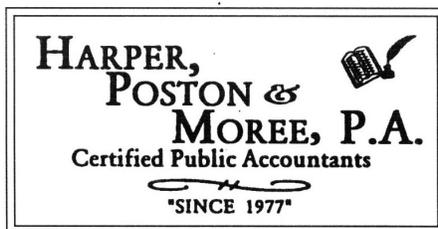


ADDITIONAL INFORMATION REQUIRED BY
GOVERNMENT AUDITING STANDARDS





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

To the Honorable Mayor and
Members of City Council
City of Georgetown, South Carolina

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Georgetown, South Carolina as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 17, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control. We consider deficiencies 08-B1, 08-B2, 08-B3, and 08-B4 described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance And Other Matters

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

We noted certain matters that we have reported to management of the City in a separate letter dated December 17, 2008.

The City's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the City's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, others within the organization, City Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Harper, Poston & Moree, P.A.

Harper, Poston & Moree, P.A.
Certified Public Accountants

Pawleys Island, South Carolina
December 17, 2008

CITY OF GEORGETOWN, SOUTH CAROLINA

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2008

A. Summary of Audit Results

1. The auditor's report expresses an unqualified opinion on the basic financial statements.
2. Four significant deficiencies relating to the audit of the financial statements is reported in the auditors report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with *Government Auditing Standards*. These control deficiencies are not reported as material weaknesses.
3. No instances of noncompliance material to the financial statements were disclosed during the audit.
4. An audit in accordance with OMB Circular A-133 was not required. There were no major federal award programs for the current year; therefore no significant deficiencies were disclosed for major federal programs.
5. There were no major federal award programs for the current year; therefore no auditor's report on compliance for major federal programs was issued.
6. No audit findings relative to major federal programs are reported in Part C of this schedule.
7. An audit in accordance with OMB Circular A-133 was not required. No programs were tested as major programs.
8. The City did not fall under the audit requirements of OMB Circular A-133; therefore there was no threshold for distinguishing types A and B programs.
9. Risk relative to OMB Circular A-133 was not assessed.

B. Findings – Financial Statement Audit

08 – B1 Police Fines

Control Deficiency: Reports prepared by court personnel for reporting to the State Treasurer are not reconciled by personnel on a monthly basis.

Criteria: Control policies and procedures should be in place and operating effectively to provide reasonable assurance that fines collected are safeguarded against the risk of loss or theft and appropriately recognized and reported in the financial statements.

Cause: Change in court system for reporting fines. Reconciliations not performed on a timely basis.

Effect: Errors may occur and not be detected by management.

Recommendation: Reports prepared by court personnel for reporting fines to the State Treasurer should be reconciled monthly by finance personnel to cash collections and revenues reported in the financial statements.

Management Response: Management agrees with recommendation for corrective action and intends to implement immediately.

B. Findings – Financial Statement Audit

08 – B2 Accounts Payable

Control Deficiency: A sample of subsequent disbursements tested in the audit indicated that vendor invoices for goods and/or services received before year-end had not been recorded as an accounts payable.

Criteria: Control policies and procedures should be in place and operating effectively to provide reasonable assurance that liabilities outstanding at year end are appropriately recognized and reported in the financial statements. Payables should be recorded in the period in which the goods and/or services are received in order to reflect proper cutoff and ensure that the financial statements are complete with respect to accounts payable.

Cause: Errors in entering vendor invoices into accounts payable system.

Effect: Unrecorded liabilities may exist that go undetected by management.

Recommendation: Finance personnel should review all purchase orders, receiving reports, and vendor invoices to determine that accounts payable are appropriately recorded in the period to which they relate.

Management's response: Management agrees with recommendations for corrective action and will implement a secondary review procedure at year end to prevent errors.

08 – B3 Capital Assets

Control Deficiency: During our testing of capital assets and related depreciation expense, we found errors in the detail schedules maintained by finance personnel which included incorrect dollar amounts of additions, calculation errors in determining depreciation expense, and instances where the capitalization policy was not followed.

Criteria: Control policies and procedures should be in place and operating effectively to provide reasonable assurance that subsidiary ledgers of capital assets and related depreciation are accurately prepared and the transactions thereof appropriately recorded in the financial statements. Accurate property records are also an important management tool in maintaining control over capital assets.

Cause: Personnel errors in maintaining manual subsidiary ledgers.

Effect: Errors in capital assets and related depreciation may exist and go undetected by management.

Recommendation: Subsidiary capital asset ledgers should be reconciled to underlying financial records and ongoing capital projects and reviewed for accuracy by personnel independent of the preparation. The City may also consider using a computerized capital asset system for depreciating property which would reduce the risk of human error in calculating depreciation expense.

Management's Response: Management is currently working with a software vendor to implement a computerized system of accounting for fixed assets.

08 – B4 Year-End Close

Control Deficiency: As part of the year-end closing process, subsidiary schedules and reconciliations are prepared from the underlying financial records to ensure accuracy of the financial statements. Certain subsidiary schedules tested in our audit did not agree with corresponding trial balance accounts. Account transactions were not evaluated in reconciling the subsidiary schedules to the trial balance and preparing the necessary year-end accruals and reversals.

Criteria: Control policies and procedures should be in place and operating effectively to provide reasonable assurance that year-end adjustments are appropriately recorded and posted to the financial statements.

Cause: Personnel errors in preparing and reviewing adjusting entries.

Effect: Errors in financial statement accounts may exist that go undetected by management.

B. Findings – Financial Statement Audit

Recommendation: Finance personnel should determine that all transactions have been recorded and posted. Transactions should be reviewed for completeness by scanning the ending balances and the transactions posted to each general ledger account to detect unusual entries or unexpected ending balances. Also, balance sheet reconciliations to subsidiary schedules should be performed of account balances that would quickly identify errors or needed corrections. Any reconciling differences should be corrected before the books are closed for audit purposes.

Management's response: Management agrees with recommendation for corrective action and intends to implement immediately.

C. Findings and Questioned Costs – Major Federal Award Programs Audit

None.

CITY OF GEORGETOWN, SOUTH CAROLINA

Summary Schedule of Prior Audit Findings For the Year Ended June 30, 2008

There are no prior year audit findings relating to federal award programs for the fiscal year 2007 that are required by OMB Circular A-133 to be reported in the Summary Schedule of Prior Audit Findings for the year ended June 30, 2008.