

BASIC FINANCIAL STATEMENTS

CITY OF GEORGETOWN, SOUTH CAROLINA

Statement of Net Assets

June 30, 2007

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 5,237,507	\$ 13,705,284	\$ 18,942,791
Investments	-	5,749	5,749
Receivables (net of allowances)			
From taxpayers and customers	156,187	2,303,442	2,459,629
From other governments	291,815	-	291,815
From employees	-	55,465	55,465
Other	26,030	52,013	78,043
Trade and other accounts	88,130	-	88,130
Inventories	85,002	1,298,149	1,383,151
Prepays	1,800	-	1,800
Restricted assets			
Cash and cash equivalents			
Deposits with other agencies	371,510	-	371,510
Customer deposits	-	558,872	558,872
Other deposits	214,010	2,693,360	2,907,370
Capital assets			
Land, improvements and construction in progress	3,159,862	2,755,261	5,915,123
Other capital assets, net of accumulated depreciation	10,431,293	30,940,604	41,371,897
Total Assets	<u>20,063,146</u>	<u>54,368,199</u>	<u>74,431,345</u>
Liabilities			
Payables			
Trade and other accounts	532,801	1,247,157	1,779,958
Wages, withholdings and benefits	77,162	52,624	129,786
Accrued interest on debt	17,678	1,455	19,133
Liabilities payable from restricted assets			
Liability for health claims	291,636	-	291,636
Court bonds	125,704	-	125,704
Customer deposits	-	558,872	558,872
Unearned revenue	9,058	2,690,353	2,699,411
Noncurrent liabilities			
Due within one year	402,363	573,922	976,285
Due in more than one year	458,598	8,230,907	8,689,505
Total Liabilities	<u>1,915,000</u>	<u>13,355,290</u>	<u>15,270,290</u>
Net Assets			
Invested in capital assets, net of related debt	12,910,178	25,023,336	37,933,514
Restricted for:			
Regional wastewater treatment plant	-	300,000	300,000
Public safety programs	110,167	-	110,167
Tourism development and support	880,066	-	880,066
Community development	555,970	-	555,970
General government	79,874	-	79,874
Unrestricted	3,611,891	15,689,573	19,301,464
Total Net Assets	<u>\$ 18,148,146</u>	<u>\$ 41,012,909</u>	<u>\$ 59,161,055</u>

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

CITY OF GEORGETOWN, SOUTH CAROLINA

Statement of Activities Year Ended June 30, 2007

Functions/Programs	Program Revenues			Net Revenues (Expenses) and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
General government	\$ 1,684,401	\$ 2,704,534	\$ 420,485	\$ -	\$ 1,440,618	-	\$ 1,440,618
Public safety	5,188,064	356,877	73,290	-	(4,757,897)	-	(4,757,897)
Public works	788,593	-	14,786	443,091	(330,716)	-	(330,716)
Community development	206,117	889	106,699	-	(98,529)	-	(98,529)
Interest on debt	38,242	-	-	-	(38,242)	-	(38,242)
Total Governmental Activities	7,905,417	3,062,300	615,260	443,091	(3,784,766)	-	(3,784,766)
Business-Type Activities:							
Electric utility	10,878,950	12,908,429	-	-	-	2,029,479	2,029,479
Water utility	1,930,937	1,939,948	-	-	-	9,011	9,011
Wastewater utility	3,068,099	3,012,146	-	-	-	(55,953)	(55,953)
Stormwater utility	599,127	518,513	-	-	-	(80,614)	(80,614)
Waste management	1,420,291	1,276,702	8,140	-	-	(135,449)	(135,449)
Kaminski House Museum	287,089	29,776	-	-	-	(257,313)	(257,313)
Total Business-Type Activities	18,184,493	19,685,514	8,140	-	-	1,509,161	1,509,161
Totals	26,089,910	22,747,814	623,400	443,091	(3,784,766)	1,509,161	(2,275,605)

General Revenue	2,902,290	-	-	-	-	-	-
Property taxes, levied for general purposes	2,902,290	-	-	-	-	-	2,902,290
Local accommodations and hospitality taxes	762,938	-	-	-	-	-	762,938
Unrestricted state government shared revenues	565,946	-	-	-	-	-	565,946
Unrestricted investment earnings	164,463	-	775,559	-	-	-	940,022
Gain on disposal of assets	-	-	-	1,388	-	-	1,388
Miscellaneous	18,681	-	-	49,123	-	-	67,804
Transfers	1,795,780	(1,795,780)	-	-	-	-	-
Total General Revenue and Transfers	6,210,098	(969,710)	-	-	-	5,240,388	5,240,388
Change in Net Assets	2,425,332	539,451	-	-	-	2,964,783	2,964,783
Net Assets - Beginning of Year as Restated	15,722,814	40,473,458	-	-	-	-	56,196,272
Net Assets - End of Year	\$ 18,148,146	\$ 41,012,909	-	-	-	\$ 59,161,055	\$ 59,161,055

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

CITY OF GEORGETOWN, SOUTH CAROLINA

Balance Sheet Governmental Funds June 30, 2007

	General Fund	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 3,876,146	\$ 1,361,361	\$ 5,237,507
Receivables (net of allowances)			
Customer accounts	-	4,781	4,781
Taxes	75,887	74,400	150,287
Business licenses	80,529	-	80,529
Police fines	20,151	-	20,151
From other governments	251,510	40,305	291,815
From other City funds	2,015	7,760	9,775
Other	6,998	-	6,998
Prepaid items	1,800	-	1,800
Inventory	85,002	-	85,002
Restricted assets			
Cash and cash equivalents			
Deposits with other agencies	371,510	-	371,510
Other deposits	214,010	-	214,010
Total Assets	\$ 4,985,558	\$ 1,488,607	\$ 6,474,165
LIABILITIES AND FUND BALANCES			
Liabilities			
Payables			
Trade and other accounts	\$ 513,165	\$ 19,636	\$ 532,801
Wages, withholdings and benefits	77,162	-	77,162
To other City funds	7,760	2,015	9,775
Deferred revenue			
Property taxes	51,912	-	51,912
Police fines	13,564	-	13,564
Grants	9,058	-	9,058
Other	-	3,081	3,081
Payable from restricted assets			
Liability for health claims	291,636	-	291,636
Court bonds	125,704	-	125,704
Total Liabilities	1,089,961	24,732	1,114,693
Fund Balances			
Reserved for:			
Prepaid items	1,800	-	1,800
Inventory	85,002	-	85,002
Safe streets program	29,174	-	29,174
Fire impact fees	50,073	-	50,073
Health claims	79,874	-	79,874
Community development	-	546,340	546,340
Unreserved - designated	1,100,000	-	1,100,000
Unreserved - undesignated, reported in:			
General fund	2,549,674	-	2,549,674
Special revenue funds	-	917,535	917,535
Total Fund Balances	3,895,597	1,463,875	5,359,472
Total Liabilities and Fund Balances	\$ 4,985,558	\$ 1,488,607	\$ 6,474,165

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, 2007

Total Fund Balances of Governmental Funds (reported on page 26)	\$ 5,359,472
<i>Amounts reported for governmental activities in the government-wide statement of net assets presented on page 24 are different because:</i>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.	13,591,155
Other long-term assets are not available to pay current period expenditures and therefore are deferred or not recognized in the governmental funds.	76,157
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>(878,638)</u>
Net Assets of Governmental Activities (reported on page 24)	<u><u>\$ 18,148,146</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, 2007

	General Fund	Other Governmental Funds	Total Governmental Funds
Revenues			
Taxes	\$ 2,904,122	\$ 760,941	\$ 3,665,063
Licenses and permits	2,692,897	-	2,692,897
Fire impact fees	54,207	-	54,207
Fines and forfeitures	279,251	9,855	289,106
Intergovernmental	1,009,737	148,379	1,158,116
Investment earnings	100,912	63,550	164,462
Miscellaneous	107,440	3,489	110,929
Donations	25,000	25	25,025
Total Revenues	7,173,566	986,239	8,159,805
Expenditures			
Current			
General government	1,474,576	-	1,474,576
Public safety	4,877,108	17,060	4,894,168
Public works	636,055	-	636,055
Community development	-	163,412	163,412
Capital Outlay			
General government	742,582	-	742,582
Public safety	390,712	19,190	409,902
Public works	44,863	-	44,863
Community development	-	200,236	200,236
Debt Service			
Principal	446,209	-	446,209
Interest	37,296	-	37,296
Total Expenditures	8,649,401	399,898	9,049,299
Excess (Deficiency) of Revenues Over Expenditures	(1,475,835)	586,341	(889,494)
Other Financing Sources (Uses)			
Proceeds from sale of capital assets	10,629	7,760	18,389
Transfers in	2,528,130	-	2,528,130
Transfers out	(38,210)	(470,694)	(508,904)
Lease purchase proceeds	132,736	-	132,736
Insurance proceeds	48,294	-	48,294
Total Other Financing Sources (Uses)	2,681,579	(462,934)	2,218,645
Net Change in Fund Balances	1,205,744	123,407	1,329,151
Fund Balances - Beginning of Year as Restated	2,689,853	1,340,468	4,030,321
Fund Balances - End of Year	\$ 3,895,597	\$ 1,463,875	\$ 5,359,472

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, 2007

Net Change in Fund Balances of Governmental Funds (reported on page 28) **\$ 1,329,151**

Amounts reported for governmental activities in the government-wide statement of activities presented on page 25 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 capital outlay exceeded depreciation in the current year. 681,395

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. (75,650)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds. (42,928)

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. (23,730)

The capital assets and long term liabilities of the internal service funds were consolidated into the governmental funds but not reported at the fund level. (174,470)

The contribution of infrastructure by developers does not provide current financial resources and is not reported in the governmental funds. 418,091

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. 313,473

Change in Net Assets of Governmental Activities (reported on page 25) **\$ 2,425,332**

CITY OF GEORGETOWN, SOUTH CAROLINA

Statement of Net Assets

Proprietary Funds

June 30, 2007

	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	\$ 4,013,168	\$ 5,673,395	\$ 3,346,498	\$ 672,223	\$ 13,705,284	\$ -
Investments	3,820	1,929	-	-	5,749	-
Receivables (net of allowances)						
Customer accounts	1,389,515	418,039	27,351	74,313	1,909,218	-
From other City funds	35,285	-	-	-	35,285	-
From employees	55,465	-	-	-	55,465	-
From regional wastewater treatment plan partners	-	394,224	-	-	394,224	-
Other	43,650	8,363	-	-	52,013	-
Inventories	1,190,764	75,731	4,731	26,923	1,298,149	-
Restricted assets						
Cash and cash equivalents						
Customer deposits	399,280	159,592	-	-	558,872	-
Other deposits	-	2,690,353	-	3,007	2,693,360	-
Total Current Assets	7,130,947	9,421,626	3,378,580	776,466	20,707,619	-
Noncurrent Assets						
Advances to other City funds	765,860	-	-	-	765,860	-
Capital assets						
Land and improvements	60,835	120,869	220,225	32,340	434,269	-
Buildings and improvements	352,779	443,322	10,000	254,566	1,060,667	-
Vehicles, equipment and furnishings	1,569,321	1,828,054	375,201	938,520	4,711,096	-
Electric system	6,215,935	-	-	-	6,215,935	-
Fiber optics system	899,454	-	-	-	899,454	-
Water system	-	14,049,292	-	-	14,049,292	-
Wastewater system	-	22,965,258	-	-	22,965,258	-
Stormwater drainage system	-	-	4,327,630	-	4,327,630	-
Construction-in-progress	900,230	127,302	1,507,504	-	2,535,036	-
Accumulated depreciation	(6,033,534)	(15,945,558)	(1,320,055)	(640,266)	(23,939,413)	-
Intangible asset-sludge disposal rights	-	472,047	-	-	472,047	-
Accumulated amortization	-	(35,406)	-	-	(35,406)	-
Total Noncurrent Assets	4,730,880	24,025,180	5,120,505	585,160	34,461,725	-
Total Assets	11,861,827	33,446,806	8,499,085	1,361,626	55,169,344	-

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

CITY OF GEORGETOWN, SOUTH CAROLINA

Statement of Net Assets

Proprietary Funds
June 30, 2007

	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	926,237	296,256	1,622	23,042	1,247,157	-
Wages, withholdings and benefits	17,911	17,716	3,752	13,245	52,624	-
To other City funds	-	35,285	-	-	35,285	-
Revenue note	-	410,932	-	-	410,932	-
Capital lease	1,168	3,037	-	37,856	42,061	-
Accrued interest	-	-	-	1,455	1,455	-
Liability for compensated absences	42,122	44,278	6,179	28,350	120,929	-
Customer deposits	399,280	159,592	-	-	558,872	-
Deferred revenue	-	2,690,353	-	-	2,690,353	-
Total Current Liabilities	1,386,718	3,657,449	11,553	103,948	5,159,668	-
Noncurrent Liabilities						
Revenue note	-	8,062,922	-	-	8,062,922	-
Capital lease	1,304	3,390	-	163,291	167,985	-
Advances from other City funds	-	765,860	-	-	765,860	-
Total Noncurrent Liabilities	1,304	8,832,172	-	163,291	8,996,767	-
Total Liabilities	1,388,022	12,489,621	11,553	267,239	14,156,435	-
Net Assets						
Invested in capital assets, net of related debt	3,965,020	15,551,326	5,120,505	386,485	25,023,336	-
Restricted for regional wastewater treatment plant	-	300,000	-	-	300,000	-
Unrestricted	6,508,785	5,105,859	3,367,027	707,902	15,689,573	-
Total Net Assets	\$ 10,473,805	\$ 20,957,185	\$ 8,487,532	\$ 1,094,387	\$ 41,012,909	\$ -

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, 2007

	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						
Sale of electricity, fees and penalties	\$ 12,908,429	\$ -	\$ -	\$ -	\$ 12,908,429	\$ -
Sale of water, fees and penalties	-	1,939,948	-	-	1,939,948	-
Sale of wastewater services, fees and penalties	-	3,012,146	-	-	3,012,146	-
Stormwater drainage fees and penalties	-	-	518,512	-	518,512	-
Sanitation fees and penalties	-	-	-	1,276,702	1,276,702	-
Other sales and service fees	-	-	-	29,775	29,775	-
Provision for bad debts	(19,832)	(6,231)	(1,480)	(4,902)	(32,445)	-
Total Operating Revenue	12,888,597	4,945,863	517,032	1,301,575	19,653,067	-
Operating Expenses						
Purchase of electricity	7,958,365	-	-	-	7,958,365	-
Purchase of raw water	-	41,107	-	-	41,107	-
Personal services	1,355,112	1,156,248	266,269	897,627	3,675,256	-
Supplies	239,859	548,812	13,449	16,887	819,007	-
Other charges and services	917,294	1,575,210	162,826	729,299	3,384,629	-
Depreciation	388,307	1,366,806	154,403	57,029	1,966,545	-
Total Operating Expenses	10,858,937	4,688,183	596,947	1,700,842	17,844,909	-
Operating Income (Loss)	2,029,660	257,680	(79,915)	(399,267)	1,808,158	-
Nonoperating Revenues (Expenses)						
Gain (loss) on disposal of assets	741	281	-	366	1,388	-
Investment earnings	292,097	316,874	163,664	33,311	805,946	-
Operating grants	-	-	-	8,140	8,140	-
Interest expense	(181)	(335,007)	(700)	(1,636)	(337,524)	-
Miscellaneous	18,546	25,361	(189)	5,410	49,128	-
Total Nonoperating Revenues (Expenses)	311,203	7,509	162,775	45,591	527,078	-

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, 2007

	Enterprise Funds					Internal Service Funds
	Electric Utility	Water & Wastewater Utility	Stormwater Drainage Utility	Other Enterprise Funds	Total Enterprise Funds	
Income (Loss) Before Contributions and Transfers	2,340,863	265,189	82,860	(353,676)	2,335,236	-
Transfers in	-	35,079	75,287	358,820	469,186	-
Transfers out	(1,762,795)	(425,078)	(26,313)	-	(2,214,186)	(340,505)
Changes in Net Assets	578,068	(124,810)	131,834	5,144	590,236	(340,505)
Total Net Assets - Beginning of Year as Restated	9,895,737	21,081,995	8,355,698	1,089,243	340,505	-
Total Net Assets - End of Year	<u>\$ 10,473,805</u>	<u>\$ 20,957,185</u>	<u>\$ 8,487,532</u>	<u>\$ 1,094,387</u>	<u>\$ 539,451</u>	<u>\$ -</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

(50,785)

\$ 539,451

CITY OF GEORGETOWN, SOUTH CAROLINA

Statement of Cash Flows

Proprietary Funds
For the Year Ended June 30, 2007

	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	\$ 12,163,693	\$ 4,271,059	\$ 500,524	\$ 1,308,830	\$ 18,244,106	\$ -
Receipts from other funds for services provided	748,253	36,277	9,064	12,981	806,575	-
Other receipts	18,546	25,361	(189)	971	44,689	-
Payments to or on behalf of employees	(1,359,136)	(1,146,480)	(264,619)	(896,360)	(3,666,595)	(21,402)
Payments to suppliers for goods and services	(9,170,784)	(975,657)	(77,624)	(447,823)	(10,671,888)	37,010
Payments to other funds for services used	(481,376)	(963,970)	(111,158)	(302,048)	(1,858,552)	-
Net Cash Provided (Used) by Operating Activities	1,919,196	1,246,590	55,998	(323,449)	2,898,335	15,608
Cash Flows of Noncapital Financing Activities						
Transfers to/from other funds	(1,762,795)	(396,439)	(26,313)	358,820	\$ (1,826,727)	(195,730)
Operating grant contributions	-	-	-	8,140	8,140	-
Operating contributions from public	-	-	-	4,439	4,439	-
Repayment of temporary loan from other enterprise func	34,092	(34,092)	-	-	-	-
Interest paid on temporary loan from other enterprise func	29,233	(29,233)	-	-	-	-
Net Cash Provided (Used) by Noncapital Financing Activities	(1,699,470)	(459,764)	(26,313)	371,399	(1,814,148)	(195,730)
Cash Flows of Capital and Related Financing Activities						
Proceeds from sale of capital assets	741	281	-	366	1,388	-
Principal paid on revenue note	-	(396,859)	-	-	(396,859)	-
Interest paid on revenue note	-	(305,304)	-	-	(305,304)	-
Principal paid on capital leases	(1,108)	(2,880)	-	(1,108)	(5,096)	-
Interest paid on capital leases	(181)	(470)	(700)	(179)	(1,530)	(9,449)
Proceeds from financing purchases of capital assets	-	-	-	198,675	198,675	-
Purchase or construction of capital assets	(987,507)	(648,748)	(75,715)	(198,746)	(1,910,716)	-
Net Cash Provided (Used) by Capital and Related Financing Activities	(988,055)	(1,353,980)	(76,415)	(992)	(2,419,442)	(9,449)

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, 2007

	Enterprise Funds					Total Enterprise Funds	Internal Service Funds
	Electric Utility	Water & Wastewater Utility	Stormwater Drainage Utility	Other Enterprise Funds			
Cash Flows of Investing Activities							
Earnings on deposits and investments	262,870	464,920	163,664	33,311	924,765	-	
Proceeds from maturities of investments	1,375	1,489	-	-	2,864	-	
Net Cash Provided (Used) by Investing Activities	<u>264,245</u>	<u>466,409</u>	<u>163,664</u>	<u>33,311</u>	<u>927,629</u>	<u>-</u>	
Net Increase (Decrease) in Cash and Cash Equivalents	(504,084)	(100,745)	116,934	80,269	(407,626)	(189,571)	
Cash and Cash Equivalents - Beginning of Year	<u>4,916,532</u>	<u>8,624,085</u>	<u>3,229,564</u>	<u>594,961</u>	<u>17,365,142</u>	<u>189,571</u>	
Cash and Cash Equivalents - End of Year	<u>\$ 4,412,448</u>	<u>\$ 8,523,340</u>	<u>\$ 3,346,498</u>	<u>\$ 675,230</u>	<u>\$ 16,957,516</u>	<u>\$ -</u>	

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, 2007

	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)	\$ 2,029,660	\$ 257,680	\$ (79,915)	\$ (399,267)	\$ 1,808,158	\$ -
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:						
Depreciation	388,307	1,366,806	154,403	57,029	1,966,545	-
Decreases (increases) in current assets						
Receivables	(415)	(312,783)	(8,925)	21,276	(300,847)	-
Inventories	(585,594)	2,285	(1,555)	(5,881)	(590,745)	75,104
Increases (decreases) in current liabilities						
Trade accounts payable (exclusive of capital items)	48,952	216,123	(9,473)	2,197	257,799	(38,398)
Accrued wages, withholdings and benefits payable	(4,404)	(75)	63	(4,303)	(8,719)	(6,104)
Liability for compensated absences	379	9,844	1,589	5,569	17,381	(14,994)
Customer deposits	23,765	3,597	-	-	27,362	-
Deferred revenues	-	(322,248)	-	(1,040)	(323,288)	-
Miscellaneous proceeds	18,546	25,361	(189)	971	44,689	-
Net Cash Provided (Used) by Operating Activities	\$ 1,919,196	\$ 1,246,590	\$ 55,998	\$ (323,449)	\$ 2,898,335	\$ 15,608
Noncash Capital and Related Financing Activities						
Transfer of capital assets to government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 306,728
Transfer of capital lease obligations to government	-	-	-	-	-	161,953
Borrowings under capital lease obligations transferred from government	-	-	26,313	-	-	-
Contribution of capital assets from government	-	-	75,287	-	75,287	-
Noncash Investing Activities						
Decreases in fair value of investments	\$ (265)	\$ (135)	\$ -	\$ -	\$ (400)	\$ -

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, 2007

	<u>Guerry Scholarship Private Purpose Trust Fund</u>	<u>Firemen's Agency Fund</u>
Assets		
Cash and cash equivalents	\$ 29,054	\$ 5,820
Total Assets	<u>29,054</u>	<u>5,820</u>
Liabilities		
Due to City firemen's association	-	5,820
Total Liabilities	<u>-</u>	<u>5,820</u>
Net Assets		
Held in trust for benefit of future scholarship recipients	29,054	-
Total Net Assets	<u>\$ 29,054</u>	<u>\$ -</u>

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, 2007

	<u>Guerry Scholarship Private Purpose Trust Fund</u>
Additions	
Investment earnings	\$ 1,507
Deductions	-
Change in Net Assets	<u>1,507</u>
Net Assets - Beginning of Year	<u>27,547</u>
Net Assets - End of Year	<u><u>\$ 29,054</u></u>

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

CITY OF GEORGETOWN
Notes to the Financial Statements
June 30, 2007

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.

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 is 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:

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. During the current year, the City discontinued use of its internal service funds. The residual balances of these funds were transferred to the governmental and enterprise funds.

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.

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.

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.

Inventories

Inventories of the governmental funds are reported using the purchase method, at cost. Materials and supplies are originally charged as expenditures when acquired and inventory on hand is adjusted at year end. 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, and fire impact capital expenditures 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>Assets</u>	<u>Years</u>
Land Improvements	10-40
Buildings and Improvements	10-40
Furniture and Fixtures	10
Vehicles, Equipment, and Furnishings	5-10
Electric System	25-40
Fiber Optics System	10
Water and Wastewater Systems	10-40
Stormwater Drainage Systems	5-40

The City has a collection of historical furnishings presented for public exhibition and education at the Kaminski House Museum. The City ensures the collection is protected and preserved for future generations. It is the City's policy that the collection is not capitalized or depreciated as part of capital assets.

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.

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, certain fines and fees, 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, 2007, the carrying amount of the City's total cash deposits was \$687,574 with corresponding bank balances of \$804,338. 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 but follows the investment policy statutes of the State of South Carolina. As of June 30, 2007, none of the City's bank balances of \$804,338 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 overnight repurchase agreements, 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, 2007 the City had the following investments and maturities:

Investment Type	Fair Value	Maturities (in years)		
		Less than	1 - 5	6 - 10
Overnight repurchase agreements	\$ 3,213,840	\$ 3,213,840	\$ -	\$ -
US mortgage backed securities	5,749	1,091	510	4,148
State Treasurer's investment pool	18,541,010	18,541,010	-	-
Other external investment pool	371,510	371,510	-	-
Total investments	\$ 22,132,109	\$ 22,127,451	\$ 510	\$ 4,148

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, 2007, 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, 2007, the City's investment in overnight repurchase agreements and 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. At June 30, 2007, 14.5% of the City's total investments were concentrated in overnight repurchase agreements. 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, 2007, total \$138,888. Of that amount, an allowance for uncollectible amounts has been estimated at \$63,001, leaving net taxes receivable expected to be collected of \$75,887. Collections expected to be received beyond 60 days after year-end have been recorded as deferred revenue in the amount of \$51,912.

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 \$754,740 in the proprietary funds.

Amounts due from other governments at June 30, 2007, were as follows:

Governmental Activities

General Fund

From State Government

Local government aid and state revenue sharing	\$ 107,394
Grants	71,741

From County Government

Property taxes	72,375
	<u>\$ 251,510</u>

Nonmajor Governmental Fund

State Accommodations Tax Fund

From State Government

State accommodations tax	<u>\$ 40,305</u>
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Note 4 – Restricted assets

Restricted assets at June 30, 2007, consist of the following:

Governmental Activities:

General Fund

Deposits with other agencies

Deposits with Local Government Assurance Group
restricted for payment of health claims

\$ 371,510

Other Deposits

Deposits of unexpended restricted grant funds
Deposits restricted for "safe streets" program
Deposits restricted for fire impact fees
Court bond deposits

\$ 9,059
29,174
50,073
125,704
\$ 214,010

Business-Type Activities:

Customer utility deposits

Electric Utility Enterprise Fund
Water and Wastewater Utility Enterprise Fund

\$ 399,280
159,592
\$ 558,872

Other Deposits

Water and Wastewater Utility Enterprise Fund-
prepayments from regional WWTP partners

\$ 2,690,353

Nonmajor Enterprise Fund - Waste Management-
unexpended restricted grant funds

\$ 3,007

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Note 5 – Capital assets

Following is a summary of capital asset activity for the year ended June 30, 2007:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital assets not being depreciated:				
Land	\$ 2,362,635	\$ -	\$ -	\$ 2,362,635
Construction in progress				-
Winyah Auditorium	25,633	80,909	-	106,542
Other miscellaneous projects	44,945	647,324	(1,584)	690,685
	<u>2,433,213</u>	<u>728,233</u>	<u>(1,584)</u>	<u>3,159,862</u>
Other capital assets:				
Buildings and improvements	6,984,483	406,040	-	7,390,523
Vehicles, equipment and furnishings	4,965,517	275,916	(341,470)	4,899,963
Infrastructure				
Roads	2,038,306	301,572	-	2,339,878
Sidewalks	489,886	116,519	-	606,405
Other improvements	1,407,570	144,316	-	1,551,886
	<u>15,885,762</u>	<u>1,244,363</u>	<u>(341,470)</u>	<u>16,788,655</u>
Less accumulated depreciation for:				
Buildings and improvements	(1,590,413)	(193,093)	(32,071)	(1,815,577)
Vehicles, equipment and furnishings	(2,582,648)	(380,901)	166,163	(2,797,386)
Infrastructure	(923,945)	(95,279)	-	(1,019,224)
Other improvements	(650,948)	(74,227)	-	(725,175)
Total accumulated depreciation	<u>(5,747,954)</u>	<u>(743,500)</u>	<u>134,092</u>	<u>(6,357,362)</u>
Net Governmental Activities Capital Assets	<u>\$ 12,571,021</u>	<u>\$ 1,229,096</u>	<u>\$ (208,962)</u>	<u>\$ 13,591,155</u>
Business-Type Activities				
Capital assets not being depreciated:				
Land	\$ 220,225	\$ -	\$ -	\$ 220,225
Construction in progress				
Electric distribution upgrade	83,052	817,178	-	900,230
Water distribution upgrade	68,129	43,367	(38,860)	72,636
Wastewater collection upgrade	21,337	43,465	(10,135)	54,667
Stormwater drainage upgrade	1,507,503	-	-	1,507,503
	<u>1,900,246</u>	<u>904,010</u>	<u>(48,995)</u>	<u>2,755,261</u>
Other capital assets:				
Land improvements	203,978	10,065	-	214,043
Buildings and improvements	1,157,333	-	(96,666)	1,060,667
Vehicles, equipment & furnishings	4,003,273	763,904	(56,081)	4,711,096
Electric system	6,179,625	36,310	-	6,215,935
Fiber optics system	899,454	-	-	899,454

	Beginning Balance	Increases	Decreases	Ending Balance
Other capital assets (continued):				
Water system				
Distribution	6,040,280	57,039	-	6,097,319
Filtration plant	7,951,973	-	-	7,951,973
Wastewater system				
Collection	5,174,870	255,987	-	5,430,857
Treatment plant	17,534,404	-	-	17,534,404
Stormwater drainage system	4,270,600	57,030	-	4,327,630
Sludge disposal rights	472,047	-	-	472,047
	<u>53,887,837</u>	<u>1,180,334</u>	<u>(152,746)</u>	<u>54,915,425</u>
Less accumulated depreciation for:				
Land improvements	(65,516)	(7,307)	-	(72,823)
Buildings and improvements	(623,913)	(36,980)	27,762	(633,131)
Vehicles, equipment, and furnishings	(2,920,045)	(266,110)	6,754	(3,179,401)
Electric system	(3,767,097)	(182,007)	-	(3,949,104)
Fiber optics system	(614,423)	(89,945)	-	(704,368)
Water system				
Distribution	(2,423,127)	(154,300)	-	(2,577,427)
Filtration plant	(3,084,104)	(238,772)	-	(3,322,876)
Wastewater system				
Collection	(2,600,641)	(159,943)	-	(2,760,584)
Treatment plant	(4,966,516)	(683,236)	-	(5,649,752)
Stormwater drainage system	(953,806)	(136,143)	-	(1,089,949)
Sludge disposal rights	(23,604)	(11,802)	-	(35,406)
Total accumulated depreciation	<u>(22,042,792)</u>	<u>(1,966,545)</u>	<u>34,516</u>	<u>(23,974,821)</u>
Net Business-Type Activities Capital Assets	<u>\$ 33,745,291</u>	<u>\$ 117,799</u>	<u>\$ (167,225)</u>	<u>\$ 33,695,865</u>

Depreciation expense was charged to functions as follows:

Governmental Activities		
General government		\$ 215,228
Public safety		350,766
Public works		134,801
Community development		42,705
Total Governmental Activities Depreciation Expense		<u>\$ 743,500</u>

Business-Type Activities	
Electric utility	\$ 388,307
Water utility	442,853
Wastewater utility	923,953
Stormwater utility	154,403
Waste management	46,976
Kaminski House Museum	10,053
Total Business-Type Activities Depreciation Expense	<u>\$ 1,966,545</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, 2007.

Note 6 – Long-term liabilities

Long-term liability activity for the year ended June 30, 2007, was as follows:

	Outstanding 06.30.06	Issued	Retired	Outstanding 06.30.07	Due Within One Year
Governmental Activities:					
Capital Lease Obligations					
Governmental funds	\$ 860,242	\$ 291,825	\$ (471,090)	\$ 680,977	\$ 222,379
Internal service funds	159,089	-	(159,089)	-	-
Liability for Compensated Absences					
Governmental funds	157,198	179,984	(157,198)	179,984	179,984
Internal service funds	4,072	-	(4,072)	-	-
	<u>\$ 1,180,601</u>	<u>\$ 471,809</u>	<u>\$ (791,449)</u>	<u>\$ 860,961</u>	<u>\$ 402,363</u>
Business-Type Activities:					
Series 2001A Combined Water and Sewer System Revenue Note					
Enterprise funds	\$ 8,870,713	\$ -	\$ (396,859)	\$ 8,473,854	\$ 410,932
Capital Lease Obligations					
Enterprise funds	15,035	226,420	(31,409)	210,046	42,061
Internal service funds	2,863	-	(2,863)	-	-
Liability for Compensated Absences					
Enterprise funds	103,547	120,929	(103,547)	120,929	120,929
Internal service funds	10,922	-	(10,922)	-	-
	<u>\$ 9,003,080</u>	<u>\$ 347,349</u>	<u>\$ (545,600)</u>	<u>\$ 8,804,829</u>	<u>\$ 573,922</u>

Description of Debt-Governmental Activities

Capital leases – governmental funds, with principal outstanding in the amount of \$680,977, are collateralized by the various vehicles, computers and equipment, for which the proceeds were used to acquire. The City has ten general obligation capital leases outstanding at June 30, 2007 partly financed by governmental funds. These obligations are scheduled to be paid from the General Fund in annual installments with interest rates ranging from 2.38% to 9.43%.

Description of Debt-Business-Type Activities

Water and Sewer System Revenue Note, Series 2001A, with current principal outstanding in the amount of \$8,473,854, 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.

Capital leases – enterprise funds, with principal outstanding in the amount of \$210,046, were used to finance the acquisition of knuckle boom loaders, computers and related equipment and is collateralized with such equipment. The City has five capital leases outstanding at June 30, 2007 financed partly by the enterprise funds. These lease obligations are to be paid from the Kaminski House, Electric, Water and Waste Management Funds in monthly and annual installments with interest rates ranging from 3.79% to 7.27%.

Liability for Compensated Absences attributable to governmental activities will be liquidated from the General Fund. The compensated absence liability attributable to business-type activities will be liquidated by various enterprise funds.

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Debt Service Requirements

Debt service requirements for the long-term debt of governmental activities outstanding at June 30, 2007, are as follows:

Fiscal Year Ending	Principal Requirements		Interest Requirements		Total Requirements
	Capital Lease		Capital Lease		
2008	\$ 222,379		\$ 25,609		\$ 247,988
2009	220,232		16,957		237,189
2010	139,224		8,627		147,851
2011	99,142		3,469		102,611
	<u>\$ 680,977</u>		<u>\$ 54,662</u>		<u>\$ 735,639</u>

Debt service requirements for the long-term debt of business-type activities outstanding at June 30, 2007, are as follows:

Fiscal Year Ending	Principal Requirements		Interest Requirements		Total Requirements
	Revenue Note	Capital Lease	Revenue Note	Capital Lease	
2008	410,932	42,061	291,231	8,501	752,725
2009	425,505	43,796	276,658	6,767	752,726
2010	440,594	40,028	261,569	4,959	747,150
2011	456,218	41,257	245,944	3,358	746,777
2012	472,397	42,904	229,764	1,712	746,777
2013-2017	2,625,469	-	885,346	-	3,510,815
2018-2022	3,125,200	-	385,615	-	3,510,815
2023-2024	517,539	-	9,085	-	526,624
	<u>\$ 8,473,854</u>	<u>\$ 210,046</u>	<u>\$ 2,585,212</u>	<u>\$ 25,297</u>	<u>\$ 11,294,409</u>

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Following is a schedule of the future minimum lease payments under capital leases and the present value of minimum lease payments at June 30, 2007.

<u>Fiscal Year Ending</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
June 30, 2008	\$ 247,988	\$ 50,563	\$ 298,551
June 30, 2009	237,189	50,563	287,752
June 30, 2010	147,851	44,987	192,838
June 30, 2011	102,611	44,615	147,226
June 30, 2012	-	44,615	44,615
Total Minimum Lease Payments	<u>\$ 735,639</u>	<u>\$ 235,343</u>	<u>\$ 970,982</u>
Less: Amount Representing Interest	<u>(54,662)</u>	<u>(25,297)</u>	<u>(79,959)</u>
Present Value of Minimum Lease Payments-June 30, 2007	<u>\$ 680,977</u>	<u>\$ 210,046</u>	<u>\$ 891,023</u>

The gross amount of assets acquired through capital leases were \$1,259,631 with related accumulated depreciation of \$312,463. These assets are classified as vehicles and equipment in the financial statements.

Note 7 – Interfund balances and transfers

Interfund receivable and payable balances at June 30, 2007, were as follows:

<u>Fund</u>	<u>Receivable</u>	<u>Payable</u>
Due to/from other funds:		
General Fund	\$ 2,015	\$ 7,760
Nonmajor Governmental Funds		
State Accommodations Tax Fund	-	2,015
Seized and Forfeited Property Fund	7,760	-
Enterprise Funds		
Electric Utility Fund	35,285	-
Water and Wastewater Utility Fund	-	35,285
	<u>45,060</u>	<u>45,060</u>
Advances from/to other funds:		
Enterprise Funds		
Electric Utility Fund	765,860	-
Water and Wastewater Utility Fund	-	765,860
	<u>765,860</u>	<u>765,860</u>
Totals	<u>\$ 810,920</u>	<u>\$ 810,920</u>

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 \$35,285.

Interfund transfers for the year ended June 30, 2007, were as follows:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund	\$ 2,528,130	\$ 38,210
Nonmajor Governmental Funds		
State Accommodations Tax Fund	-	29,084
Local Accommodation and Hospitality Tax Fund	-	441,610
	<u>2,528,130</u>	<u>508,904</u>
Enterprise Funds		
Electric Utility Fund	-	1,762,795
Water and Wastewater Utility Fund	35,079	425,078
Stormwater Drainage Utility Fund	75,287	26,313
Nonmajor Enterprise Funds		
Waste Management Fund	76,420	-
Kaminski House Museum Fund	282,400	-
	<u>469,186</u>	<u>2,214,186</u>
Internal Service Funds		
Fleet Fund	-	209,670
Engineering Fund	-	35,079
Information Technology Fund	-	95,756
	<u>-</u>	<u>340,505</u>
Totals	<u>\$ 2,997,316</u>	<u>\$ 3,063,595</u>

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. Transfers in do not balance with transfers out due to capital assets and long term liability transfers between governmental and proprietary funds that are not recognized in the governmental funds (\$66,279).

In the year ended June 30, 2007, the City made the following one-time transfers: a transfer of \$65,000 from the Electric Utility Fund to the General Fund approved by the budget to fund the installation of streetlights for the Streetscape construction project; residual equity transfers of \$340,505 to close out the internal service funds; a transfer of \$73,078 from the Water Fund to the General Fund to cover the cost associated

with a budgeted personnel position that was transferred mid year to the General Fund from the Water Fund; and a transfer of \$66,000 from the Local Hospitality and Accommodations Tax Fund to the General Fund for the Streetscape construction 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, 2007:

- Reserved for Prepaid Items and Inventories – A fund balance designation in the General Fund in the amounts of \$1,800 and \$85,002, respectively, to indicate that these items do not represent available, spendable resources even though it is a component of current assets.
- Reserved for Safe Streets Program - A fund balance reservation in the General Fund in the amount of \$29,174 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 \$50,073 to indicate that this amount, restricted by state law and equal to unexpended fire impact fees collected, is not available for unrestricted appropriation or expenditure, and is to be used only to provide for future payment of capital expenditures for fire protection equipment and facilities.
- Reserved for Health Claims - A fund balance reservation in the General Fund in the amount of \$79,874 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.
- Reserved for Community Development – A fund balance reservation in the Local Accommodations and Hospitality Tax Fund in the amount of \$546,340 for Winyah Auditorium renovations to indicate that this restricted amount is not available for unrestricted appropriation or expenditure.

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.

The City has also restricted net assets in the amount of \$1,368,457, through enabling legislation, for tourism development and support financed by its Local Accommodations and Hospitality Tax Fund.

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 \$75,000 per employee per year. Claims over \$75,000 are insured through a “pooled” arrangement with other local governments and claims in excess of \$325,000 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 \$371,510. In addition, a liability was accrued for estimated claims incurred but not reported and for unpaid claims at June 30, 2007, in the amount of \$291,636. 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.

Changes in the aggregate liability for health claims for the years ended June 30, 2007 and 2006 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, 2007	\$ 295,825	\$ 1,681,421	\$ (1,685,610)	\$ 291,636
June 30, 2006	\$ 341,655	\$ 1,610,260	\$ (1,656,090)	\$ 295,825

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, 2007, there were no significant reductions in insurance coverage from the prior year. For the years ended June 30, 2007, 2006 and 2005 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.

Funding Policy

Members of the PORS and SCRS are required to contribute at the rate of 6.5% of their covered wages. The City is required to contribute at actuarially determined rates, currently 10.5% of PORS member wages and 8.20% 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, 2007, 2006 and 2005 totaled \$242,834, \$235,925, and \$241,518, respectively. The City's contributions to the SCRS for the plan years ending June 30, 2007, 2006 and 2005 were \$348,949, \$308,042, and \$288,156, 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 \$2,100 to the retiree. Retirees also have the option to elect retiree/children coverage at an annual cost of \$3,109 to the retiree; retiree/spouse coverage at an annual cost of \$4,530 to the retiree; or full family coverage at an annual cost of \$5,086 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, 2007, fifty-four 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, 2007, 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, 2007:

- 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.

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.

- Construction of the “Streetscape” extension, an aesthetic improvement project, began during the fiscal year ended June 30, 2007. The project consists of installing sidewalks, brick curbing, landscaping and historic style lampposts along a three block section of Front Street, the City’s primary tourist destination. The total project cost, including construction and engineering fees, is expected to be approximately \$676,000, of which \$599,670 has been completed at June 30, 2007. The project is expected to be completed in the year ending June 30, 2008. The City has obtained a reimbursable \$500,000 Community Development Block Grant, and \$40,000 from the SCDOT to finance the project. The balance of the project will be financed through a combination of Electric Utility Enterprise Fund and Local Accommodations and Hospitality Tax Special Revenue Fund transfers.

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, 2007, sixty-three loans were outstanding in the total amount of \$55,465.

Note 14 – Economic dependence on major taxpayer

Mittal Steel Inc. is the City's largest payer of property taxes and business license fees. For the fiscal year ended June 30, 2007, the City's General Fund recognized revenues of approximately \$415,500 on Mittal Steel's accounts, approximately 6% of total General Fund revenues.

For the fiscal year ended June 30, 2007, the City's Proprietary Enterprise Funds recognized revenues of approximately \$1,016,700 from Georgetown Memorial Hospital, approximately 5% of total Proprietary Enterprise Fund revenues.

Note 15 - Litigation

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

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 – 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 table on the following page explains certain elements of that reconciliation:

Long-term assets not available to pay current period expenditures

Business licenses and hospitality taxes	\$ 10,681
Property taxes	51,912
Police fines	13,564
	<u>\$ 76,157</u>

Long-term liabilities not reported in the funds

Capital leases	\$ (680,977)
Accrued interest payable	(17,678)
Compensated absences payable	(179,983)
	<u>\$ (878,638)</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:

Capital Outlays

Capital outlay	\$ 1,424,895
Depreciation expense	(743,500)
	<u>\$ 681,395</u>

Revenues not recognized in the funds

Business licenses and hospitality taxes	\$ (5,178)
Property taxes	(1,832)
Police fines	(35,918)
	<u>\$ (42,928)</u>

Reduction of liabilities not recognized in the funds

Compensated absences	\$ (22,784)
Accrued interest on long-term debt	(946)
	<u>\$ (23,730)</u>

Issuance and repayment of long-term debt

Principal repayments on capital leases	\$ 446,209
Capital lease proceeds	(132,736)
Principal repayments on general obligation bonds	-
	<u>\$ 313,473</u>

Note 18 – Net Asset Restatement

During the year ended June 30, 2007, an error was discovered in which the expense for health claims cost was understated in the year ended June 30, 2006. The effect of this error overstated the change in net assets of governmental and business-type activities, as well as the change in fund balances of governmental and enterprise funds for the year ended June 30, 2006 by \$25,767 and \$13,644 respectively.

An error was also discovered in which accounts receivable from other governments was overstated in the year ended June 30, 2006. The effect of this error overstated the change in net assets of governmental and business-type activities, as well as the change in fund balances of governmental and enterprise funds for the year ended June 30, 2006 by \$28,108 and \$24,661 respectively.

An error was also discovered in which depreciation expense was understated in the year ended June 30, 2006. The effect of this error overstated the change in net assets of governmental activities by \$21,581. There was no effect on governmental or enterprise funds.

A property tax appeal was settled, resulting in an overstatement of net assets for the year ended June 30, 2006. The effect of this error overstated the change in net assets of governmental activities and the change in fund balance of the governmental funds by \$32,977.

The following tables show the effect of these corrections on the activities and funds of the City.

Government Wide Statement of Activities

	Governmental Net Assets	Business-Type Net Assets
As originally reported	\$ 15,831,247	\$ 40,511,763
Health claims expense	(25,767)	(13,644)
Accounts receivable	(28,108)	(24,661)
Depreciation expense	(21,581)	-
Property taxes	(32,977)	-
As restated	<u>\$ 15,722,814</u>	<u>\$ 40,473,458</u>

General Fund

	General Fund Fund Balance
As originally reported	\$ 2,776,705
Health claims expense	(25,767)
Accounts receivable	(28,108)
Property Taxes	(32,977)
As restated	<u>\$ 2,689,853</u>

Major Enterprise Funds

	Electric Fund Balance	Water Fund Balance	Wastewater Fund Balance	Stormwater Fund Balance
As originally reported	\$ 9,900,272	\$ 11,828,168	\$ 9,257,589	\$ 8,357,036
Health claims expense	(4,535)	(2,176)	(1,586)	(1,338)
Accounts receivable	-	-	-	-
As restated	<u>\$ 9,895,737</u>	<u>\$ 11,825,992</u>	<u>\$ 9,256,003</u>	<u>\$ 8,355,698</u>

Non-major Enterprise Funds

	Kaminski House Fund Balance	Waste Management Fund Balance
As originally reported	\$ 305,814	\$ 812,099
Health claims expense	(348)	(3,661)
Accounts receivable	-	(24,661)
As restated	<u>\$ 305,466</u>	<u>\$ 783,777</u>

Note 19 – Recently Issued Accounting Pronouncements

The GASB has issued Statement No. 45 “Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions”, which provides guidance on reporting other postemployment benefits in the financial statements of employers. The requirements of this statement are effective for the City for the fiscal year beginning July 1, 2008. The City has not determined the effect on future financial statements as a result of this statement.