

# BASIC FINANCIAL STATEMENTS

# CITY OF GEORGETOWN, SOUTH CAROLINA

## Statement of Net Assets

June 30, 2009

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Winyah Auditorium
<b>Assets</b>				
Cash and cash equivalents	\$ 8,238,957	\$ 13,222,825	\$ 21,461,782	\$ -
Investments	-	3,993	3,993	-
Receivables (net of allowances)				
From taxpayers and customers	473,611	2,105,757	2,579,368	-
From other governments	232,515	-	232,515	-
From employees	-	32,476	32,476	-
Other	161,516	3,272	164,788	61,150
Due from primary government	-	-	-	260,515
Inventories	115,613	1,148,651	1,264,264	-
Prepays	7,464	923	8,387	-
Restricted assets				
Cash and cash equivalents				
Deposits with other agencies	144,816	-	144,816	-
Customer deposits	-	578,497	578,497	-
Other deposits	257,943	2,828,981	3,086,924	-
Capital assets				
Land, improvements and construction in progress	2,984,233	3,659,249	6,643,482	-
Other capital assets, net of accumulated depreciation	10,658,387	32,993,162	43,651,549	-
<b>Total Assets</b>	<b>23,275,055</b>	<b>56,577,786</b>	<b>79,852,841</b>	<b>321,665</b>
<b>Liabilities</b>				
Payables				
Trade and other accounts	459,038	1,509,483	1,968,521	2,160
Wages, withholdings and benefits	139,954	79,291	219,245	-
Accrued interest on debt	6,271	12,717	18,988	-
Due to component unit	260,515	-	260,515	-
Liabilities payable from restricted assets				
Liability for health claims	339,311	-	339,311	-
Court bonds	32,592	-	32,592	-
Customer deposits	-	578,497	578,497	-
Unearned revenue	5,402	2,254,727	2,260,129	-
Noncurrent liabilities				
Due within one year	368,144	762,837	1,130,981	-
Due in more than one year	2,815,155	9,340,159	12,155,314	-
<b>Total Liabilities</b>	<b>4,426,382</b>	<b>14,537,711</b>	<b>18,964,093</b>	<b>2,160</b>
<b>Net Assets</b>				
Invested in capital assets, net of related debt	13,301,350	28,017,047	41,318,397	-
Restricted for:				
Regional wastewater treatment plant	-	433,808	433,808	-
Public safety programs	293,339	-	293,339	-
Tourism development and support	1,601,352	-	1,601,352	-
Community development	11,435	-	11,435	-
Debt service	-	465,710	465,710	-
Unrestricted	3,641,197	13,123,510	16,764,707	319,505
<b>Total Net Assets</b>	<b>\$ 18,848,673</b>	<b>\$ 42,040,075</b>	<b>\$ 60,888,748</b>	<b>\$ 319,505</b>

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

# CITY OF GEORGETOWN, SOUTH CAROLINA

## Statement of Activities

Year Ended June 30, 2009

Functions/Programs	Program Revenues			Net Revenues (Expenses) and Changes in Net Assets			Component Unit	
	Charges for Services	Operating Grants and Contributions		Governmental Activities	Primary Government Business-Type Activities			Winyah Auditorium
		Capital Grants and Contributions	Total		Total	Total		
<b>Governmental Activities:</b>								
General government	\$ 2,834,421	\$ -	\$ -	\$ (158,766)	\$ -	\$ (158,766)	\$ -	
Public safety	7,502,005	20,678	-	(7,150,453)	-	(7,150,453)	-	
Public works	1,091,371	18,656	12,000	(1,060,715)	-	(1,060,715)	-	
Community development	885,435	81,287	95,898	(680,576)	-	(680,576)	-	
Interest on debt	25,120	-	-	(25,120)	-	(25,120)	-	
<b>Total Governmental Activities</b>	<b>12,338,352</b>	<b>120,621</b>	<b>107,898</b>	<b>(9,075,630)</b>	<b>-</b>	<b>(9,075,630)</b>	<b>-</b>	
<b>Business-Type Activities:</b>								
Electric utility	12,021,147	-	-	-	1,506,253	1,506,253	-	
Water utility	2,438,939	-	68,265	-	(603,653)	(603,653)	-	
Wastewater utility	3,254,393	-	93,946	-	(347,469)	(347,469)	-	
Stormwater utility	787,864	526,165	-	-	(261,699)	(261,699)	-	
Waste management	1,692,040	5,087	-	-	(491,364)	(491,364)	-	
<b>Total Business-Type Activities</b>	<b>20,194,383</b>	<b>5,087</b>	<b>162,211</b>	<b>-</b>	<b>(197,932)</b>	<b>(197,932)</b>	<b>-</b>	
<b>Total primary government</b>	<b>32,532,735</b>	<b>125,708</b>	<b>270,109</b>	<b>(9,075,630)</b>	<b>(197,932)</b>	<b>(9,273,562)</b>	<b>-</b>	
<b>Component Unit</b>								
Winyah Auditorium	157,786	-	-	-	-	-	(157,786)	
<b>General Revenue</b>								
Property taxes, levied for general purposes				3,723,830	-	3,723,830	-	
Property taxes, levied for debt service				438,200	-	438,200	-	
Local accommodations and hospitality taxes				731,169	-	731,169	-	
Unrestricted state government shared revenues				654,370	-	654,370	-	
Unrestricted investment earnings				70,557	144,728	215,285	4,235	
Unrestricted contributions				-	-	-	84,686	
Contribution from primary government				10,996	3,733	14,729	388,370	
Gain on disposal of assets				7,427	12,061	19,488	-	
Miscellaneous				1,328,400	(1,328,400)	-	-	
<b>Transfers</b>				<b>6,964,949</b>	<b>(1,167,878)</b>	<b>5,797,071</b>	<b>477,291</b>	
Total General Revenue and Transfers				<b>(2,110,681)</b>	<b>(1,365,810)</b>	<b>(3,476,491)</b>	<b>319,505</b>	
<b>Change in Net Assets</b>				<b>20,959,354</b>	<b>43,405,885</b>	<b>64,365,239</b>	<b>-</b>	
Net Assets - Beginning of Year as Restated				<b>\$ 18,848,673</b>	<b>\$ 42,040,075</b>	<b>\$ 60,888,748</b>	<b>\$ 319,505</b>	
<b>Net Assets - End of Year</b>								

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

# CITY OF GEORGETOWN, SOUTH CAROLINA

## Balance Sheet Governmental Funds June 30, 2009

	Primary Government		
	General Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>			
Cash and cash equivalents	\$ 6,330,202	\$ 1,908,755	\$ 8,238,957
Receivables (net of allowances)			
Customer accounts	-	28,048	28,048
Taxes	365,211	80,352	445,563
Business licenses	51,381	-	51,381
Police fines	43,124	-	43,124
From other governments	166,640	65,875	232,515
From other City funds	46,830	115	46,945
Other	6,876	95	6,971
Prepaid items	7,288	176	7,464
Inventory	90,975	24,638	115,613
Restricted assets			
Cash and cash equivalents			
Deposits with other agencies	144,816	-	144,816
Other deposits	257,943	-	257,943
<b>Total Assets</b>	<b>\$ 7,511,286</b>	<b>\$ 2,108,054</b>	<b>\$ 9,619,340</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities</b>			
Payables			
Trade and other accounts	\$ 397,552	\$ 61,486	\$ 459,038
Wages, withholdings and benefits	137,231	2,723	139,954
To other City funds	115	46,830	46,945
To component unit	-	260,515	260,515
Deferred revenue			
Property taxes	326,581	-	326,581
Police fines	41,790	-	41,790
Grants	-	36,058	36,058
Other	3,843	28,143	31,986
Payable from restricted assets			
Liability for health claims	339,311	-	339,311
Court bonds	32,592	-	32,592
<b>Total Liabilities</b>	<b>1,279,015</b>	<b>435,755</b>	<b>1,714,770</b>
<b>Fund Balances</b>			
Reserved for:			
Prepaid items	7,288	176	7,464
Inventory	90,975	24,638	115,613
Safe streets program	26,033	-	26,033
Fire impact fees	199,073	-	199,073
Unreserved - designated	1,100,000	-	1,100,000
Unreserved - undesignated, reported in:			
General fund	4,808,902	-	4,808,902
Special revenue funds	-	1,647,485	1,647,485
<b>Total Fund Balances</b>	<b>6,232,271</b>	<b>1,672,299</b>	<b>7,904,570</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 7,511,286</b>	<b>\$ 2,108,054</b>	<b>\$ 9,619,340</b>

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, 2009

<b>Total Fund Balances of Governmental Funds</b> (reported on page 26)	<b>\$ 7,904,570</b>
<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.	13,642,620
Other long-term assets are not available to pay current period expenditures and therefore are deferred or not recognized in the governmental funds.	491,053
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>(3,189,570)</u>
<b>Net Assets of Governmental Activities</b> (reported on page 24)	<b><u><u>\$ 18,848,673</u></u></b>

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, 2009

	Primary Government		
	General Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>			
Taxes	\$ 3,501,111	\$ 1,144,021	\$ 4,645,132
Licenses and permits	2,676,325	-	2,676,325
Fire impact fees	32,813	-	32,813
Fines and forfeitures	211,561	941	212,502
Intergovernmental	653,810	83,803	737,613
Investment earnings	61,245	9,312	70,557
Sales and service fees	-	26,785	26,785
Miscellaneous	56,509	5,978	62,487
<b>Total Revenues</b>	<b>7,193,374</b>	<b>1,270,840</b>	<b>8,464,214</b>
<b>Expenditures</b>			
Current			
General government	1,780,807	-	1,780,807
Public safety	5,533,952	23,293	5,557,245
Public works	693,827	23,355	717,182
Community development	-	781,098	781,098
Capital Outlay			
General government	142,886	-	142,886
Public safety	137,583	-	137,583
Public works	92,841	64,935	157,776
Community development	-	11,513	11,513
Debt Service			
Principal	269,390	982	270,372
Interest	22,283	3,213	25,496
Bond issuance costs	-	5,500	5,500
<b>Total Expenditures</b>	<b>8,673,569</b>	<b>913,889</b>	<b>9,587,458</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(1,480,195)</b>	<b>356,951</b>	<b>(1,123,244)</b>
<b>Other Financing Sources (Uses)</b>			
Proceeds from sale of capital assets	13,335	-	13,335
Transfers in	1,862,314	66,289	1,928,603
Transfers out	(44,455)	(555,748)	(600,203)
Insurance proceeds	51,064	-	51,064
<b>Total Other Financing Sources (Uses)</b>	<b>1,882,258</b>	<b>(489,459)</b>	<b>1,392,799</b>
<b>Net Change in Fund Balances</b>	<b>402,063</b>	<b>(132,508)</b>	<b>269,555</b>
<b>Fund Balances - Beginning of Year</b>	<b>5,830,208</b>	<b>1,804,807</b>	<b>7,635,015</b>
<b>Fund Balances - End of Year</b>	<b>\$ 6,232,271</b>	<b>\$ 1,672,299</b>	<b>\$ 7,904,570</b>

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, 2009

<b>Net Change in Fund Balances of Governmental Funds</b> (reported on page 28)	<b>\$ 269,555</b>
<i>Amounts reported for governmental activities in the government-wide statement of activities presented on page 25 are different because:</i>	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current year.	(397,730)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.	325,825
Contribution of capital asset from discretely presented component unit reported as revenues in the statement of activities is not recognized as revenues in the governmental funds.	95,898
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.	(2,674,600)
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.	<u>270,371</u>
<b>Change in Net Assets of Governmental Activities</b> (reported on page 25)	<b><u>\$ (2,110,681)</u></b>

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

# CITY OF GEORGETOWN, SOUTH CAROLINA

## Statement of Net Assets

Proprietary Funds  
June 30, 2009

	Enterprise Funds				
	Electric Utility	Water & Wastewater Utility	Stormwater Drainage Utility	Waste- management Fund	Total Enterprise Funds
<b>Assets</b>					
<b>Current Assets</b>					
Cash and cash equivalents	\$ 4,860,046	\$ 4,331,540	\$ 3,613,631	\$ 417,608	\$ 13,222,825
Investments	2,653	1,340	-	-	3,993
Receivables (net of allowances)					
Customer accounts	1,581,701	420,021	26,431	51,726	2,079,879
From other City funds	37,798	-	-	-	37,798
From employees	32,476	-	-	-	32,476
From regional wastewater treatment plant partners	-	25,878	-	-	25,878
Other	1,398	1,874	-	-	3,272
Prepays	279	627	-	17	923
Inventories	1,068,877	77,170	2,604	-	1,148,651
Restricted assets					
Cash and cash equivalents					
Customer deposits	413,831	164,666	-	-	578,497
Other deposits	-	2,828,935	-	46	2,828,981
<b>Total Current Assets</b>	<b>7,999,059</b>	<b>7,852,051</b>	<b>3,642,666</b>	<b>469,397</b>	<b>19,963,173</b>
<b>Noncurrent Assets</b>					
Advances to other City funds	691,542	-	-	-	691,542
Capital assets					
Land and improvements	60,835	120,869	220,225	-	401,929
Buildings and improvements	350,879	443,322	10,000	-	804,201
Vehicles, equipment and furnishings	1,582,106	2,014,864	375,201	1,293,780	5,265,951
Electric system	6,750,664	-	-	-	6,750,664
Fiber optics system	909,366	-	-	-	909,366
Water system	-	15,863,557	-	-	15,863,557
Wastewater system	-	25,605,188	-	-	25,605,188
Stormwater drainage system	-	-	4,441,435	-	4,441,435
Construction-in-progress	1,254,523	678,151	1,506,350	-	3,439,024
Accumulated depreciation	(6,590,832)	(18,381,160)	(1,666,534)	(603,416)	(27,241,942)
Intangible asset-sludge disposal rights	-	472,047	-	-	472,047
Accumulated amortization	-	(59,009)	-	-	(59,009)
<b>Total Noncurrent Assets</b>	<b>5,009,083</b>	<b>26,757,829</b>	<b>4,886,677</b>	<b>690,364</b>	<b>37,343,953</b>
<b>Total Assets</b>	<b>13,008,142</b>	<b>34,609,880</b>	<b>8,529,343</b>	<b>1,159,761</b>	<b>57,307,126</b>

(continued on following page)

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

# CITY OF GEORGETOWN, SOUTH CAROLINA

## Statement of Net Assets

Proprietary Funds  
June 30, 2009

	Enterprise Funds				
	Electric Utility	Water & Wastewater Utility	Stormwater Drainage Utility	Waste- management Fund	Total Enterprise Funds
<b>Liabilities</b>					
<b>Current Liabilities</b>					
Payables					
Trade and other accounts	1,093,874	385,850	7,674	22,085	1,509,483
Wages, withholdings and benefits	26,648	32,261	5,056	15,326	79,291
To other City funds	-	37,798	-	-	37,798
Revenue note	-	440,594	-	-	440,594
Capital lease	77	106,373	-	122,488	228,938
Accrued interest	-	6,319	-	6,398	12,717
Liability for compensated absences	33,686	39,282	4,374	15,963	93,305
Customer deposits	413,831	164,666	-	-	578,497
Deferred revenue	-	2,250,954	-	3,773	2,254,727
<b>Total Current Liabilities</b>	<b>1,568,116</b>	<b>3,464,097</b>	<b>17,104</b>	<b>186,033</b>	<b>5,235,350</b>
<b>Noncurrent Liabilities</b>					
Revenue note	-	7,196,823	-	-	7,196,823
Capital lease	-	455,827	-	394,543	850,370
Net OPEB obligation	436,181	436,182	124,623	295,980	1,292,966
Advances from other City funds	-	691,542	-	-	691,542
<b>Total Noncurrent Liabilities</b>	<b>436,181</b>	<b>8,780,374</b>	<b>124,623</b>	<b>690,523</b>	<b>10,031,701</b>
<b>Total Liabilities</b>	<b>2,004,297</b>	<b>12,244,471</b>	<b>141,727</b>	<b>876,556</b>	<b>15,267,051</b>
<b>Net Assets</b>					
Invested in capital assets, net of related debt	4,317,541	18,639,435	4,886,677	173,394	28,017,047
Restricted for regional wastewater treatment plant	-	433,808	-	-	433,808
Restricted for debt service	-	465,710	-	-	465,710
Unrestricted	6,686,304	2,826,456	3,500,939	109,811	13,123,510
<b>Total Net Assets</b>	<b>\$ 11,003,845</b>	<b>\$ 22,365,409</b>	<b>\$ 8,387,616</b>	<b>\$ 283,205</b>	<b>\$ 42,040,075</b>

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, 2009

	Enterprise Funds				
	Electric Utility	Water & Wastewater Utility	Stormwater Drainage Utility	Waste- management Fund	Total Enterprise Funds
<b>Operating Revenues</b>					
Charges for sales and services					
Sale of electricity, fees and penalties	\$ 13,527,400	-	-	-	\$ 13,527,400
Sale of water, fees and penalties	-	1,767,021	-	-	1,767,021
Sale of wastewater services, fees and penalties	-	2,812,978	-	-	2,812,978
Stormwater drainage fees and penalties	-	-	526,165	-	526,165
Sanitation fees and penalties	-	-	-	1,195,589	1,195,589
Provision for bad debts	(39,144)	(14,224)	(2,031)	(6,240)	(61,639)
<b>Total Operating Revenue</b>	<b>13,488,256</b>	<b>4,565,775</b>	<b>524,134</b>	<b>1,189,349</b>	<b>19,767,514</b>
<b>Operating Expenses</b>					
Purchase of electricity	8,685,098	-	-	-	8,685,098
Purchase of raw water	-	63,505	-	-	63,505
Personal services	1,701,830	1,835,659	394,962	1,069,996	5,002,447
Supplies	209,694	612,530	9,080	15,264	846,568
Other charges and services	1,059,002	1,624,040	198,227	499,996	3,381,265
Depreciation	326,313	1,253,782	183,564	84,999	1,848,658
<b>Total Operating Expenses</b>	<b>11,981,937</b>	<b>5,389,516</b>	<b>785,833</b>	<b>1,670,255</b>	<b>19,827,541</b>
<b>Operating Income (Loss)</b>	<b>1,506,319</b>	<b>(823,741)</b>	<b>(261,699)</b>	<b>(480,906)</b>	<b>(60,027)</b>
<b>Nonoperating Revenues (Expenses)</b>					
Gain (loss) on disposal of assets	-	(2,711)	-	-	(2,711)
Investment earnings	86,322	54,785	27,083	3,343	171,533
Operating grants	-	-	-	5,087	5,087
Interest expense	(66)	(309,953)	-	(15,545)	(325,564)
Miscellaneous	4,663	5,352	(30)	2,076	12,061
<b>Total Nonoperating Revenues (Expenses)</b>	<b>90,919</b>	<b>(252,527)</b>	<b>27,053</b>	<b>(5,039)</b>	<b>(139,594)</b>

(continued on following page)

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, 2009

	Enterprise Funds					Total Enterprise Funds
	Electric Utility	Water & Wastewater Utility	Stormwater Drainage Utility	Waste- management Fund	Total Enterprise Funds	
<b>Income (Loss) Before Contributions and Transfers</b>	1,597,238	(1,076,268)	(234,646)	(485,945)	(199,621)	
Capital Contributions	-	162,211	-	-	162,211	
Transfers in	-	-	-	71,600	71,600	
Transfers out	(1,400,000)	-	-	-	(1,400,000)	
<b>Changes in Net Assets</b>	197,238	(914,057)	(234,646)	(414,345)	(1,365,810)	
<b>Total Net Assets - Beginning of Year as Restated</b>	10,806,607	23,279,466	8,622,262	697,550	43,405,885	
<b>Total Net Assets - End of Year</b>	<u>\$ 11,003,845</u>	<u>\$ 22,365,409</u>	<u>\$ 8,387,616</u>	<u>\$ 283,205</u>	<u>\$ 42,040,075</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, 2009

	Enterprise Funds				Total Enterprise Funds
	Electric Utility	Water & Wastewater Utility	Stormwater Drainage Utility	Waste- management Fund	
<b>Cash Flows of Operating Activities</b>					
Receipts from customers and users	\$ 12,575,936	\$ 4,402,475	\$ 514,489	\$ 1,193,724	\$ 18,686,624
Receipts from other funds for services provided	820,362	26,858	10,724	13,743	871,687
Other receipts	4,663	5,352	(30)	2,076	12,061
Payments to or on behalf of employees	(1,261,595)	(1,394,179)	(269,475)	(777,262)	(3,702,511)
Payments to suppliers for goods and services	(9,202,598)	(1,087,875)	(106,473)	(311,686)	(10,708,632)
Payments to other funds for services used	(507,077)	(1,040,239)	(94,794)	(199,108)	(1,841,218)
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>2,429,691</b>	<b>912,392</b>	<b>54,441</b>	<b>(78,513)</b>	<b>3,318,011</b>
<b>Cash Flows of Noncapital Financing Activities</b>					
Transfers to/from other funds	(1,400,000)	-	-	71,600	\$ (1,328,400)
Operating grant contributions	-	-	-	5,087	5,087
Repayment of temporary loan from other enterprise fund	36,520	(36,520)	-	-	-
Interest paid on temporary loan from other enterprise fund	26,805	(26,805)	-	-	-
<b>Net Cash Provided (Used) by Noncapital Financing Activities</b>	<b>(1,336,675)</b>	<b>(63,325)</b>	<b>-</b>	<b>76,687</b>	<b>(1,323,313)</b>
<b>Cash Flows of Capital and Related Financing Activities</b>					
Proceeds from sale of capital assets	-	3,733	-	-	3,733
Principal paid on revenue note	-	(425,505)	-	-	(425,505)
Interest paid on revenue note	-	(276,658)	-	-	(276,658)
Principal paid on capital leases	(1,227)	(3,190)	-	(78,819)	(83,236)
Interest paid on capital leases	(66)	(171)	-	(15,545)	(15,782)
Proceeds from financing purchases of capital assets	-	562,000	-	222,017	784,017
Purchase or construction of capital assets	(404,149)	(1,792,472)	(760)	(225,414)	(2,422,795)
<b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>	<b>(405,442)</b>	<b>(1,932,263)</b>	<b>(760)</b>	<b>(97,761)</b>	<b>(2,436,226)</b>

(continued on following page)

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, 2009

	Enterprise Funds				Total Enterprise Funds
	Electric Utility	Water & Wastewater Utility	Stormwater Drainage Utility	Waste- management Fund	
<b>Cash Flows of Investing Activities</b>					
Earnings on deposits and investments	59,517	54,785	27,083	3,343	144,728
Proceeds from maturities of investments	626	392	-	-	1,018
<b>Net Cash Provided (Used) by Investing Activities</b>	<u>60,143</u>	<u>55,177</u>	<u>27,083</u>	<u>3,343</u>	<u>145,746</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	747,717	(1,028,019)	80,764	(96,244)	(295,782)
<b>Cash and Cash Equivalents - Beginning of Year</b>	4,526,160	8,353,160	3,532,867	513,898	16,926,085
<b>Cash and Cash Equivalents - End of Year</b>	<u>\$ 5,273,877</u>	<u>\$ 7,325,141</u>	<u>\$ 3,613,631</u>	<u>\$ 417,654</u>	<u>\$ 16,630,303</u>

(continued on following page)

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, 2009

	Enterprise Funds				Total Enterprise Funds
	Electric Utility	Water & Wastewater Utility	Stormwater Drainage Utility	Waste- management Fund	
<b>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities</b>					
Operating income (loss)	\$ 1,506,319	\$ (823,741)	\$ (261,699)	\$ (480,906)	\$ (60,027)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:					
Depreciation	326,313	1,253,782	183,564	84,999	1,848,658
Decreases (increases) in current assets					
Receivables	(94,589)	71,418	1,079	18,118	(3,974)
Inventories	47,485	(9,408)	859	-	38,936
Prepays	(279)	(627)	-	-	(906)
Increases (decreases) in current liabilities					
Trade accounts payable (exclusive of capital items)	196,913	181,996	5,181	4,466	388,556
Accrued wages, withholdings and benefits payable	439,448	442,851	125,537	297,464	1,305,300
Liability for compensated absences	787	(1,371)	(50)	(4,730)	(5,364)
Customer deposits	2,631	2,267	-	-	4,898
Deferred revenues	-	(210,127)	-	-	(210,127)
Miscellaneous proceeds	4,663	5,352	(30)	2,076	12,061
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>\$ 2,429,691</b>	<b>\$ 912,392</b>	<b>\$ 54,441</b>	<b>\$ (78,513)</b>	<b>\$ 3,318,011</b>
<b>Noncash Capital and Related Financing Activities</b>					
Contribution of capital assets from government	\$ -	\$ 162,211	\$ -	\$ -	\$ 162,211
<b>Noncash Investing Activities</b>					
Increases in fair value of investments	\$ 86	\$ 44	\$ -	\$ -	\$ 130

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, 2009

	Guerry Scholarship Private Purpose Trust Fund	Firemen's Agency Fund
<b>Assets</b>		
Cash and cash equivalents	\$ 30,639	\$ 6,218
<b>Total Assets</b>	<b>30,639</b>	<b>6,218</b>
<b>Liabilities</b>		
Due to City firemen's association	-	6,218
<b>Total Liabilities</b>	<b>-</b>	<b>6,218</b>
<b>Net Assets</b>		
Held in trust for benefit of future scholarship recipients	30,639	-
<b>Total Net Assets</b>	<b>\$ 30,639</b>	<b>\$ -</b>

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, 2009

	<u>Guerry Scholarship Private Purpose Trust Fund</u>
<b>Additions</b>	
Investment earnings	\$ 374
<b>Deductions</b>	-
<b>Change in Net Assets</b>	<u>374</u>
<b>Net Assets - Beginning of Year</b>	<u>30,265</u>
<b>Net Assets - End of Year</b>	<u><u>\$ 30,639</u></u>

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

**CITY OF GEORGETOWN**  
Notes to the Financial Statements  
June 30, 2009

**Note 1 – Summary of significant accounting policies**

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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 (primary government) and its discretely presented component unit, an entity for which the government is considered to be financially accountable. Discretely presented component units are reported in a separate column in the government-wide financial statements (see note below for description) to emphasize that they are legally separate from the primary government. Disclosures in these notes to the financial statements are applicable to both the City and its component unit unless otherwise indicated.

**Discretely Presented Component Unit**

*City of Georgetown Winyah Auditorium Corporation* (Winyah Auditorium) – This entity provides oversight for the renovation of the historic Winyah Auditorium building, holds fund raising campaigns to provide financial resources, and authorizes or plans all activities held in the facility. The directors of the corporation are appointed by City Council and serve indefinite terms. The

corporation is currently dependant on the City for the funding of routine maintenance of the facility. The corporation accounts for its activities in a governmental fund and is discretely presented in the basic financial statements. Separate financial statements are not available for the corporation.

## **Basic Financial Statements**

The City's basic financial statements include both "government-wide" (reporting the City as a whole, including its component unit) 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 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 primary government and its component unit. 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. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

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 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, 4) seized and forfeited property fund, and 5) federal, state and local grants.

**Debt Service Fund.** This fund is used to account for the revenue collected to retire certain debt of the City and the expenditures related to retirement of this debt. This is not a major 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.

The other enterprise fund used, waste management fund, is a non-major fund.

### **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 and claims and judgments, 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 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. The collection is not capitalized or depreciated subject to an organizational policy that requires the proceeds from sales of collection items to be used to acquire items for the collection.

### **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 and contribution 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**

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**Deposits** - The City generally pools cash of all funds into a central depository bank account for operating purposes. At June 30, 2009, the carrying amount of the City's total cash deposits was \$4,908,473 with corresponding bank balances of \$4,788,706. 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, 2009, none of the City's bank balances of \$4,788,706 were exposed to custodial credit risk.

**Investments** - The City's investment policies are limited by State statutes which authorize the City to invest in obligations of the United States and agencies thereof, obligations of the State of South Carolina or any of its political units, savings and loan associations to the extent secured by an agency of the federal government, and certificates of deposit and repurchase agreements when collateralized by securities of the type described above. Certain other limited investments are authorized by the statutes when made by financial institutions acting as trustee or agent with respect to debt issues of the City. The statutes provide that all authorized investments shall have maturities consistent with the time or times when the invested monies will be needed in cash. Statutes also allow the State Treasurer to assist local governments in investing funds. The deposits in the State Treasurer's investment pool, deposits with the South Carolina Local Government Assurance Group, and investment in the US Federated Obligation Fund, 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, 2009 the City had the following investments and maturities:

Investment Type	Fair Value	Maturities (in years)		
		Less than	1 - 5	6 - 10
US mortgage backed securities	\$ 3,993	\$ 1,168	\$ -	\$ 2,825
US Federated Treasury Obligation Fund	702,430	702,430	-	-
State Treasurer's investment pool	19,551,670	19,551,670	-	-
Other external investment pool	144,816	144,816	-	-
Total investments	<u>\$ 20,402,909</u>	<u>\$ 20,400,084</u>	<u>\$ -</u>	<u>\$ 2,825</u>

*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, 2009, none of the City's investments were exposed to custodial credit risk.

*Credit Risk* – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City's policy is to invest in securities with top ratings when the securities are required to be rated by nationally recognized statistical rating organizations. Certain securities are not required to be rated. The City's policy allows that it may invest in unrated securities so long as they comply with the types of investments permitted under State statutes.

Following is an analysis of the credit risk associated with the City's investments at June 30, 2009:

Investment Type	Fair Value	Percentage of Portfolio	Credit Rating
US Federated Treasury Obligation Fund	702,430	3.44	AAAm/Aaa
State Treasurer's investment pool	19,551,670	95.83	Not Rated
Other external investment pool	144,816	0.71	Not Rated
Total investments	<u>\$ 20,402,909</u>	<u>100.00</u>	

*Concentration of Credit Risk* – Governments are required to disclose the investments it holds in any one issuer that represents 5% or more of total investments. The City's investment policy places no limit on the amount it may invest in any one issuer. The above table provides an analysis of the City's investment portfolio.

*Interest Rate Risk* – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. 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, 2009, total \$547,655. Of that amount, an allowance for uncollectible amounts has been estimated at \$182,444, leaving net taxes receivable expected to be collected of \$365,211. Collections expected to be received beyond 60 days after year-end have been recorded as deferred revenue in the amount of \$326,581.

**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 \$872,072 in the proprietary funds.

**Licenses and fines receivable** at June 30, 2009 total \$53,381 and \$66,344, respectively. Of these amounts, allowances for uncollectible amounts have been estimated at \$2,000 and \$23,220, leaving net balances due of \$51,381 and \$43,124, respectively. Fines collection expected to be received beyond 60 days after year end have been recorded as deferred revenue in the amount of \$41,790.

**Amounts due from other governments** at June 30, 2009, were as follows:

**Governmental Activities**

**General Fund**

From State Government		
Local government aid and state revenue sharing	\$	104,757
From County Government		
Property taxes		59,303
Reimbursements		2,580
	\$	<u>166,640</u>

**Nonmajor Governmental Funds**

***Debt Service Fund***

From County Government		
Property Taxes	\$	7,895

***Federal, State & Local Grants Fund***

From State Government		
State grants		30,656

***State Accommodations Tax Fund***

From State Government		
State accommodations tax		27,324

Total Nonmajor Governmental Funds	\$	<u>65,875</u>
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During the year ended June 30, 2008, the City purchased 590,000 gallons per day of capacity in the West Georgetown Regional Wastewater Treatment Facility from the Town of Andrews for \$511,146. The purchase transaction was executed in part by the City expensing \$359,319 owed by the Town of Andrews as bad debt. Per the terms of the purchase contract, the remaining balance of \$151,827 is to be held by the City to pay future obligations of the Town of Andrews for the Treatment Facilities operations and debt service. At June 30, 2009, this balance being held on behalf of the Town of Andrews totaled \$31,293, including allocated interest earnings.

**Pledges receivable for the discretely presented component unit** at June 30, 2009 total \$61,150. All pledges are expected to be collected within the subsequent fiscal year; therefore, no allowance has been estimated for uncollectible amounts. Collections expected to be received beyond 60 days after year-end have been recorded as deferred revenue in the amount of \$56,150.

Pledges receivable have not been restricted by outside donors regarding any purpose or time restrictions.

## Note 4 – Restricted assets

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Restricted assets at June 30, 2009, consist of the following:

**Governmental Activities:**

General Fund

Deposits with other agencies	
Deposits with Local Government Assurance Group restricted for payment of health claims	\$ 144,816

Other Deposits

Deposits in 125 plan accounts	\$ 245
Deposits restricted for "safe streets" program	26,033
Deposits restricted for fire impact fees	199,073
Court bond deposits	32,592
	<u>\$ 257,943</u>

**Business-Type Activities:**

Customer utility deposits

Electric Utility Enterprise Fund	\$ 413,831
Water and Wastewater Utility Enterprise Fund	164,666
	<u>\$ 578,497</u>

Other Deposits

Water and Wastewater Utility Enterprise Fund- Prepayments from regional WWTP partners	\$ 2,045,482
Debt service reserve	702,430
Escrow from capital lease	81,023
	<u>\$ 2,828,935</u>

Nonmajor Enterprise Fund - Waste Management-

Escrow from capital lease	<u>\$ 46</u>
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## Note 5 – Capital assets

Following is a summary of capital asset activity for the year ended June 30, 2009:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities</b>				
Capital assets not being depreciated:				
Land	\$ 2,364,144	\$ -	\$ -	\$ 2,364,144
Construction in progress				
Winyah Auditorium	495,995	95,898	-	591,893
Other miscellaneous projects	18,848	48,890	(39,542)	28,196
	<u>2,878,987</u>	<u>144,788</u>	<u>(39,542)</u>	<u>2,984,233</u>
Other capital assets:				
Buildings and improvements	7,835,516	44,501	-	7,880,017
Vehicles, equipment and furnishings	5,137,168	311,897	(89,551)	5,359,514
Infrastructure				
Roads	2,339,878	-	-	2,339,878
Sidewalks	606,405	-	-	606,405
Other improvements	2,247,997	84,012	-	2,332,009
	<u>18,166,964</u>	<u>440,410</u>	<u>(89,551)</u>	<u>18,517,823</u>
Less accumulated depreciation for:				
Buildings and improvements	(2,118,272)	(232,126)	-	(2,350,398)
Vehicles, equipment and furnishings	(3,055,753)	(423,168)	89,551	(3,389,370)
Infrastructure	(1,114,503)	(98,209)	-	(1,212,712)
Other improvements	(812,971)	(93,985)	-	(906,956)
Total accumulated depreciation	<u>(7,101,499)</u>	<u>(847,488)</u>	<u>89,551</u>	<u>(7,859,436)</u>
Net Governmental Activities Capital Assets	<u>\$ 13,944,452</u>	<u>\$ (262,290)</u>	<u>\$ (39,542)</u>	<u>\$ 13,642,620</u>
<b>Business-Type Activities</b>				
Capital assets not being depreciated:				
Land	\$ 220,225	\$ -	\$ -	\$ 220,225
Construction in progress				
Electric distribution upgrade	1,254,523	-	-	1,254,523
Water distribution upgrade	63,153	501,475	-	564,628
Wastewater distribution upgrade	55,800	57,723	-	113,523
Stormwater distribution upgrade	1,506,350	-	-	1,506,350
	<u>3,100,051</u>	<u>559,198</u>	<u>-</u>	<u>3,659,249</u>
Other capital assets:				
Land improvements	181,704	-	-	181,704
Buildings and improvements	804,201	-	-	804,201
Vehicles, equipment and furnishings	5,121,756	348,821	(204,626)	5,265,951
Electric system	6,435,315	315,349	-	6,750,664
Fiber optics system	909,366	-	-	909,366

	Beginning Balance	Increases	Decreases	Ending Balance
Other capital assets (continued):				
Water system				
Distribution	7,769,629	72,414	-	7,842,043
Filtration plant	7,957,043	64,471	-	8,021,514
Wastewater system				
Collection	6,813,916	609,047	-	7,422,963
Treatment plant	17,577,354	614,871	(10,000)	18,182,225
Stormwater drainage system	4,440,675	760	-	4,441,435
Sludge disposal rights	472,047	-	-	472,047
	<u>58,483,006</u>	<u>2,025,733</u>	<u>(214,626)</u>	<u>60,294,113</u>
Less accumulated depreciation for:				
Land improvements	(76,643)	(6,771)	-	(83,414)
Buildings and improvements	(575,718)	(23,256)	-	(598,974)
Vehicles, equipment, and furnishings	(3,384,751)	(303,837)	204,626	(3,483,962)
Electric system	(4,087,071)	(143,561)	-	(4,230,632)
Fiber optics system	(794,396)	(84,269)	-	(878,665)
Water system				
Distribution	(2,767,818)	(171,070)	-	(2,938,888)
Filtration plant	(3,561,690)	(216,736)	-	(3,778,426)
Wastewater system				
Collection	(2,958,117)	(180,368)	-	(3,138,485)
Treatment plant	(6,174,074)	(543,356)	3,556	(6,713,874)
Stormwater drainage system	(1,232,989)	(163,633)	-	(1,396,622)
Sludge disposal rights	(47,208)	(11,801)	-	(59,009)
Total accumulated depreciation	<u>(25,660,475)</u>	<u>(1,848,658)</u>	<u>208,182</u>	<u>(27,300,951)</u>
Net Business-Type Activities Capital Assets	<u>\$35,922,582</u>	<u>\$736,273</u>	<u>(\$6,444)</u>	<u>\$ 36,652,411</u>

**Depreciation expense was charged to functions as follows:**

Governmental Activities		
General government		\$ 252,538
Public safety		394,723
Public works		141,948
Community development		58,279
Total Governmental Activities Depreciation Expense		<u>\$ 847,488</u>
Business-Type Activities		
Electric utility		\$ 326,313
Water utility		430,893
Wastewater utility		822,889
Stormwater utility		183,564
Waste management		84,999
Total Business-Type Activities Depreciation Expense		<u>\$ 1,848,658</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 13 for additional information regarding certain construction projects in progress at June 30, 2009.

## Note 6 – Long-term liabilities

Long-term liability activity for the year ended June 30, 2009, was as follows:

	Outstanding 06.30.08	Issued	Retired	Outstanding 06.30.09	Due Within One Year
<b>Governmental Activities:</b>					
Capital Lease Obligations	\$ 611,641	\$ -	\$ (270,371)	\$ 341,270	\$ 189,937
Net OPEB obligation	-	2,917,457	(253,635)	2,663,822	-
Liability for Compensated Absences	161,553	178,207	(161,553)	178,207	178,207
	<u>\$ 773,194</u>	<u>\$ 3,095,664</u>	<u>\$ (685,559)</u>	<u>\$ 3,183,299</u>	<u>\$ 368,144</u>
<b>Business-Type Activities:</b>					
Series 2001A Combined Water and Sewer System Revenue Note					
Enterprise funds	\$ 8,062,922	\$ -	\$ (425,505)	\$ 7,637,417	\$ 440,594
Capital Lease Obligations	383,743	778,801	(83,236)	1,079,308	228,938
Net OPEB obligation	-	1,416,075	(123,109)	1,292,966	-
Liability for Compensated Absences	98,666	93,305	(98,666)	93,305	93,305
	<u>\$ 8,545,331</u>	<u>\$ 2,288,181</u>	<u>\$ (730,516)</u>	<u>\$ 10,102,996</u>	<u>\$ 762,837</u>

### Description of Debt-Governmental Activities

*Capital leases – governmental funds*, with principal outstanding in the amount of \$341,270, are collateralized by the various vehicles, computers and equipment, for which the proceeds were used to acquire. The City has nine general obligation capital leases outstanding at June 30, 2009 partly financed by governmental funds. These obligations are scheduled to be paid from the General Fund and Special Revenue Funds in annual installments with interest rates ranging from 2.85% to 8.94%.

### Description of Debt-Business-Type Activities

*Water and Sewer System Revenue Note, Series 2001A*, with current principal outstanding in the amount of \$7,637,417, 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 \$1,079,308, were used to finance the acquisition of wastewater treatment plant improvements, knuckle boom loaders, sanitation trucks, computers and related equipment and is collateralized with such equipment. The City has seven capital leases outstanding at June 30, 2009 financed partly by the enterprise funds. These lease obligations are to be paid from the Electric, Water and Waste Management Funds in monthly and annual installments with interest rates ranging from 2.85% to 7.27%.

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

Net OPEB obligations attributable to governmental activities will be liquidated from the General Fund and the Local Hospitality/A-Tax Fund. The net OPEB obligation liability attributable to business-type activities will be liquidated by various enterprise funds.

### Debt Service Requirements

Debt service requirements for the long-term debt of governmental activities outstanding at June 30, 2009, are as follows:

Fiscal Year Ending	Principal Requirements	Interest Requirements	Total Requirements
	Capital Lease	Capital Lease	
2010	\$ 189,937	\$ 11,756	\$ 201,693
2011	151,333	5,056	156,389
	<u>\$ 341,270</u>	<u>\$ 16,812</u>	<u>\$ 358,082</u>

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Debt service requirements for the long-term debt of business-type activities outstanding at June 30, 2009, are as follows:

<u>Year Ending</u>	<u>Note</u>	<u>Lease</u>	<u>Note</u>	<u>Lease</u>	<u>Requirements</u>
2010	\$ 440,594	\$ 228,938	\$ 261,569	\$ 33,343	\$ 964,444
2011	456,218	235,890	245,944	26,083	964,135
2012	472,397	243,370	229,764	18,604	964,135
2013	489,149	206,475	213,014	10,883	919,521
2014	506,495	164,635	195,668	4,692	871,490
2015-2019	2,814,980	-	695,835	-	3,510,815
2020-2023	2,457,584	-	175,526	-	2,633,110
	<u>\$ 7,637,417</u>	<u>\$ 1,079,308</u>	<u>\$ 2,017,320</u>	<u>\$ 93,605</u>	<u>\$ 10,827,650</u>

Following is a schedule of the future minimum lease payments under capital leases and the present value of minimum lease payments at June 30, 2009.

<u>Fiscal Year Ending</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
June 30, 2010	\$ 201,693	\$ 262,281	\$ 463,974
June 30, 2011	156,389	261,973	418,362
June 30, 2012	-	261,973	261,973
June 30, 2013	-	217,358	217,358
June 30, 2014	-	169,328	169,328
Total Minimum Lease Payments	\$ 358,082	\$ 1,172,913	\$ 1,530,995
Less: Amount Representing Interest	(16,812)	(93,605)	(110,417)
Present Value of Minimum Lease Payments-June 30, 2009	<u>\$ 341,270</u>	<u>\$ 1,079,308</u>	<u>\$ 1,420,578</u>

The gross amount of assets acquired through capital leases were \$2,242,979 with related accumulated depreciation of \$467,176. These assets are classified as vehicles and equipment in the financial statements.

## Note 7 – Short-term debt

On January 23, 2009, the City issued a short-term general obligation bond in the amount of \$440,000 to finance capital projects. The maturity date was June 1, 2009 and it carried an interest rate of 2.02%.

	<u>Outstanding 06.30.08</u>	<u>Issued</u>	<u>Retired</u>	<u>Outstanding 06.30.09</u>
General Obligation Bond	\$ -	\$ 440,000	\$ (440,000)	\$ -

**Note 8 – Interfund balances and transfers**

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**Interfund receivable and payable balances at June 30, 2009, were as follows:**

<u>Fund</u>	<u>Receivable</u>	<u>Payable</u>
<b>Due to/from other funds:</b>		
General Fund	\$ 46,830	\$ 115
Nonmajor Governmental Funds		
Grant Funds	-	22,431
State Accommodations Tax Fund	-	16,504
Seized & Forfeited Property Fund	115	-
Debt Service Fund	-	7,895
Enterprise Funds		
Electric Utility Fund	37,798	-
Water and Wastewater Utility Fund	-	37,798
	<u>84,743</u>	<u>84,743</u>
<b>Advances from/to other funds:</b>		
Enterprise Funds		
Electric Utility Fund	691,542	-
Water and Wastewater Utility Fund	-	691,542
	<u>691,542</u>	<u>691,542</u>
Totals	<u>\$ 776,285</u>	<u>\$ 776,285</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 \$37,798.

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**Interfund transfers for the year ended June 30, 2009, were as follows:**

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund	\$ 1,862,314	\$ 44,455
Nonmajor Governmental Funds		
Debt Service	4,960	434,500
Grant Funds	61,329	-
State Accommodations Tax Fund	-	27,814
Local Accommodation and Hospitality Tax Fund	-	93,434
	<u>1,928,603</u>	<u>600,203</u>
Enterprise Funds		
Electric Utility Fund	-	1,400,000
Nonmajor Enterprise Funds		
Waste Management Fund	71,600	-
	<u>71,600</u>	<u>1,400,000</u>
Totals	<u>\$ 2,000,203</u>	<u>\$ 2,000,203</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.

**Note 9 – Fund equity**

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The City has reserved fund equity accounts in the fund financial statements for the following purposes and amounts at June 30, 2009:

- Reserved for Prepaid Items and Inventories – A fund balance designation in the General Fund in the amounts of \$7,288 and \$90,975, respectively, and \$176 and \$24,638, respectively in the Local Accommodations and Hospitality Tax Fund, 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 \$26,033 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 \$199,073 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.

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.

In the government-wide statements, the City has also restricted net assets in the amount of \$1,619,454, through enabling legislation, for tourism development and support financed by its Local Accommodations and Hospitality Tax Fund.

The City had the following nonmajor funds with deficit fund equity at June 30, 2009:

- Federal, State and Local Grant Funds – This fund had a deficit fund equity of \$30,656 as a result of expenditures that it incurred for certain state grants for which reimbursement to cover the costs of expenditures was not received.
- State Accommodations Tax Fund – This fund had a deficit fund equity of \$18,102 as a result of expenditures that it incurred for which the City has not received reimbursement from the State.

**Note 10 – Risk financing**

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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 \$80,000 per employee per year. Claims over \$80,000 are insured through a “pooled” arrangement with other local governments and claims in excess of \$300,000 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 \$144,816. In addition, a liability was accrued for estimated claims incurred but not reported and for unpaid claims at June 30, 2009, in the amount of \$339,311. 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, 2009 and 2008 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, 2009	\$ 321,733	\$ 1,816,078	\$ (1,798,500)	\$ 339,311
June 30, 2008	\$ 291,636	\$ 1,812,521	\$ (1,782,424)	\$ 321,733

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 a 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, 2009, there were no significant reductions in insurance coverage from the prior year. For the years ended June 30, 2009, 2008 and 2007 there were no material settlements of claims in excess of coverage.

## **Note 11 – Retirement plans**

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### ***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 11.05% of PORS member wages and 9.39% 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, 2009, 2008 and 2007 totaled \$287,729, \$230,570, and \$242,834, respectively. The City's contributions to the SCRS for the plan years ending June 30, 2009, 2008 and 2007 were \$426,634, \$395,665, and \$348,949, respectively. Actual contributions were equal to the required contributions each year.

## Note 12 – Post-employment health care benefits

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### Plan Description

The City sponsors a single-employer defined benefit postemployment healthcare plan (the Plan) that provides medical and dental insurance to eligible retirees. Prior to June 18, 2009, employees become eligible when the employee qualifies for retirement benefits under the SCRS or PORS with one day of service with a benefit duration of life of the eligible retiree. On June 18, 2009 the City modified its plan to define an eligible employee as one that qualifies for retirement benefits under the SCRS or PORS with 20 years of continuous service with the City under the Medicare eligible age of 65. Information regarding SCRS and PORS eligibility may be obtained from the Comprehensive Annual Financial Report of the South Carolina Retirement System. See note 11. The Plan is approved each year by City Council; the contribution requirements of the City and plan members are established and amended by Council. These contributions are neither guaranteed nor mandatory. Council has retained the right to unilaterally modify its payments toward retiree health care benefits.

As of July 1, 2008, the measurement date for the plan year 2009, there were 254 covered participants; 53 members are retirees receiving benefits and 201 are active participants. The City prospectively implemented the requirements of GASB Statement No. 45 during the current year to account for its annual other postemployment benefits cost. A stand alone financial report for the plan is not available.

### Funding Policy

The City has elected not to fund the plan through contributions to an irrevocable trust.

In fiscal year 2009, the City contributed, on a monthly basis \$76 per retiree for fixed costs associated with the plan. For 2009, the retiree required contributions were \$180 for retiree-only healthcare coverage and \$14 for dental, \$267 for retiree/children healthcare coverage and \$29 for dental, \$388 for retiree/spouse healthcare coverage and \$31 for dental, and \$436 for retiree family healthcare coverage and \$38 for dental.

The City's annual other postemployment benefits (OPEB) cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

### Annual OPEB Cost and Funded Status and Funding Progress

For 2009, the annual OPEB cost (expense) was \$4,333,532. The table below shows the components of this cost.

Normal cost	\$ 1,986,053
30 Year amortization of unfunded accrued liability (UAL)	2,347,479
Total Annual Required Contribution	<u>\$ 4,333,532</u>

Contributions made by the City through payment of covered participants' explicit and implicit subsidized benefits totaled approximately \$376,744, leaving a net OPEB obligation of \$3,956,788.

<u>Fiscal Year Ending</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB (Obligation)/Asset</u>
June 30, 2009	\$ 4,333,532	9%	\$ (3,956,788)

At July 1, 2008, the most recent actuarial valuation date, the actuarial accrued liability for benefits (AAL) was \$40,592,680, with no plan assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$40,592,680. The funded ratio (actuarial value of plan assets/AAL) was 0%. The covered payroll (annual payroll of active plan members) was \$6,698,448 and the ratio of the UAAL to annual covered payroll was 606%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress is presented as required supplementary information following the notes to the financial statements.

### **Actuarial Methods and Assumptions**

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The City uses the Unprojected Unit Credit Actuarial Cost Method. The actuarial assumptions included a 4.0% rate of return (net of administrative expenses) and an initial annual healthcare cost trend rate of 10%. The trend rate will decrease in 0.5% steps until it reaches 6.0% after 8 years. The dental trend rate used is 5.0%. The Plan's UAAL is being amortized using the level dollar method on a closed basis. The remaining amortization period at June 30, 2009 was 29 years.

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## Note 13 – Commitments

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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, 2009:

- 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. During the fiscal year ended June 30, 2008, the Town of Andrews sold a portion of its capacity to the City of Georgetown and the Georgetown County Water and Sewer District. The revised allocation of capacity due to this sale is as follows: City of Georgetown – 48.7%, Georgetown County Water and Sewer District – 33.7%, and Town of Andrews – 17.6%. 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.

- Engineering for the construction of the "Streetscape" extension, an aesthetic improvement project, began during the fiscal year ended June 30, 2009. 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 estimated to be approximately \$434,364. The City will finance the majority of the project through a reimbursable \$500,000 Community Development Block Grant. The City's matching portion of the project will be financed through Local Accommodations and Hospitality Tax Special Revenue Fund transfers.
- Phase I of the renovation of the historic Winyah Auditorium was completed during the fiscal year ended June 30, 2009. Upon completion, the facility will serve as a cultural arts center for the City and surrounding communities. The total cost for Phase I of the renovation, including architectural design

and engineering, is \$591,893. The project is funded through a combination of private donations and City funds. To date, the City has contributed \$276,896 as matching funds to a private contribution. The City does not anticipate any further contributions to this project. The remaining cost for renovations is estimated to be approximately \$800,000. The funding is to be obtained through a charitable contributions drive administered by the City of Georgetown Winyah Auditorium Corporation which began during the fiscal year ending June 30, 2009.

#### **Note 14 – Related party transactions**

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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, 2009, fifty-four loans were outstanding in the total amount of \$32,476.

#### **Note 15 – Economic dependence on major taxpayer**

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Mittal Steel Inc. is the City's largest payer of property taxes and business license fees. For the fiscal year ended June 30, 2009, the City's General Fund recognized revenues of approximately \$444,445 on Mittal Steel's accounts, approximately 4.9% of total General Fund revenues.

For the fiscal year ended June 30, 2009, the City's Proprietary Enterprise Funds recognized revenues of approximately \$1,106,807 from Georgetown Memorial Hospital, approximately 5.6% of total Proprietary Enterprise Fund revenues.

#### **Note 16 - Litigation**

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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 17 - Contingencies**

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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 18 – 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:

<b>Long-term assets not available to pay current period expenditures</b>	
Business licenses and hospitality taxes	\$ 92,026
Property taxes	326,581
Police fines	41,790
Grants	30,656
	<u>\$ 491,053</u>
<b>Long-term liabilities not reported in the funds</b>	
Capital leases	\$ (341,270)
Net OPEB obligation	(2,663,822)
Accrued interest payable	(6,271)
Compensated absences payable	(178,207)
	<u>\$ (3,189,570)</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:

<b>Capital Outlays</b>	
Capital outlay	\$ 449,758
Depreciation expense	(847,488)
	<u>\$ (397,730)</u>
<b>Revenues not recognized in the funds</b>	
Business licenses and hospitality taxes	\$ 43,603
Property taxes	222,719
Police fines	28,847
Grant funds	30,656
	<u>\$ 325,825</u>
<b>Reduction of liabilities not recognized in the funds</b>	
Compensated absences	\$ (16,654)
Accrued OPEB liability	(2,663,822)
Accrued interest on long-term debt	5,876
	<u>\$ (2,674,600)</u>
<b>Issuance and repayment of long-term debt</b>	
Principal repayments on capital leases	\$ 270,371

## Note 19 – Net Asset Restatement

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During the year ended June 30, 2009, it was discovered that an accounts payable item was recognized in error in the year ended June 30, 2008. The effect of this error understated the change in net assets of business-type activities, as well as the change in net assets of enterprise funds for the year ended June 30, 2008 by \$48,166.

The following table shows the effect of the correction on the activities and funds of the City.

	<b>Electric Fund Net Assets</b>	<b>Business-Type Net Assets</b>
As originally reported	\$ 10,758,441	\$ 43,357,719
Accounts payable error	48,166	48,166
As restated	<u>\$ 10,806,607</u>	<u>\$ 43,405,885</u>

## Note 20 – Recently Issued Accounting Pronouncements

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The GASB has issued Statement No. 54 “Fund Balance Reporting and Governmental Fund Type Definitions” which is effective for the City’s year ending June 30, 2011. This statement redefines the components of fund balance and establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of resources reported in governmental funds. The effect of implementation of this statement has not been determined.

## Note 21 – Transactions with component unit

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During the year ended June 30, 2009, the City transferred \$388,370 to the City of Georgetown Winyah Auditorium Corporation. This amount represented restricted funds the City maintained from prior years that will be used to fund future renovations and projects of the Winyah Auditorium.

## Note 22 – Subsequent Events

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During September of 2009, the City purchased approximately 18.2 acres of land with existing buildings for \$1,075,000. The purchase is funded through a combination of fire impact fees, electric fund reserves and water fund reserves. This will be a multi use site for future City operations.

During September of 2009, the City received a \$1,000,000 grant from the South Carolina Department of Commerce to help fund the construction of the US Highway 17 drainage project, which is anticipated to begin during fiscal year 2009/2010.

During December of 2009, the issuance of general obligation debt in the amount of \$420,000 passed approval of second reading by City Council. As of the release date of this report, the debt has not been issued.

