the South Carolina Retirement Systems under authority of Title 9 of the South Carolina Code of Laws. The City's contributions to the PORS for the plan years ending June 30, 2005, 2004 and 2003 totaled \$241,518, \$246,837, and \$253,657, respectively. The City's contributions to the SCRS for the plan years ending June 30, 2005, 2004 and 2003 were \$288,156, \$277,444, and \$298,634, respectively. Actual contributions were equal to the required contributions each year.

NOTE 11 - POST-EMPLOYMENT HEALTH CARE BENEFITS

In addition to the retirement benefits described in Note 10, the City, by authority of formal action of City Council, provides post-employment health and dental care benefits to all retired employees who are eligible to receive benefits from the South Carolina Retirement Systems. Such retirees may elect to continue single coverage under the plan at an annual cost of \$1,582 to the retiree. Retirees also have the option to elect retiree/children coverage at an annual cost of \$2,402 to the retiree; retiree/spouse coverage at an annual cost of \$3,467 to the retiree; or full family coverage at an annual cost of \$3,841 to the retiree. Coverages and contribution rates are reduced for retired employees eligible for medicare benefits.

The City provides health benefits to employees and retirees under a self-funded plan, described more thoroughly in Note 9. Accordingly, expenses are recognized on the books when claims are incurred. As of June 30, 2005, forty-two retirees have elected to continue coverage and are eligible to receive post-employment health care benefits. Information regarding claims costs for the retirees for the fiscal year ended June 30, 2005, is not available and a reasonable method for making an estimate of such amounts could not be determined.

NOTE 12 - COMMITMENTS

The City's Electric Utility Fund has a contractual commitment to purchase power for resale to City customers from the South Carolina Public Service Authority. Under the terms of the service agreement, dated December 29, 2000, the City shall pay for service in accordance with provisions of the Authority's published "Municipal Light and Power" Rate Schedule. Rates are subject to change from time to time, however, the City has the right to terminate the agreement early in the event that rate increases exceed certain thresholds established in the agreement.

The City also has the following significant construction and contractual commitments at June 30, 2005:

- On October 30, 1997, the City of Georgetown, the Town of Andrews, the Georgetown County Water and Sewer District, and the County of Georgetown, all political subdivisions of the State of South Carolina, entered into a contract known as the "West Georgetown County Regional Wastewater Treatment System Service Agreement." The parties to the agreement have determined that by joining together in a wastewater transportation, treatment, and disposal project for their mutual benefit, rather than each separately constructing its own new or improved system, economies of scale will result in long-term savings and other tangible and intangible benefits for their users and the community at large. Under the terms of the agreement, the City will construct, own and maintain the West Georgetown County Regional Wastewater Treatment Facility. The facility is planned to have an initial capacity of 12.0 million gallons per day. The initial allocation of capacity is as follows: City of Georgetown - 43.6%, Georgetown County Water and Sewer District - 30.3%, and Town of Andrews - 26.1%. Participants pay monthly costs for use of the system based on allocated capacity and usage volume.

CITY OF GEORGETOWN, SOUTH CAROLINA

Notes to Financial Statements

June 30, 2005

NOTE 12 - COMMITMENTS (CONTINUED)

Construction of the expanded wastewater treatment plant and effluent outfall force main was completed during the fiscal year ended June 30, 2004. Costs of the project, including engineering fees and capitalized interest of \$247,598, total approximately \$13,830,700. The project has primarily been financed with a loan from the South Carolina Water Pollution Control Revolving Loan Fund in the amount of \$10,069,024 and grants from the Federal Environmental Protection Agency totaling \$2,811,100. The remainder of the project will be funded internally. See Note 6 for additional information regarding the loan from the South Carolina Water Pollution Control Revolving Loan Fund.

- Engineering work for the Highway 17 Drainage Basin Project is substantially complete. The project will likely be completed in multiple phases at a total estimated cost of \$12,400,000. The City has obtained a \$500,000 Community Development Block Grant for the project along with a commitment from the South Carolina Department of Transportation for \$2,600,000 and a direct appropriation from the Federal Highway Administration for \$2,000,000. The City currently plans to fund the remaining costs through a combination of Electric Utility Enterprise Fund transfers and issuance of debt financing which is anticipated to be repaid with revenues of the Local Accommodations and Hospitality Tax Special Revenue Fund. Costs incurred on the project total \$1,675,605 through June 30, 2005.

NOTE 13 - RELATED PARTY TRANSACTIONS

Under a program approved by City Council, employees of the City are eligible for a loan in an amount up to \$2,500 to purchase computer equipment and related accessories for personal use at home. The loans are interest free and are repaid through payroll deduction over a period of up to three years. Loans, which are made from the Electric Utility Enterprise Fund, are payable in full should an employee voluntarily or involuntarily terminate employment. As of June 30, 2005, sixty-four loans were outstanding in the total amount of \$45,389.

NOTE 14 - ECONOMIC DEPENDENCE ON MAJOR TAXPAYERS

Georgetown Steel is the City's largest payer of property taxes and business license fees. For the fiscal year ended June 30, 2005, the City's General Fund recognized revenues of approximately \$343,000 on Georgetown Steel's accounts, approximately 6% of total General Fund revenues.

For the fiscal year ended June 30, 2005, the City's Proprietary Enterprise Funds recognized revenues of approximately \$891,000 from Georgetown Memorial Hospital, approximately 5% of total Proprietary Enterprise Fund revenues.

NOTE 15 - LITIGATION

Georgetown Steel, the City's largest payer of property taxes and business licenses, is appealing property taxes previously paid under protest to the City. The amount that may have to be refunded by the City under litigation is approximately \$400,000. The protest is yet to be decided by the State Department of Revenue.

The City is also a defendant in other various legal proceedings. Although the ultimate outcome of the litigation cannot presently be determined, losses, if any, are not expected to exceed insurance coverage. Accordingly, no provision for any liability that may result upon adjudication has been made in the accompanying financial statements.

CITY OF GEORGETOWN, SOUTH CAROLINA

Notes to Financial Statements

June 30, 2005

NOTE 16 - CONTINGENCIES

The City receives financial assistance from numerous federal, state, and local governmental agencies in the form of grants. Disbursements of funds received under these programs generally require compliance with the terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims could become a liability of the City. However, in the opinion of management, any such disallowed claims would not have a material effect on the overall financial position of the City.

NOTE 17 - CASUALTY

During the year ended June 30, 2005, the City suffered damage to some of its assets when answering a call to a local fire. The City received approximately \$850,000 in insurance recoveries relating to this damage. The City has appropriately deferred the recognition of the insurance proceeds that were received until the costs to repair are incurred, which are expected to take place during the next year.

NOTE 18 - PRIOR PERIOD ADJUSTMENT

Beginning during the year ended June 30, 2002, the City began construction on a frontage road along Highway 17 North. Project costs totaling \$293,987 through June 30, 2004 were initially capitalized to construction in progress. It was determined during the current year that the City did not own the frontage road and related infrastructure; therefore a prior period adjustment has been made to beginning net assets of governmental activities to remove the asset from the City's financial statements. There was no impact on the governmental funds as a result of this adjustment.

NOTE 19 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Explanation of Certain Differences between Governmental Fund Balances and Government-Wide Statement of Net Assets

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental fund* and *net assets – governmental activities* as reported in the government-wide statement of net assets. The following explains certain elements of that reconciliation:

Long-term assets not available to pay current period expenditures	
Business licenses and hospitality taxes	\$ 72,837
Property taxes	63,317
Police fines	81,834
	<u>\$ 217,988</u>
Long-term liabilities not reported in the funds	
Capital leases	\$ (774,326)
General obligation bonds	(145,000)
Accrued interest payable	(17,530)
Compensated absences payable	(136,707)
	<u>\$ (1,073,563)</u>

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances – governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. The following explains certain elements of that reconciliation:

CITY OF GEORGETOWN, SOUTH CAROLINA

Notes to Financial Statements

June 30, 2005

NOTE 19 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (CONTINUED)

Capital Outlays	
Capital outlay	\$ 105,120
Depreciation expense	<u>(720,980)</u>
	<u>\$ (615,860)</u>
Revenues not recognized in the funds	
Business licenses and hospitality taxes	\$ (17,630)
Property taxes	(13,083)
Police fines	<u>15,324</u>
	<u>\$ (15,389)</u>
Reduction of liabilities not recognized in the funds	
Compensated absences	\$ (1,528)
Accrued interest on long-term debt	<u>(5,309)</u>
	<u>\$ (6,837)</u>
Issuance and repayment of long-term debt	
Principal repayments on capital leases	\$ 314,840
Principal repayments on general obligation bonds	<u>135,000</u>
	<u>\$ 449,840</u>