

CITY OF WALTERBORO, SOUTH CAROLINA

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2007

**CITY OF WALTERBORO, SOUTH CAROLINA
FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2007**

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Baird & Company CPAs, LLC

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INDEPENDENT AUDITORS' REPORT

City of Walterboro Council
City of Walterboro, South Carolina

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Walterboro, South Carolina, as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Walterboro, South Carolina's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Walterboro, South Carolina as of June 30, 2007, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 18, 2007, on our consideration of the City of Walterboro, South Carolina's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis as listed in the table of contents is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Walterboro, South Carolina's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules described in the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the audit procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Baird & Company, CPAs, LLC

BAIRD & COMPANY, CPAs, LLC
Certified Public Accountants

Augusta, Georgia
December 10, 2007

MANAGEMENT'S DISCUSSION AND ANALYSIS

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MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the City of Waltherboro's annual financial report (AFR) presents City management's discussion and analysis of the City's financial performance during the fiscal year that ended on June 30, 2007. Please read this in conjunction with the City's financial statements, which follow this section.

capital equipment and property, and \$445,185 is still on hand.

- ▶ In both fiscal years 2006 and 2007, the City continued to support its employees through a three percent cost of living raise, while maintaining no costs to the employees for single health insurance.

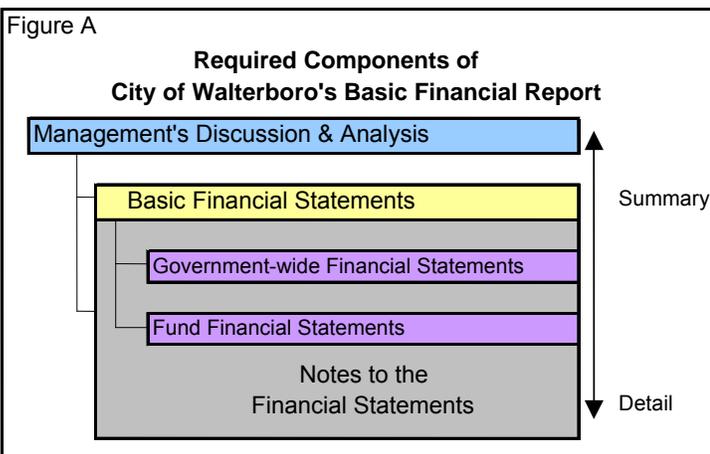
FINANCIAL HIGHLIGHTS

- ▶ The total primary government experienced a 5.9% increase in net assets from \$22.5 million at June 30, 2006 to \$23.8 million at June 30, 2007. This change in Net Assets is due primarily to both a \$511,037 increase in capital assets and a \$400,938 decrease in notes payable.
- ▶ Within the business-like activities, fiscal 2007 revenue from water and sewer charges increased \$82,452 (↑3.3%) from \$2.53 million to \$2.61 million. Also, in governmental activities, revenue from taxes increased by \$668,232 (↑29.4%). This increase in the City's largest single revenue source was primarily the result of annexations which increased the City's Accommodations and Hospitality Tax base and expanded retail.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial statements consist of three parts: management's discussion and analysis (this section), the basic financial statements, and the narrative notes to the financial statements. The basic financial statements include two kinds of statements that present different views of the City.

- ▶ The first two statements are government-wide financial statements that provide both long-term and short-term information about the City's overall financial status.
- ▶ The remaining statements are fund financial statements that focus on individual elements of the City government, reporting the City's operations in more detail than the government-wide statements.
 - The governmental funds statements tell how general government services, like police, were financed in the short term as well as what remains for future spending.
 - Proprietary funds statements offer short- and long-term financial information about the activities the government operates like businesses, such as the water and sewer systems.



The financial statements also include narrative notes that explain some of the information in the financial statements and provide more detailed data. Figure A, shows how the required parts of this annual report are arranged and relate to one another.

- ▶ Early in fiscal 2004, the City issued general obligation bonds in the amount of \$1,000,000 to fund the purchase of various

Figure B Major Elements of Walterboro's Government-wide and Fund Financial Statements			
	Government-Wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire City government and the City's component units	The activities of the City that are not proprietary, such as police, and fire.	Activities the City operates similar to private businesses: Water and Sewer Fund
Required financial statements	Statement of net assets Statement of activities	Balance sheet Statement of revenues, expenditures, and changes in fund balance	Statement of net assets Statement of revenues, expenses, and changes in net assets Statement of cash flows
Accounting basis & measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, short-term and long-term
Type of inflow/outflow	All revenue and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

Figure B summarizes the major elements of the financial statements, including the portion of the City government they include and the types of information they contain. The remainder of this overview explains the structure and contents of each of the financial statements.

GOVERNMENT-WIDE STATEMENTS

The *government-wide financial statements* report information about the City as a whole, using accounting methods similar to those used by private-sector companies.

- ▶ The *statement of net assets* includes all of the government's assets and liabilities, with the difference between the two reported as net assets.

All of the current year's revenues and expenses are accounted for in the *statement of activities* regardless of when cash is received or paid. This presents a change in

net assets in the most recent fiscal year. All changes in net assets (revenues and expenses) are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. In the future, trend data will be developed, providing a useful indicator of the City's financial condition.

To assess the overall economic health of the City, additional non-financial factors such as changes in the City's tax base and the condition of the City's roads should be considered. The government-wide financial statements of the City are divided into three categories:

- ▶ *Governmental activities.* Most of the City's basic services are included here, such as the police, fire, public works, and finance departments. General revenues from sales and use taxes, property taxes, charges for services, and state and federal grants finance most of these activities.
- ▶ *Business-type activities.* The City charges fees to customers to help it cover the costs

of certain services it provides. The City's Water and Sewer Fund is here.

Fund Financial Statements

The fund financial statements provide more detailed information about the City's most significant funds, not the City as a whole. Funds are groupings of related accounts that the City uses to keep track of specific revenue and spending for particular purposes.

- ▶ The City also establishes funds to show compliance with certain legally restricted revenue sources, such as tracking debt-financed capital projects and grant proceeds.

The City has two kinds of funds:

- ▶ *Governmental funds.* Most of the City's basic services are accounted for in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements.

Doing so will provide a better understanding of the long-term impact of the government's short-term funding decisions. Both the balance sheet and the statement of revenues, expenditures, and changes in fund balances for governmental funds provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

- ▶ *Proprietary funds.* Services provided to the general public for which customers are charged a fee are generally reported in Enterprise funds, which are proprietary funds. Proprietary funds' financial statements, like the government-wide statements, provide both long- and short-term financial information. The City of Waterboro has one proprietary fund: the Water and Sewer Fund which is a enterprise fund. This fund functions like business activities, so its financial statements provide different information than those of governmental funds, such as depreciation expense and cash flows.

The City adopts an annual budget for its General Fund and other governmental funds. A budgetary comparison statement for the General Fund has been provided immediately following the notes to the financial statements.

Notes to the financial statements The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements follow the basic financial statements.

FINANCIAL ANALYSIS OF THE CITY (PRIMARY GOVERNMENT)

Net assets

The City's *combined* net assets at June 30, 2007 totaled \$23,836,232 (↑5.9%). Governmental Activities' net assets comprised \$6.6 million (↑25.5%), while Business-type Activities' net assets held the balance of \$17.3 million (no statistical difference).

Most of the Governmental Activities' net assets (\$6.1 million) are invested in cash or cash equivalents, an increase of 4.8%. While the second largest asset category, \$4.3 million (↑17.6%), was held in capital assets (buildings, equipment, roads, etc). Governmental Activities unrestricted net assets remains high at \$3.1 million (↑53.4%) at the end of fiscal 2007, for overall positive net assets of \$6.6 million at the end of this year.

The total net assets of the City's Business-type Activities was \$17.3 million in fiscal year 2007. Of that total, most funding was tied into capital assets (\$16.4 million), net of related debt for the Water and Sewer Fund. Unrestricted net assets remained relatively unchanged at \$3.6 million.

Changes in net assets

Total assets increased by \$1.3 million (↑5.9%) in fiscal 2007. The major component of this increase in total assets was a \$511,037 (↑2.5%) increase in Capital Assets and a \$400,938 (↓5.5%) decrease in bonds, notes and leases payable.

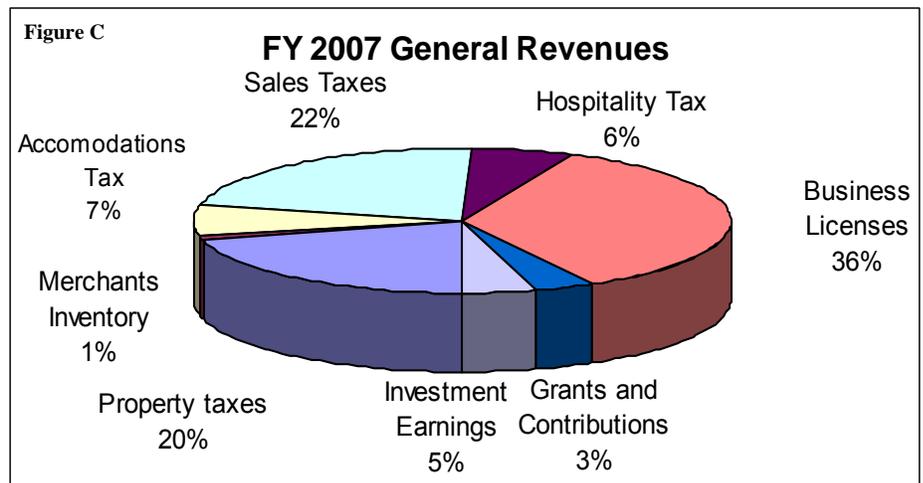
The City's total revenues reached \$8.8 million (↑12.8%) in fiscal year 2007. The cause of this increase in revenue was shared by increases in water revenue and tax revenue. In FY 2007 the City's own source revenue increased \$1.2 million (16.7%), 37.8% of which came from charges for services (\$3.25 million). \$5.3 million of total own source revenue (61.5%) was derived from taxes, licenses and investments. Business license revenue totaled \$1.9 million (↑15.6%), property taxes provided \$1.1 million (↑6.9%) in revenue; and sales tax generated \$1.2 million (↑9.5%) for 2007.

Program revenues came primarily from charges for services (\$3.25 million) and capital grants and contributions (\$105,331). Operating grants and contributions only brought 0.4 % (\$14,711) of program revenue for FY 2007.

Governmental Activities

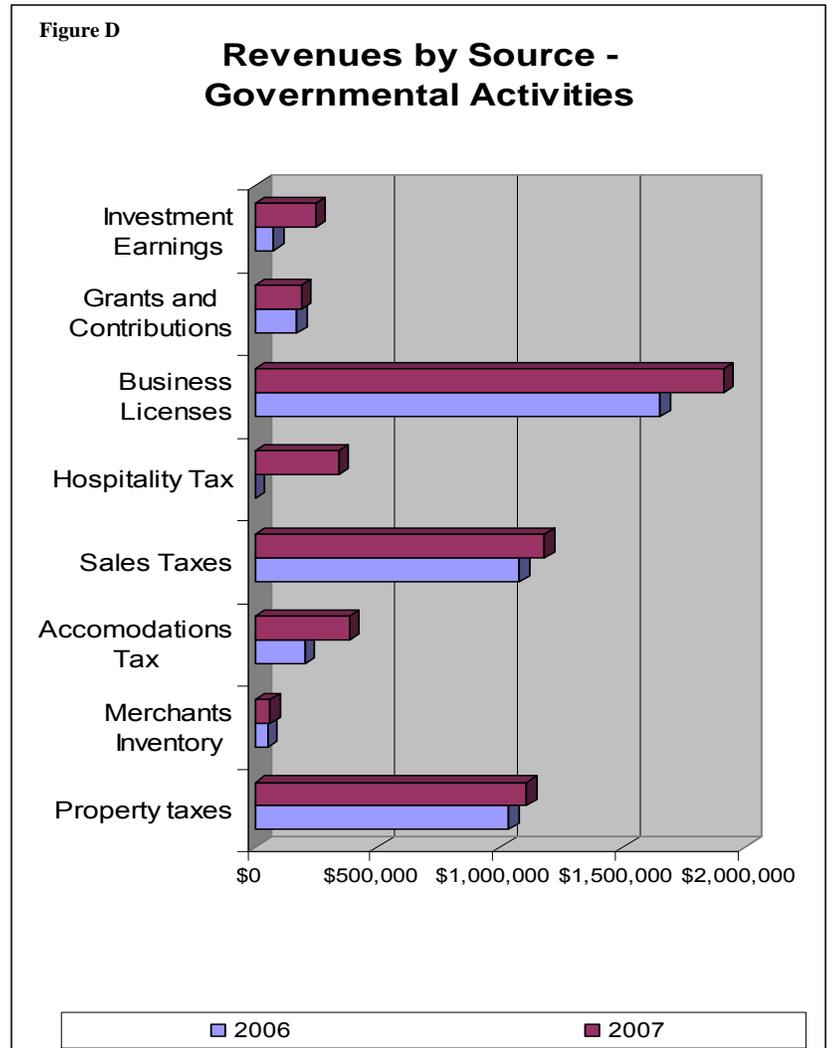
Revenues, including general revenues (\$5.4 million) and transfers (\$733,351), were sufficient to over come the over expenses at the end of fiscal year 2007.

- ▶ The cost of all governmental activities this year was \$5.7 million (↓15.8%). However, the amount that our taxpayers paid for these activities through general revenues (taxes and license fees) was \$5.0 million (↑19.4%). This increase can be attributed



- ▶ to all revenue sources but an increase in accommodations tax (↑12.7%) accounts for \$256,596 of the increase.
 - ▶ Some of the program costs of governmental activities were paid by revenues collected from those who directly benefited from the programs. These revenue sources include:
 - Business license fees, which generated \$1.9 million (↑15.6%) to pay the costs of providing general government services.
 - The City's solid waste collection was funded, in part, by citizen-customers' solid waste collection fees, which totaled \$338,195 in fiscal 2007, an increase of 1.5%.
 - ▶ Program costs were also defrayed by grants and contributions (\$120,042, ↓64.0%). A large portion of this funding comes from the South Carolina Department of Parks, Recreation and Tourism. Fiscal 2007 Land and Water Conservation Fund and South Carolina National Heritage Corridor grant revenues of \$50,142 were used to develop the Great Swamp Sanctuary and Construct a Welcome Center.
- The City financed the \$4.2 million (↑18.8%) net expenses for governmental activities from the \$5.0 million (↑19.4%) in taxes, license fees and other general revenues, such as interest earnings as well as transfers from business-like activities.
- ▶ Figures C & D show the various sources of general revenues for fiscal year 2007:

- General revenues are defined as all revenues that are not required to be reported as program revenues. All taxes, even those that are levied for a specific purpose, are general revenues. All other nontax revenues (including interest, gains and losses and contributions) that do not meet the criteria for program revenues are reported as general revenues.
- The largest of the City's general revenues is business license fees, comprising 31.0% of total general revenues.
- The second largest general revenue source is a local option sales tax (19%). This fee is levied at 1% of gross receipts earned within the city limits and is used to off-set property tax.
- The third largest source of general revenues is property taxes (18%). The City's millage, 78 mills, was reduced from 95 mills in FY 2006 due to reassessment by the county.



Business-type Activities

The City operates a water and sewer treatment plant and provides these services to the citizens of Walterboro and some of the surrounding areas. Revenue from charges for services of sewer treatment and disposal, a business-type activity, remained constant at \$1.0 million, and expenses (operating plus non-operating) totaled \$934,514 (↓10.7%).

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As the City completed the year, its governmental funds reported a *combined* fund balance of \$6.4 million, 15.5% and \$387,016 above last year. This increase in combined fund balances of the governmental funds was calculated on ending fund balances and is due primarily because of a \$280,791 (↑20.9%) increase in cash.

These financial activities comprised the major changes in governmental fund balances:

Governmental revenues ~

- Total revenues of the governmental funds showed an increase of 6.1% and \$873,179 over the prior year, primarily due to increased taxes with the recent annexations and the adoption of Local Hospitality and Accommodations Tax.
- Fines, Fees and Licenses revenue remained stable at \$2.1 million.
- Solid Waste Charges remained stable at \$338,195.

- ▶ Intergovernmental revenue remained relatively unchanged between fiscal 2006 and 2007, with only a 7.8% increase.

Governmental expenses ~

- ▶ Expenses by function are:

Function	2006 Expenses	2007 Expenses	% Δ
Mayor and Council	\$180,550	\$231,606	28.28
Housing Project	243	29,288	11952.67
Dare Project	505	0	-100.00
Police Drug Fund	4,419	4,913	11.18
Victims Advocate	3,546	4,890	37.90
Local Law Enforcement Grant	5,773	5,945	2.98
GO Bond Fund	11,620	0	-100.00
Project Fund	11,701	0	-100.00
TIF Fund	35,273	4,400	-87.53
Grant Fund	2,100	1,341	-36.14
Great Swamp Sanctuary	205,756	48,200	-76.57
Accommodations Tax Fund	122,211	233,482	91.00
Local Hospitality Tax Fund	1,584,851	1,945	-99.88
Finance	327,742	351,114	7.13
City Manager	170,078	200,741	18.03
Public Works	1,089,589	1,060,001	-2.70
Codes Enforcement	91,553	105,685	15.44
Police	1,652,589	1,623,854	-1.74
Judicial	257,561	227,872	-11.53
Fire	697,574	501,586	-28.10
Sanitation	571,126	477,009	-16.48
Parks	0	175,246	
Nondepartment Support	190,302	86,891	-54.34
Reserve Account	123,576	135,685	9.80
Interest on Long-term Debt	n/a	181,810	
Total Governmental	\$7,340,238	\$5,673,638	-22.70

- ▶ Total governmental expenses decreased by \$132,821 (2.5%) in fiscal 2007 from fiscal 2006.
- ▶ Of the increase in City departments' spending, personal services (salaries and benefits) costs were increased due to a City Council approved 3% cost of living raise to its employees in fiscal year 2007. The cost of living raise, together with merit salary increases earned by employees through excellent performance, accounted for the rise in personal services costs.
- ▶ Major capital outlay expenditures in fiscal year 2007 included: purchase of a trucks and lawnmowers for the establishment of a Parks Department (\$39,159), purchase of a

commercial generators (\$130,806) and purchase of three new police cars (\$74,402).

The City's combined proprietary funds, which account for its business activities, reflect decreased net assets of \$11,923 at the end of fiscal 2007, less than one tenth of one percent decrease.

Proprietary funds' revenues, other resources ~

- ▶ The City's proprietary fund is its Water and Sewer Fund, which accounts for sewer treatment and disposal services provided to citizens and businesses within the city limits and in the surrounding areas as well as water treatment and provision. Water and Sewer Fund revenues from service charges increased 3.3% in fiscal 2007, providing an additional \$82,452 in resources. Water and sewer service rates were increased in FY 2006 for the first time since 2001 in an effort to offset loss generated by increased fuel and insurance.

Proprietary funds' expenses ~

- ▶ In the Water and Sewer Fund, operating expenses for fiscal 2007 increased by \$66,785 (3.4%).

Analysis of Changes in Major Funds

The General Fund (Governmental) ~

At the end of fiscal 2007, the total fund balance of the City's General Fund increased \$549,823 (18.8%) over the prior year's ending balance. General Fund total assets increased by \$665,013 (19.8%). The most significant change in General Fund assets was the increase of cash and cash equivalents of \$636,455.

Water and Sewer Fund (Business-type activity) ~

Generally, the Water and Sewer Fund accounts for the provision of water and sewer services to the City's residents and businesses as well as several surrounding areas. In addition, the Water and Sewer Fund accounts for the capital

expansion activities of the City's sewer collection, treatment and disposable facilities and the City's Water treatment and distribution infrastructure. The City has been involved in several grant funded projects to expand the water and sewer services to nearby communities and schools. The infrastructure resulting from these projects have been capitalized in the Water and Sewer Fund.

(\$5.2 million), other sources (\$605,662), expenditures (\$5.2 million) varied favorably in comparison to the budget. As a result, the General Fund balance increased by \$594,820.

The actual revenue was \$677,579 more than the original projections. This was caused by a better than projected tax revenue, which increased 15.6% as compared with the conservative original estimate of a 6.1% increase. This revenue growth trend reflects the City of Waltherboro's recent annexations and its continued recovery from the recent recession.

Function	2006 Expenses	2007 Expenses	% Δ
Water	\$928,000	\$1,106,381	19.22
Sewer	1,046,110	934,514	-10.67
Total Business-type Activities	\$1,974,110	\$2,040,895	3.38

In fiscal 2007, the Water and Sewer Fund's net assets decreased by 2.6% or \$11,923, primarily due to the \$733,351 transferred to the General Fund.

Unrealized expenditures in the Police Department due to vacancies were the most significant factor causing expenditures to decrease \$359,353 under the original budget.

Total assets of the Water and Sewer Fund was \$23.7 million, of which \$137,426 represented a net decrease in capital assets, which included the construction costs capitalized in 2007 and depreciation expense. Total liabilities, however, decreased \$172,835, the result of a decrease in Bonds, Notes and Leases Payable and accounts Payable. The Water and Sewer Fund generated an operating income of \$2.6 million (↑3.25%) in 2007. After non-operating revenues and expenses, the income before operating transfers and capital contributions was \$721,429 (↑11.1%). Net assets included a \$273,183 note receivable from the Waltherboro-Colleton County Airport Commission

CAPITAL ASSET AND DEBT MANAGEMENT

Capital Assets

At the end of 2007, the City had invested \$20.7 million in a broad range of capital assets, including land, buildings, park facilities, roads, sidewalks, bikeways, vehicles and other equipment. This amount represents a increase of 2.5% over last year. In fiscal 2005 the City increased the capitalization threshold from \$1,000 to \$5,000, reducing the number of items considered capital assets.

General Fund Budgetary Highlights

The City of Waltherboro adopts an annual budget. State law requires adoption of annual budgets. Waltherboro's management actively uses the budget as a financial management tool, reporting on budget status to the City Council each month. Each annual budget is reviewed following the completion of the first half of the fiscal year. Revenue projections are updated and budgeted expenditures are adjusted to reflect changing conditions.

As required by the Governmental Accounting Standards Board (GASB) Statement No. 34, the City has included infrastructure capital assets in the Statement of Net Assets for June 30, 2007. The reader should note that GASB 34 allows additional time for governments to inventory the infrastructure capital assets acquired prior to the implementation of the new accounting requirement. The Statement of Net Assets in this report include only those infrastructure capital assets constructed and acquired during fiscal years 2004 to 2007. The City is working to develop the retroactive infrastructure capital assets data for inclusion in future years' financial statements. Note 6 provides additional detail on capital assets.

The final fiscal year 2007 General Fund budget projected \$4.5 million in revenue and \$1.1 million in other financing sources; appropriations were made for \$5.6 million in expenditures, producing a balanced budget. Actual amounts for revenues

Long-term Debt

At 2007 fiscal year-end, the City had \$7.25 million in long-term debt outstanding, of which \$401,985

will mature during fiscal 2007. The net decrease in long-term debt from the previous year was \$485,693 or 6.7%. The City's long-term debt is comprised of bonds, warrants, notes and capital leases payable.

General obligation debt is payable from the City's general revenues (the General Fund).

The reader may refer to Note 7 for more detail concerning the debt issuances and debt outstanding of the City and its component units.

State law limits the amount of general obligation debt the City can issue to 8 percent of the assessed value of all taxable property within the City's corporate limits. The outstanding debt applicable to this limit is \$844,404 (47%), resulting in a legal debt margin of \$938,791.

Although sales and use tax is considered a revenue source subject to variations in the economy, the consistent growth and stable economy of Walterboro, in conjunction with the City government's sound management practices, means that debt repayment remains predictable. The ratio of debt service to general expenditures is 5.6%, considered below average ratio for a city of our size. Walterboro has been able to both expand and maintain its infrastructure to meet citizens needs based on careful financial management.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Even with the general economic downturn experienced within the State of South Carolina over the past several years, Walterboro has remained a stable and growing economy. Price level changes within the City are comparable with national indices. The City's unemployment rates typically compare unfavorably with the County, State and national rates. The most recent data available show that Walterboro's unemployment rate for June 2007 was 6.6%, as compared with 6.6% for Colleton County, 5.5% for the State of South Carolina and the national rate of 4.5% (source: U.S. Bureau of Labor Statistics). The City's staff considered these and other relevant factors in preparing the annual budget for fiscal year 2007.

One important unknown for the future is the effect of the State's legislation regarding the delayed property reassessments. Possible changes in predicted revenue and sales tax rebates resulting in the disposition of current legislation may impact the City's ability to accurately predict these factors.

Water and sewer rates have been stable since 2001; and the Council has been reluctant to consider a rate increase. During the fiscal year 2005, the Council reviewed financial projections for the Water and Sewer Fund and determined that tap fees and/or service charge rates should be increased during the year. A rate adjustment was adopted for fiscal 2006 which was expected to increase revenue approximately 10%, however, only a 6.6% increase was realized. This difference in projected and actual revenue is attributable to a proviso in the state operation budget which forced the City to reduce to rate charged to the rest area on I-95.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide Walterboro's citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances, and to demonstrate the City's accountability for the public assets under its management. Please contact the City of Walterboro Finance Department, 248 Hampton Street, Walterboro, South Carolina 29488, with any questions or to request additional information.

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BASIC FINANCIAL STATEMENTS

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CITY OF WALTERBORO, SOUTH CAROLINA
STATEMENT OF NET ASSETS
JUNE 30, 2007

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
ASSETS			
Cash	\$ 6,142,872	\$ 2,907,952	\$ 9,050,824
Receivables	391,057	494,218	885,275
Inventories	-	126,232	126,232
Notes receivable	90,123	273,183	363,306
Internal balances	(15,348)	15,348	-
Bond issue costs	36,339	46,759	83,098
Restricted cash	-	294,133	294,133
Capital assets	<u>4,337,594</u>	<u>16,423,682</u>	<u>20,761,276</u>
			-
Total assets	<u>\$ 10,982,637</u>	<u>\$ 20,581,507</u>	<u>\$ 31,564,144</u>
LIABILITIES			
Accounts payable	\$ 63,980	\$ 10,070	\$ 74,050
Current portion - long term debt	271,923	130,062	401,985
Interest payable	17,015	-	17,015
Customer deposits	-	229,621	229,621
Bonds, notes & leases payable	3,928,333	2,922,269	6,850,602
Compensated absences	<u>132,895</u>	<u>21,743</u>	<u>154,638</u>
Total liabilities	<u>4,414,146</u>	<u>3,313,765</u>	<u>7,727,911</u>
NET ASSETS			
Unrestricted	3,075,301	3,602,258	6,677,559
Restricted	-	294,133	294,133
Capital assets, net of related debt	<u>3,493,190</u>	<u>13,371,351</u>	<u>16,864,541</u>
Total net assets	<u>\$ 6,568,491</u>	<u>\$ 17,267,742</u>	<u>\$ 23,836,233</u>

The notes to the financial statements are an integral part of this statement.

CITY OF WALTERBORO, SOUTH CAROLINA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2007

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
Mayor and council	\$ 211,740	\$ -	\$ -	\$ -	\$ (211,740)	\$ -	\$ (211,740)
Housing Project	29,288	-	7,843	-	(21,445)	-	(21,445)
Police drug fund	4,913	-	1,554	-	(3,359)	-	(3,359)
Victims advocate	4,890	16,929	-	-	12,039	-	12,039
Local law enforcement grant	5,945	-	-	5,189	(756)	-	(756)
Bond fund	-	-	334	20,000	20,334	-	20,334
TIF fund	4,400	-	-	50,000	45,600	-	45,600
Grant fund	1,341	-	4,980	-	3,639	-	3,639
Great swamp	48,200	-	-	30,142	(18,058)	-	(18,058)
Accommodations tax fund	233,482	-	-	-	(233,482)	-	(233,482)
Local hospitality tax fund	1,945	-	-	-	(1,945)	-	(1,945)
Finance	351,114	-	-	-	(351,114)	-	(351,114)
City manager	200,741	-	-	-	(200,741)	-	(200,741)
Public works	1,060,001	-	-	-	(1,060,001)	-	(1,060,001)
Codes enforcement	105,685	69,278	-	-	(36,407)	-	(36,407)
Police	1,623,854	208,750	-	-	(1,415,104)	-	(1,415,104)
Judicial	227,872	-	-	-	(227,872)	-	(227,872)
Fire	501,586	-	-	-	(501,586)	-	(501,586)
Sanitation	477,009	338,195	-	-	(138,814)	-	(138,814)
Parks	175,246	-	-	-	(175,246)	-	(175,246)
Non-department support	86,891	-	-	-	(86,891)	-	(86,891)
Reserve accounts	135,685	-	-	-	(135,685)	-	(135,685)
Interest on long-term debt	181,810	-	-	-	(181,810)	-	(181,810)
Total governmental activities	\$ 5,673,638	\$ 633,152	\$ 14,711	\$ 105,331	\$ (4,920,444)	\$ -	\$ (4,920,444)
Business-type activities:							
Water	\$ 1,106,381	\$ 1,586,903	\$ -	\$ -	\$ -	\$ 480,522	\$ 480,522
Sewer	934,514	1,026,297	-	-	-	91,783	91,783
Total business-type activities	2,040,895	2,613,200	-	-	-	572,305	572,305
Total primary government	\$ 7,714,533	\$ 3,246,352	\$ 14,711	\$ 105,331	\$ (4,920,444)	\$ 572,305	\$ (4,348,139)
General revenues:							
Property taxes					1,109,592	-	1,109,592
Sales taxes					1,181,323	-	1,181,323
Business licenses					1,910,569	-	1,910,569
Merchant inventory					63,437	-	63,437
Accommodations tax					385,157	-	385,157
Hospitality tax					342,821	-	342,821
Grants and contributions not restricted to specific programs					189,173	-	189,173
Investment earnings					247,850	149,123	396,973
Transfers					733,351	(733,351)	-
Total general revenues					6,163,273	(584,228)	5,579,045
Change in net assets					1,242,829	(11,923)	1,230,906
Net assets, beginning of year					5,235,223	17,279,665	22,514,888
Prior period adjustment					90,439	-	90,439
Net assets, end of year					\$ 6,568,491	\$ 17,267,742	\$ 23,836,233

The notes to the financial statements are an integral part of this statement.

CITY OF WALTERBORO, SOUTH CAROLINA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2007

ASSETS	General	Tax Incremental Financing	Local Hospitality Tax	Other Governmental Funds	Total Governmental Funds
Cash	\$ 3,738,244	\$ 1,499,479	\$ 52,114	\$ 853,035	\$ 6,142,872
Receivables	280,426	-	31,131	79,500	391,057
Due from other funds	3,441	-	-	175,704	179,145
Notes receivable	-	-	-	90,123	90,123
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total assets	<u>\$ 4,022,111</u>	<u>\$ 1,499,479</u>	<u>\$ 83,245</u>	<u>\$ 1,198,362</u>	<u>\$ 6,803,197</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ 20,768	\$ -	\$ -	\$ 43,212	\$ 63,980
Due to other funds	172,458	-	-	22,035	194,493
Deferred revenue	73,140	-	-	90,123	163,263
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities	<u>266,366</u>	<u>-</u>	<u>-</u>	<u>155,370</u>	<u>421,736</u>
FUND BALANCES					
Unreserved					
Undesignated	3,755,745	1,499,479	83,245	1,042,992	6,381,461
Unreserved, reported in nonmajor special revenue funds	-	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total fund balances	<u>3,755,745</u>	<u>1,499,479</u>	<u>83,245</u>	<u>1,042,992</u>	<u>6,381,461</u>
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities and fund balances	<u>\$ 4,022,111</u>	<u>\$ 1,499,479</u>	<u>\$ 83,245</u>	<u>\$ 1,198,362</u>	<u>\$ 6,803,197</u>

The notes to the financial statements are an integral part of this statement.

CITY OF WALTERBORO, SOUTH CAROLINA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2007

Total net assets reported for governmental activities in the statement of net assets is different because:

Total fund balances - governmental funds	\$	6,381,461
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Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:

Land and improvements	\$	1,081,563	
Buildings and improvements, net of \$748,389 accumulated depreciation		2,014,656	
Machinery and Equipment, net of \$693,331 accumulated depreciation		220,945	
Vehicles, net of \$1,848,771 accumulated depreciation		953,518	
Construction in progress		<u>66,912</u>	

Total capital assets		4,337,594
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Some of the City's receivables will be collected after year-end, but are not available soon enough to pay for the current period's expenditures, and therefore are reported as deferred revenue in the funds.

163,263

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities --both current and long-term--are reported in the statement of net assets. Balances at June 30, 2007 are:

Accrued interest payable		(17,015)	
General obligation bonds payable		(4,200,256)	
Accrued compensated absences		<u>(132,895)</u>	
Total long-term liabilities			(4,350,166)

Bond issue costs are reported as an expenditure in governmental funds but amortized over the period of the bond in the statement of net assets

36,339

Net assets of governmental activities	\$	<u><u>6,568,491</u></u>
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CITY OF WALTERBORO, SOUTH CAROLINA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2007

	General	Tax Incremental Financing	Local Hospitality Tax	Other Governmental Funds	Total Governmental Funds
REVENUES					
Taxes	\$ 2,430,832	\$ -	\$ 342,847	\$ 168,784	\$ 2,942,463
Fines, fees and licenses	2,130,653	-	-	-	2,130,653
Intergovernmental	152,242	-	-	-	152,242
Solid waste charges	338,195	-	-	-	338,195
Miscellaneous	156,657	139,154	1,402	362,538	659,751
Total revenues	<u>5,208,579</u>	<u>139,154</u>	<u>344,249</u>	<u>531,322</u>	<u>6,223,304</u>
EXPENDITURES					
Mayor and council	226,629	-	-	-	226,629
Housing project	-	-	-	29,288	29,288
Police drug fund	-	-	-	4,913	4,913
Victims advocate	-	-	-	4,890	4,890
Local law enforcement grant	-	-	-	5,945	5,945
Bond fund	-	-	-	151,094	151,094
Project fund	-	-	-	306,965	306,965
TIF fund	-	4,400	-	-	4,400
Grant fund	-	-	-	1,341	1,341
Great swamp	-	-	-	363,798	363,798
Accommodations tax fund	-	-	-	268,045	268,045
Local hospitality tax fund	-	-	299,981	-	299,981
Finance	351,114	-	-	-	351,114
City manager	195,074	-	-	-	195,074
Public works	1,008,932	-	-	-	1,008,932
Code enforcement	101,243	-	-	-	101,243
Police	1,674,232	-	-	-	1,674,232
Judicial	223,563	-	-	-	223,563
Fire	496,443	-	-	-	496,443
Sanitation	419,404	-	-	-	419,404
Parks	210,078	-	-	-	210,078
Non-department support	177,021	-	-	-	177,021
Reserve accounts	135,685	-	-	-	135,685
Total expenditures	<u>5,219,418</u>	<u>4,400</u>	<u>299,981</u>	<u>1,136,279</u>	<u>6,660,078</u>
OTHER FINANCING SOURCES (USES)					
Operating transfers in	700,055	-	-	841,424	1,541,479
Operating transfers out	(94,393)	(326,818)	-	(386,917)	(808,128)
Total other financing sources (uses)	<u>605,662</u>	<u>(326,818)</u>	<u>-</u>	<u>454,507</u>	<u>733,351</u>
Net income	594,823	(192,064)	44,268	(150,450)	296,577
Fund balance, beginning	3,160,922	1,691,543	9,154	1,132,827	5,994,446
Prior period adjustment	-	-	29,823	60,615	90,438
Fund balance, beginning, as restated	3,160,922	1,691,543	38,977	1,193,442	6,084,884
Fund balance, ending	<u>\$ 3,755,745</u>	<u>\$ 1,499,479</u>	<u>\$ 83,245</u>	<u>\$ 1,042,992</u>	<u>\$ 6,381,461</u>

The notes to the financial statements are an integral part of this statement.

CITY OF WALTERBORO, SOUTH CAROLINA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2007

The change in net assets reported for governmental activities in the statement of activities is different because:

Net change in fund balance -- total governmental funds	\$	296,577
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (\$973,022) exceeded depreciation (\$324,555) in the current period.</p>		
		648,463
<p>Repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net assets.</p>		
		326,008
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>		
Compensated absences	\$	(20,997)
Accrued interest		1,087
Amortization of bond issue costs		(2,684)
Deferred revenues		(5,625)
		(28,219)
Total change in net assets of governmental activities	\$	1,242,829

The notes to the financial statements are an integral part of this statement.

CITY OF WALTERBORO, SOUTH CAROLINA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2007

ASSETS	Business-type Activities Enterprise Funds Water and Sewer
Current assets	
Cash	\$ 2,907,952
Receivables	494,218
Inventories	126,232
Notes receivables	273,183
Due from other funds	18,594
Total current assets	<u>3,820,179</u>
Non-current assets	
Restricted cash	294,133
Bond issue costs	46,759
Capital assets	16,423,682
Total non-current assets	<u>16,764,574</u>
Total assets	<u>\$ 20,584,753</u>
 LIABILITIES AND NET ASSETS 	
Current Liabilities	
Accounts payable	\$ 10,070
Current portion - long-term debt	130,062
Customer deposits	229,621
Due to other funds	3,246
Total current liabilities	<u>373,000</u>
Non-current liabilities	
Bonds, notes and leases payable	2,922,270
Annual leave	21,743
Total non-current liabilities	<u>2,944,013</u>
Total liabilities	<u>3,317,012</u>
Net assets	
Unrestricted	3,602,257
Restricted	294,133
Capital assets, net	13,371,351
Total net assets	<u>17,267,741</u>
Total liabilities and net assets	<u>\$ 20,584,753</u>

The notes to the financial statements are an integral part of this statement.

CITY OF WALTERBORO, SOUTH CAROLINA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2007

	Business-type activities Enterprise Funds Water and Sewer
Operating revenues	
Charges for services	
Water sales	\$ 1,586,903
Sewer charges	1,026,297
Total operating revenues	2,613,200
Operating expenses	
Cost of sales and service	
Water	771,523
Sewer	524,436
Utility support	105,105
Depreciation	506,833
Bank charges	3,075
Bond issue costs	3,818
Total operating expenses	1,914,790
Operating income	698,410
Nonoperating revenues (expenses)	
Investment income	149,124
Interest expense	(126,105)
Total nonoperating revenues (expenses)	23,019
Income before contributions and transfers	721,429
Operating transfers out	(733,351)
Change in net assets	(11,922)
Net assets, beginning	17,279,663
Net assets, ending	\$ 17,267,741

The notes to the financial statements are an integral part of this statement.

CITY OF WALTERBORO, SOUTH CAROLINA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2007

	Business-type Activities Enterprise Funds <u>Water and Sewer</u>
Cash flows from operating activities:	
Cash received from customers	\$ 2,636,638
Cash paid to employees	(538,237)
Cash paid for operating goods and services	<u>(908,514)</u>
Net cash provided (used) by operating activities	<u>1,189,887</u>
Cash flows from noncapital financing activities:	
Transfers to other funds	<u>(733,351)</u>
Net cash provided (used) by noncapital financing activities	<u>(733,351)</u>
Cash flows from investing activities:	
Interest received on investments	149,123
Purchases of fixed assets	<u>(369,407)</u>
Net cash provided (used) by investing activities	<u>(220,284)</u>
Cash flows from capital and related financing activities:	
Interest and bank charges paid	(126,105)
Repayment of long-term debt	<u>(159,684)</u>
Net cash provided (used) by investing activities	<u>(285,789)</u>
NET INCREASE (DECREASE) IN CASH	(49,537)
CASH AT BEGINNING OF YEAR	<u>3,251,622</u>
CASH AT THE END OF YEAR	<u><u>\$ 3,202,085</u></u>
Reconciliation of net income (loss) to net cash provided (used) by operating activities	
Net operating income	<u>\$ 698,410</u>
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities	
Depreciation	510,651
(Increase) decrease in accounts receivable	23,438
(Increase) decrease in inventories	(10,868)
Increase (decrease) in accounts payable	(23,620)
Increase (decrease) in other accrued liabilities	(134)
Increase (decrease) in annual leave	4,729
Increase (decrease) in due to other funds	3,246
Increase (decrease) in due from other funds	(18,594)
Increase (decrease) in customer deposits	<u>2,629</u>
Total adjustments	<u>491,477</u>
Net cash provided (used) by operating activities	<u><u>\$ 1,189,887</u></u>

The notes to the financial statements are an integral part of this statement.

**CITY OF WALTERBORO, SOUTH CAROLINA
 STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
 FIDUCIARY FUNDS
 JUNE 30, 2007**

	Agency Funds	
	Municipal Court	Firemen's Fund
ASSETS		
Cash	\$ 60,536	\$ 73
Total assets	\$ 60,536	\$ 73
LIABILITIES		
Due to others	\$ 60,536	\$ 73
Total liabilities	60,536	73
Agency fund balance	\$ -	\$ -

The notes to the financial statements are an integral part of this statement.

CITY OF WALTERBORO, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Reporting Entity

The City of Walterboro, South Carolina (City) a political subdivision of the State of South Carolina was incorporated in 1826. As required by Section 47-26 of the 1962 Code of Laws as amended by the Home Rule Act, which required municipalities to adopt a specific form of government, the City has adopted the Council-Manager form of government. The City provides a full range of services to its citizens including fire and police protection, sanitation, public improvements, water and sewer service and general administration.

Generally accepted accounting principles, as established by the Governmental Accounting Standards Board, require that the financial reporting entity's financial statements include the financial operation of the primary government organizations for which the primary government is financially accountable, and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The basic criteria for including organizations as component units within the reporting entity include imposition of will, and financial benefit or burden on a primary government and organizations that must be included in the reporting entity.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information about the reporting government as a whole, except for its fiduciary activities. For the most part, the effect of interfund activity 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 charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

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

Separate financial statements are provided for governmental funds and fiduciary funds even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are presented using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

CITY OF WALTERBORO, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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

Property taxes, franchise fees, licenses, certain intergovernmental revenues, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when the government receives cash.

The City reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *TIF fund* is used to account for capital infrastructure improvements in the tax incremental financing district.

The *local hospitality fund* is used to account for the local hospitality taxes collected by the City.

The City reports the following major proprietary funds:

The *water and sewer fund* accounts for the activities of the water and sewer. The City operates the sewage treatment plant, sewage pumping stations and collection systems and the water distribution system.

Additionally, the City reports the following fund types:

The *agency fund* is used to account for resources held by the City in a trustee capacity for the City of Walterboro municipal court account, and the fireman's account.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing service and producing and delivering goods in connection with a proprietary fund's principle ongoing operations. The principle operating revenues of the enterprise fund are charges to customers for sales and services. The fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first then unrestricted resources, as they are needed.

CITY OF WALTERBORO, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Assets, Liabilities, and Net Assets or Equity

Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Restricted cash refers to resources that are classified as restricted because their use is restricted by applicable bond covenants.

State statutes authorize the City to invest in obligations of the U.S. Treasury, commercial paper, repurchase agreements, and the State Treasurer's Investment Pool.

Investments for the City are reported at fair value.

Receivables and Payables

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds".

All housing rehabilitation loans, property taxes, and customer accounts receivables are shown net of an allowance for uncollectible accounts.

The City Code of Ordinances provides for taxation of all real and personal property located within the City limits on the first day of January. Motor vehicle taxes are billed and collected by the County Treasurer on a monthly basis. Other personal and real property taxes are levied by the City in October of each year and become due and payable immediately upon receipt by the taxpayer. Real property taxes are delinquent after January 15th with penalties assessed of 3% if paid after January 15th, 10% if paid after January 31st, and 15% if paid after March 15th. Assessed property is subject to lien one year from the levy date if taxes remain unpaid. The property tax rate approved by ordinance for calendar year 2006 is 78 mils. Property taxes are assessed and collected by Colleton County under a joint billing and collection agreement.

Inventories

Inventories of the general fund are recorded as expenditures when acquired and are not inventoried at year end since they are not material to the financial statements. Inventories of the water and sewer fund are valued at cost using the first-in/ first-out (FIFO) method.

Capital Assets

Capital assets, which include property and equipment and infrastructure assets (e.g. roads, lighting, and similar items), are reported in the applicable governmental columns in the government-wide financial statements. Capital assets are defined by the government as property and equipment with an initial, individual cost of more than \$5,000 and infrastructure assets with an initial, individual cost of more than \$100,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of assets constructed.

CITY OF WALTERBORO, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Assets, Liabilities, and Net Assets or Equity – Continued

Capital Assets - Continued

Property and equipment of the primary government are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings and Improvements	30-50
Water and Sewer System	30-50
Vehicles and Equipment	5-20

Compensated Absences

Unused vacation leave liabilities are reported in the applicable governmental type activities columns in the government-wide financial statements. Upon proper resignation or termination for non-disciplinary reasons, an employee shall be paid at their regular straight time rate for unused leave earnings up to a maximum of no more than 144 hours plus one-half of current year earnings not to exceed 224 hours. The City has no financial liability for its unused sick leave. Compensated absences are paid from the general fund and the water and sewer fund. The liability for compensated absences at June 30, 2007 was \$132,895 and \$21,743, respectively.

The fund financial statements governmental funds are presented using the current financial resources measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets, therefore, compensated absences are not included in the fund financial statements. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements.

Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts are amortized using the effective interest 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 the face amount of debt issued as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as service expenditures.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Government-wide and fund financial statements must be presented using an all-inclusive format. That is, the results of the current period's activities are to be reported as an addition to (or a deduction from) equity at the beginning of the period to arrive at the closing equity balance. Thus changes in net assets on the government-wide statement of activities is added to (or deducted from) net assets – beginning of the fiscal year to arrive at net assets – end of the fiscal year.

**CITY OF WALTERBORO, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Assets, Liabilities, and Net Assets or Equity – Continued

Fund Equity - Continued

Net assets are defined as the difference between assets and liabilities in the government-wide statement of net assets.

The government-wide statement of net assets reports government assets; therefore, a significant portion of the net assets reported there typically reflects a government's investment in capital assets. Generally Accepted Accounting Principles requires the amount of net assets invested in capital assets to be reported as a separate category of net assets. Net assets invested in capital assets, net of related debt includes all capital assets less accumulated depreciation and outstanding principal of related debt.

Restrictions may be imposed on a portion of a government's net assets by parties outside the government (such as creditors, grantors, contributors). In some cases, such restricted assets are directly associated with particular liabilities (for instance, restricted assets associated with revenue bonds). An amount equal to these restricted assets, less any related liabilities, is reported as restricted net assets.

To conform to GAAP, the difference between total net assets and the two categories discussed above (invested in capital assets, net of related debt and restricted net assets) is reported as unrestricted net assets.

Expenses/Expenditures

Consistent with the current financial resources measurement focus, the governmental fund statement of activities report expenditures rather than expenses. Expenditures in the fund financial statements are presented by character for the governmental funds. The character of expenditure is based upon the periods it is presumed to benefit. Expenditures that primarily benefit the present period (current expenditures) are distinguished from those presumed to benefit both the present and future periods (debt service expenditures and capital outlay expenditures). GAAP also provides for a fourth character classification, intergovernmental expenditures, for situations where one governmental entity provides resources to another.

Government-wide expenses are reported by function. The government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting. As a result, there are important differences between the expenditures reported on the governmental fund financial statements and those expenses reported on the government-wide financial statements. For example, the governmental funds report capital outlay expenditures, while the government-wide financial statements report depreciation.

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

In accordance with the State of South Carolina General Statute, the City prepares an annual balanced budget ordinance. The City adopts annual budgets for the general fund using the modified accrual basis. An annual budget for the special revenue fund is not adopted as sufficient budgetary control is achieved through restrictions included in the various grant agreements. An annual operating budget for the proprietary fund is adopted using the accrual basis of accounting. Appropriations lapse at the end of the budget year.

**CITY OF WALTERBORO, SOUTH CAROLINA
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2007**

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY - CONTINUED

Budgetary Information - Continued

In March, the budget process begins with a special comprehensive work session in which the finance department and administrator meet with all department heads to discuss current and future trends, needs and goals of the City. All department heads submit comprehensive lists of programs, projects, and initiatives to be considered in the upcoming budget and meet with finance department staff and the administrator individually. During May and June, formal budget workshops are held. The Council holds public hearings and a final budget must be prepared and adopted no later than June 30.

Budgets are prepared at the fund and department level. Budgets are adopted at the fund level and are amended as necessary during the fiscal year in one of two ways. First, the administrator delegated by the City Council, may make line items transfers within individual fund budgets with subsequent monthly notice to City Council. Such transfers can neither increase nor decrease the overall budget at the fund level. Secondly, the budget may be increased or decreased at the fund level as changing circumstances dictate, subject to City Council approval.

Deficit Fund Balance

The Great Swamp Fund has a deficit fund balance of \$9,588.

NOTE 3 – DEPOSITS AND INVESTMENTS

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the government’s deposits may not be returned. The City has a deposit policy for custodial credit risk. As of June 30, 2007, none of the City’s deposits were exposed to custodial credit risk.

Credit Risk – The City has an investment policy that limits investment types to those approved by State Statute 6-5-10 under South Carolina Code of Laws. Currently the City’s investments consist of certificate of deposits and South Carolina Local Investment Pool.

NOTE 4 – RECEIVABLES

Accounts Receivable

Receivables at June 30, 2007, including the applicable allowances for uncollectible accounts, are as follows for the fund and government-wide financial statements, respectively.

<u>Receivables</u>	<u>General</u>	<u>Proprietary Funds</u>	<u>Total</u>
Property taxes and assessments	\$ 191,698	\$ -	\$ 191,698
Intergovernmental	197,287	-	197,287
Charges for services	<u>-</u>	<u>574,144</u>	<u>574,144</u>
Gross receivables	388,985	574,144	963,129
Less allowance for uncollectible accounts	<u>(108,559)</u>	<u>(79,926)</u>	<u>(188,485)</u>
Net total receivables	\$ <u>280,426</u>	\$ <u>494,218</u>	\$ <u>774,644</u>

**CITY OF WALTERBORO, SOUTH CAROLINA
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2007**

NOTE 4 – RECEIVABLES – CONTINUED

Accounts Receivable - Continued

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Government funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the government funds were as follows:

	<u>Unavailable</u>		<u>Unearned</u>	
Delinquent property taxes receivable	\$ 73,140	\$	-	
Net balance of housing notes receivable	90,123	\$	-	
Total	\$ 163,263	\$	-	

Notes Receivable

The City has notes receivable from various individuals for \$100,136 for funds received from several community development block grants. The terms of the note call for monthly payments until the loans are paid off. The City has recorded \$10,014 as an allowance for bad debts as these loans are not always collectible in full and deferred the balance of \$90,122 to be recognized as the payments are collected.

The City has recorded a note receivable from the Walterboro-Colleton County Airport Commission for funds that were advanced to the commission on a non-interest bearing promissory note due on or before August 15, 2015. The balance of this loan was \$273,183 at June 30, 2007.

CITY OF WALTERBORO, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

NOTE 5 – CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2007 was as follows:

<u>Governmental Activities</u>	<u>June 30, 2006</u>	<u>Increase</u>	<u>Decrease</u>	<u>June 30, 2007</u>
<i>Capital assets not being depreciated</i>				
Land and improvements	\$ 930,469	\$ 151,094	\$ -	\$ 1,081,563
Construction in progress	-	66,912	-	66,912
Total capital assets, not being depreciated	<u>930,469</u>	<u>218,006</u>	<u>-</u>	<u>1,148,475</u>
<i>Capital assets being depreciated</i>				
Buildings and improvements	2,177,441	585,604	-	2,763,045
Machinery and equipment	858,640	55,636	-	914,276
Vehicles	2,708,376	113,762	19,854	2,802,284
Total capital assets being depreciated	<u>5,744,457</u>	<u>755,002</u>	<u>19,854</u>	<u>6,479,605</u>
Less accumulated depreciation for:				
Buildings and improvements	707,472	40,917	-	748,389
Machinery and equipment	638,593	54,738	-	693,331
Vehicles	1,639,730	228,890	19,854	1,848,766
Total accumulated depreciation	<u>2,985,795</u>	<u>324,545</u>	<u>19,854</u>	<u>3,290,486</u>
Total capital assets being depreciated, net	<u>2,758,662</u>	<u>430,457</u>	<u>-</u>	<u>3,189,119</u>
Governmental activities capital assets, net	<u>\$ 3,689,131</u>	<u>\$ 648,463</u>	<u>\$ -</u>	<u>\$ 4,337,594</u>
<u>Business-type Activities</u>	<u>June 30, 2006</u>	<u>Increase</u>	<u>Decrease</u>	<u>June 30, 2007</u>
<i>Capital assets not being depreciated</i>				
Land and improvements	\$ 44,773	\$ -	\$ -	\$ 44,773
Total capital assets, not being depreciated	<u>44,773</u>	<u>-</u>	<u>-</u>	<u>44,773</u>
<i>Capital assets being depreciated</i>				
Water system and improvements	12,199,777	6,027	-	12,205,804
Sewer system and improvements	10,116,900	144,407	-	10,261,307
Buildings and improvements	223,569	-	-	223,569
Machinery and equipment	425,970	191,045	-	617,015
Vehicles	268,674	28,160	13,753	283,081
Total capital assets being depreciated	<u>23,234,890</u>	<u>369,639</u>	<u>13,753</u>	<u>23,590,776</u>
Less accumulated depreciation for:				
Water system and improvements	2,299,203	246,178	-	2,545,381
Sewer system and improvements	3,739,374	205,355	-	3,944,729
Buildings and improvements	139,730	5,589	-	145,319
Machinery and equipment	311,970	30,709	-	342,679
Vehicles	228,278	19,234	13,753	233,759
Total accumulated depreciation	<u>6,718,555</u>	<u>507,065</u>	<u>13,753</u>	<u>7,211,867</u>
Total capital assets being depreciated, net	<u>16,516,335</u>	<u>(137,426)</u>	<u>-</u>	<u>16,378,909</u>
Business-type activities capital assets, net	<u>\$ 16,561,108</u>	<u>\$ (137,426)</u>	<u>\$ -</u>	<u>\$ 16,423,682</u>

**CITY OF WALTERBORO, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007**

NOTE 5 – CAPITAL ASSETS – CONTINUED

Depreciation expense was charged to functions/programs of the primary government as follows:

<u>Governmental Activities</u>	
City manager	\$ 3,720
Code enforcement	4,180
Fire	24,572
Great Swamp	24,477
Judicial	4,006
Mayor and council	482
Police	90,823
Public works	90,414
Sanitation	<u>81,881</u>
Total depreciation expense	<u>\$ 324,555</u>
<u>Business-type Activities</u>	
Sewer	\$ 227,974
Water	<u>278,859</u>
Total depreciation expense	<u>\$ 506,833</u>

NOTE 6 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The transfer from the water and sewer fund to the general fund was to pay for operations. The transfers to the nonmajor funds were related to the Great Swamp project and the equipment replacement fund. The transfer from the nonmajor funds to the general fund was a budgeted transfer from the victim fund.

The composition of interfund balances as of June 30, 2007 is as follows:

<u>Transfer Out</u>	<u>General Fund</u>	<u>Transfer In Nonmajor Governmental</u>	<u>Total</u>
General fund	\$ -	\$ 94,393	\$ 94,393
Tax incremental financing	-	326,818	326,818
Nonmajor governmental funds	14,600	372,317	386,917
Water and sewer	<u>685,455</u>	<u>47,896</u>	<u>733,351</u>
Total transfers out	<u>\$ 700,055</u>	<u>\$ 841,424</u>	<u>\$ 1,541,479</u>

**CITY OF WALTERBORO, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007**

NOTE 6 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS - CONTINUED

Interfund balances must generally be eliminated in the government-wide financial statements, except for the net residual amounts due between governmental activities. Amounts involving fiduciary funds should be reported as external transactions. Any allocations must reduce the expense of the function from which the expenses are being allocated, so that expenses are reported only once – in the function in which they are allocated. No amounts were reported in the government-wide financial statements, as the amount did not involve the transfers of the financial resources.

	<u>Due To</u>	<u>Due From</u>
General fund	\$ 172,458	\$ 3,441
Other governmental funds	<u>3,441</u>	<u>172,458</u>
Total due to/from other funds	\$ <u>175,899</u>	\$ <u>175,899</u>

NOTE 7 – LONG-TERM OBLIGATIONS

Operating Leases

The City leases a parking lot and other equipment under noncancelable operating leases. The total costs for such leases amounted to \$5,400 for the year ended June 30, 2007. The future minimum leases for these leases are as follows:

<u>Year Ended June 30,</u>	<u>Business-type Activities</u>
2008	\$ 3,000
2009	3,000
<u>2010</u>	<u>3,000</u>
Total	\$ <u>9,000</u>

Capital Leases

The City has entered into various lease agreements for financing of vehicles and heavy equipment. These lease agreements quality as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date.

The assets acquired through capital leases are as follows:

<u>Asset</u>	<u>Governmental Activities</u>
Vehicles	\$ 596,195
Less accumulated depreciation	<u>(242,950)</u>
Total	\$ <u>353,245</u>

**CITY OF WALTERBORO, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007**

NOTE 7 – LONG-TERM OBLIGATIONS – CONTINUED

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2007, were as follows:

<u>Year Ended June 30.</u>	Governmental Activities
2008	\$ 66,293
2009	46,491
2010	32,673
2011	22,803
2012	22,803
2013 to 2015	<u>60,808</u>
Total minimum lease payments	251,871
Less amount representing interest	<u>(25,226)</u>
Present value of minimum lease payments	\$ <u><u>226,645</u></u>

Governmental Activities Bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities and large equipment. During the year ended June 30, 2004, general obligation bonds were issued for the governmental activities in the amount of \$1,000,000. \$445,185 of this funding was still on hand in a cash account at June 30, 2007. General obligation bonds are direct obligations and pledge the full faith and credit of the City. Revenue bonds have pledged certain tax revenues. Bonds currently outstanding are as follows:

<u>Bonds Payable</u>	Governmental Activities
\$1,000,000, series 2003 serial bonds due in annual installments of \$90,130 due on December 30th at 4.03% interest for 15 years.	\$ 844,404
\$1,735,000 TIF Revenue Bond due in monthly installments of \$13,124 at 4.22% interest rate over 15 years.	1,648,143
\$1,560,000 Lease Base Lease Hospitality Tax due in monthly installments of \$11,712 at 5.11% interest rate over 15 years.	<u>1,481,061</u>
Total bonds payable	\$ <u><u>3,973,608</u></u>

**CITY OF WALTERBORO, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007**

NOTE 7 – LONG-TERM OBLIGATIONS – CONTINUED

Governmental Activities Bonds - Continued

Annual debt service requirements to maturity for general obligation bonds are as follows:

<u>Year Ended June 30,</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 212,440	\$ 150,889	\$ 363,329
2009	235,853	152,312	388,165
2010	245,745	142,419	388,164
2011	256,053	132,112	388,165
2012	266,793	121,372	388,165
2013-2016	1,511,523	429,295	1,940,818
2017-2021	<u>1,245,201</u>	<u>102,361</u>	<u>1,347,562</u>
Total	\$ <u>3,973,608</u>	\$ <u>1,230,760</u>	\$ <u>5,204,368</u>

Proprietary Fund Bonds

The City also issues bonds where the City pledges income derived from revenue producing operations. The City has revenue bonds outstanding from a prior years' issuance of revenue bonds from the operations of the water and sewer fund. Revenue bonds outstanding at year-end are as follow:

	<u>Water and Sewer Fund</u>
<u>Bonds Payable:</u>	
\$3,459,914, Sewer Line Rehabilitation Bond, Series 2001B, due in quarterly installments of \$63,036 with 4.0% interest through April 2022.	\$ 2,799,072
\$378,153, Bells Highway Water and Sewer Expansion, South Carolina Infrastructure Revolving Loan Fund, Number 2-020-00, Series 2001A, due in quarterly installments of \$8,412 with 4.0% interest through May 2016.	<u>253,259</u>
Total bonds payable	\$ <u><u>3,052,331</u></u>

**CITY OF WALTERBORO, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007**

NOTE 7 – LONG-TERM OBLIGATIONS – CONTINUED

Proprietary Fund Bonds - Continued

Revenue bond debt service requirements to maturity are as follows:

<u>Year Ended June 30,</u>	<u>Water and Sewer</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 130,062	\$ 92,692	\$ 222,754
2009	171,449	114,340	285,789
2010	178,411	107,379	285,790
2011	185,656	100,135	285,791
2012	193,194	92,596	285,790
2013-2017	1,056,047	339,255	1,395,302
2018-2022	<u>1,137,515</u>	<u>123,209</u>	<u>1,260,724</u>
Total	\$ <u>3,052,334</u>	\$ <u>969,606</u>	\$ <u>4,021,940</u>

The following is a summary of changes in long-term obligations for the year ended June 30, 2007.

	<u>Balance</u> <u>June 30, 2006</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2007</u>	<u>Due Within</u> <u>A Year</u>
<u>Governmental Activities</u>					
Bonds payable	\$ 4,191,424	\$ -	\$ 217,814	\$ 3,973,610	\$ 212,440
Notes and leases payable	<u>334,840</u>	<u>-</u>	<u>108,194</u>	<u>226,646</u>	<u>59,483</u>
Total	\$ <u>4,526,264</u>	\$ <u>-</u>	\$ <u>326,008</u>	\$ <u>4,200,256</u>	\$ <u>271,923</u>
<u>Business-type Activities</u>					
Bonds payable	\$ <u>3,212,016</u>	\$ <u>-</u>	\$ <u>159,685</u>	\$ <u>3,052,331</u>	\$ <u>130,062</u>

Debt Service Requirements – The general fund pays the debt payments on the governmental activities debt. The water and sewer fund pays the debt payments for the business-type activities. Interest expense in the general fund and the water and sewer fund for the year was \$181,810 and \$126,105, respectively.

NOTE 8 – FUND BALANCES – GOVERNMENTAL FUNDS

Fund balance designations are established to reflect management’s plan for financial resources allocation in a future period. Such plans or intents are subject to change and may never result in expenditures. Reserved fund balances include noncurrent assets.

**CITY OF WALTERBORO, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007**

NOTE 9 – RETIREMENT PLAN

All of the City’s full-time employees participate in the South Carolina Retirement System. The City’s full-time police officers participate in the South Carolina Police Officers Retirement System. Each system is a cost-sharing multi-employer defined benefit pension plan administrated by the Retirement Division of the State Budget and Control Board.

Both employees and employers are required to contribute to the plan under authority of Title 9 of the South Carolina Code of Laws. All employers contribute at the actuarially required contribution rates.

The South Carolina Retirement System offers retirement and disability benefits, cost of living adjustments on an ad-hoc basis, life insurance benefits, and survivor benefits. The plan’s provisions are established under Title 9 of the South Carolina Code of Laws.

A Comprehensive Annual Financial Report containing financial statements and required supplementary information for South Carolina Retirement System is issued and publicly available by writing the South Carolina Retirement System, Post Office Box 11970, Columbia, South Carolina 29211-1970. A summary of the required contribution rates and the amounts contributed to the plan follows:

<u>SOUTH CAROLINA RETIREMENT CONTRIBUTION INFORMAION</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Total current year payroll	\$ 1,731,165	\$ 1,535,219	\$ 1,464,224
Covered payroll	1,645,894	1,454,558	1,391,766
Covered retirees	40,722	40,006	23,081
Employee contributions	109,556	93,411	83,506
Employee contribution rate (based upon salary)	7%	6%	6%
Employer contributions	135,773	112,840	94,795
Employer contribution rate (based upon salary)	8%	8%	7%
Group life contributions	2,530	2,243	2,122
Group life contribution rate (based upon salary)	0%	0%	0%

<u>SOUTH CAROLINA POLICE OFFICERS CONTRIBUTION INFORMAION</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Total current year payroll	\$ 1,016,325	\$ 1,036,235	\$ 960,989
Covered payroll	1,016,325	1,036,235	960,989
Employee contributions	66,062	67,357	62,464
Employee contribution rate (based upon salary)	7%	7%	7%
Employer contributions	104,682	106,732	98,982
Employer contribution rate (based upon salary)	10%	10%	10%
Group life contributions	2,033	4,146	3,844
Group life contribution rate (based upon salary)	0%	0%	0%

NOTE 10 – EMPLOYEE BENEFIT PLANS

The City of Walterboro currently offers substantially all full-time employees the option of participating in a 401(K) plan. The South Carolina Retirement System administers the plan. Under the terms of the plan employees may contribute a minimum of two percent and maximum of twenty percent of adjusted gross income subject to the limits of Section 401(K) of the Internal Revenue Code. It is the opinion of the City’s legal counsel that the government has no liability for losses under the plan, but does have the duty of due care that would be required of an ordinary prudent investor. Therefore, the assets and liabilities of the 401(K) plan are not reflected in the City’s financial statements.

**CITY OF WALTERBORO, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007**

NOTE 11 – POST-RETIREMENT BENEFITS

The City adopted Resolution No. 2001-10 effective June 26, 2001 whereby the City agreed to become a member of the SCLGAG Retiree Plan, according to the terms of the SCLGAG Board Policy establishing the Plan dated March 23, 1989 and revised March 4, 1999. Employees retiring from the City who meet the requirements of the Retiree Plan shall be eligible to participate in the plan. Those persons who are eligible to participate in the Retiree Program will be able to have all or a portion of their health care insurance paid by the City. The cost to the City is approximately \$8,000 per year and is included in insurance expenditures.

NOTE 12 – SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES

The City has several lawsuits against it. Most of this litigation is covered by insurance or settled through subsequent agreements.

In the normal course of operations, the City received grant funds from various federal and state agencies. These grant programs are subject to program compliance audits by grantors or representatives. The amount, if any, of liability for reimbursement which may arise from these audits cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

NOTE 13 – RISK MANAGEMENT

The City is exposed to various types of risk and loss and maintains elements of both self-insurance and purchased insurance policies divided into coverage of worker’s compensation, property and casualty, and employee health insurance. Management believes such coverage is sufficient to preclude any significant uninsured losses for the covered risks. The insurers promise to pay to or on behalf of the insured for covered economic losses sustained during the policy period in accordance with insurance policy and benefit program limits.

The City participates in the South Carolina Municipal Insurance Trust, a public entity risk pool for its workers compensation coverage. Pool members are subject to a supplemental assessment in the event of deficiencies.

The City has recorded insurance premium expenditures in the applicable functional expenditure categories of the general fund. These expenditures do not include estimated claim losses and estimable premium adjustments.

In management’s opinion, supplemental premium assessments, if any, would not be significant enough to have a material adverse effect on the financial position of the City.

There have been no reductions in insurance coverage from the prior year.

The amount of settlements has not exceeded coverage in each of the past three fiscal years.

NOTE 14 – COURT FINES, FEES, AND ASSESSMENTS

<u>Court</u>	<u>Gross Collections</u>	<u>State Portion</u>	<u>City Portion</u>	<u>Victim Witness</u>
Police fines	\$ <u>235,094</u>	\$ <u>110,207</u>	\$ <u>108,081</u>	\$ 16,806
Other income				494
Less expenditures through June 30, 2007				(19,490)
Carryforward from June 30, 2006				<u>4,750</u>
Carryforward at June 30, 2007				\$ <u>(14,246)</u>

The cost of the audit of court fines was \$500.

**CITY OF WALTERBORO, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007**

NOTE 15 – PRIOR PERIOD ADJUSTMENT

In the prior year, the City did not record certain receivables related to hospitality and accommodations taxes. An adjustment was made to fund balance in the amount of \$90,439 to correct this error in the accompanying financial statements.

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Baird & Company CPAs, LLC

CERTIFIED PUBLIC ACCOUNTANTS & FINANCIAL ADVISORS
Augusta, Georgia Office

Thomson, Georgia Office

John P. Gillion, Jr., CPA, PFS, CFS, CVA, CFP®, CFFA
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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Mayor and City Council
City of Walterboro, South Carolina

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Walterboro, South Carolina, as of and for the year ended June 30, 2007, which collectively comprise the City of Walterboro, South Carolina's basic financial statements and have issued our report thereon dated December 10, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Walterboro, South Carolina's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City of Walterboro, South Carolina's financial statements that is more than inconsequential will not be prevented or detected by the City of Walterboro, South Carolina's internal control.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

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

Baird & Company, CPAs, LLC

BAIRD & COMPANY CPAs, LLC
Certified Public Accountants

Augusta, Georgia
December 10, 2007

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SUPPLEMENTARY INFORMATION

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CITY OF WALTERBORO, SOUTH CAROLINA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL – GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2007

	General Fund		
	Original Budget	Final Budget	Actual
REVENUES			
Taxes	\$ 2,230,000	\$ 2,230,000	\$ 2,430,832
Fines, fees and licenses	1,760,000	1,760,000	2,130,653
Intergovernmental	151,000	151,000	152,242
Solid waste charges	330,000	330,000	338,195
Miscellaneous	60,000	60,000	156,657
Total revenues	4,531,000	4,531,000	5,208,579
EXPENDITURES			
Mayor and council	203,151	203,151	226,629
Finance	351,945	351,945	351,114
City manager	182,028	182,028	195,074
Public works	940,873	940,873	1,008,932
Codes enforcement	98,064	98,064	101,243
Police	1,935,324	1,935,324	1,674,232
Judicial	287,127	287,127	223,563
Fire	505,480	505,480	496,443
Sanitation	408,683	408,683	419,404
Parks	244,509	244,509	210,078
Non-department support	177,480	177,480	177,021
Reserve accounts	244,110	244,110	135,685
Total expenditures	5,578,774	5,578,774	5,219,418
OTHER FINANCING SOURCES (USES)			
Operating transfers in	1,142,167	1,142,167	700,055
Operating transfers out	(94,393)	(94,393)	(94,393)
Total financing sources (uses)	1,047,774	1,047,774	605,662
Net income	-	-	594,823
Fund balances, beginning	3,161,195	3,161,195	3,160,922
Fund balance, ending	\$ 3,161,195	\$ 3,161,195	\$ 3,755,745

The notes to the financial statements are an integral part of this statement.

CITY OF WALTERBORO, SOUTH CAROLINA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND NET ASSETS – BUDGET AND ACTUAL
PROPRIETARY FUND - BUSINESS-TYPE ACTIVITIES – ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2007

	Water and Sewer			
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
OPERATING REVENUES				
Charges for service				
Water sales	\$ 1,565,260	\$ 1,565,260	\$ 1,586,903	\$ 21,643
Sewer charges	1,084,490	1,084,490	1,026,297	(58,193)
Total Revenues	<u>2,649,750</u>	<u>2,649,750</u>	<u>2,613,200</u>	<u>(36,550)</u>
OPERATING EXPENDITURES				
Costs of sales and service				
Water	632,331	632,331	771,523	(139,192)
Sewer	757,507	757,507	524,436	233,071
Utility support	223,500	223,500	105,105	118,395
Bank charges	-	-	3,075	(3,075)
Bond issue costs	-	-	3,818	(3,818)
Depreciation	-	-	506,833	(506,833)
Total expenditures	<u>1,613,338</u>	<u>1,613,338</u>	<u>1,914,790</u>	<u>(301,452)</u>
Operating income	1,036,412	1,036,412	698,410	(338,002)
NONOPERATING REVENUES (EXPENSES)				
Investment income	79,000	79,000	149,123	70,123
Interest expense	-	-	(126,105)	(126,105)
Total Nonoperating revenues (expenses)	<u>79,000</u>	<u>79,000</u>	<u>23,018</u>	<u>(55,982)</u>
Income before contributions and transfers	1,115,412	1,115,412	721,429	(393,984)
Operating transfers out	<u>(1,115,412)</u>	<u>(1,115,412)</u>	<u>(733,351)</u>	<u>382,061</u>
Change in net assets	-	-	(11,922)	(11,922)
Fund balances, beginning	<u>17,279,663</u>	<u>17,279,663</u>	<u>17,279,663</u>	<u>-</u>
Fund balance, ending	<u>\$ 17,279,663</u>	<u>\$ 17,279,663</u>	<u>\$ 17,267,741</u>	<u>\$ (11,922)</u>

The notes to the financial statements are an integral part of this statement.

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

Special revenue funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes.

Housing Project	This fund is used to account for the revenues and expenditures that relate to the repayment of grant loans from community development block funds.
DARE	This fund is used to account for contributions restricted for use by the police department for the DARE program.
Police Drug	This fund is used to account for the money seized in drug raids and is used to prevent the use and distributions of drugs.
Victims Advocate	This fund is legally restricted for victim advocacy.
Police Grant	This fund is used to account for the funds received for federal grants to purchase law enforcement equipment.
Bond	This fund is used to account for general obligation debt restricted to specific purposes.
Equipment Replacement	This fund is used to account for the budgeted accumulation of resource to purchase equipment.
Project	This fund is used to account for various projects.
Grant	This fund is used to account for various grants awarded to the City.
Great Swamp	This fund is used to account for the funds related to the construction of the Great Swamp Project.
Accommodations Tax	This fund is used to account for the accommodations taxes collected by the City.

**CITY OF WALTERBORO, SOUTH CAROLINA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2007**

	Housing Project Fund	DARE Fund	Police Drug Fund	Victims Advocate Fund	Police Grant Fund	Bond Fund
ASSETS						
Cash	\$ 128,569	\$ 294	\$ 1,030	\$ 1,104	\$ 7,473	\$ 445,186
Receivables	-	-	-	1,455	-	-
Due from other funds	-	-	-	-	-	-
Notes receivable	90,123	-	-	-	-	-
Total Assets	\$ 218,692	\$ 294	\$ 1,030	\$ 2,559	\$ 7,473	\$ 445,186
 LIABILITIES AND FUND BALANCES						
LIABILITIES						
Current Liabilities						
Accrued expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-	-	-
Deferred revenues	90,123	-	-	-	-	-
Total Liabilities	90,123	-	-	-	-	-
 FUND BALANCES						
Unreserved	128,569	294	1,030	2,559	7,473	445,186
Total Fund Balances	128,569	294	1,030	2,559	7,473	445,186
Total Liabilities & Fund Balances	\$ 218,692	\$ 294	\$ 1,030	\$ 2,559	\$ 7,473	\$ 445,186

The notes to the financial statements are an integral part of this statement.

**CITY OF WALTERBORO, SOUTH CAROLINA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2007**

	<u>Equipment Replacement Fund</u>	<u>Project Fund</u>	<u>Grant Fund</u>	<u>Great Swamp Fund</u>	<u>Accom Tax Fund</u>	<u>Total Nonmajor Governmental Funds</u>
ASSETS						
Cash	\$ -	\$ 131,346	\$ -	\$ -	\$ 138,033	\$ 853,035
Receivables	-	-	-	-	78,044	79,499
Due from other funds	166,726	-	8,978	-	-	175,704
Notes Receivable	-	-	-	-	-	90,123
Total Assets	\$ 166,726	\$ 131,346	\$ 8,978	\$ -	\$ 216,077	\$ 1,198,361
 LIABILITIES AND FUND BALANCES						
LIABILITIES						
Current Liabilities						
Accounts payable	\$ -	\$ -	\$ -	\$ 9,588	\$ 33,624	\$ 43,212
Due to other funds	-	18,594	3,441	-	-	22,035
Deferred revenues	-	-	-	-	-	90,123
Total Liabilities	-	18,594	3,441	9,588	33,624	155,370
 FUND BALANCES						
Unreserved	166,726	112,752	5,537	(9,588)	182,453	1,042,991
Total Fund Balances	166,726	112,752	5,537	(9,588)	182,453	1,042,991
 Total Liabilities & Fund Balances	\$ 166,726	\$ 131,346	\$ 8,978	\$ -	\$ 216,077	\$ 1,198,361

The notes to the financial statements are an integral part of this statement.

CITY OF WALTERBORO, SOUTH CAROLINA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2007

	Housing Project Fund	DARE Fund	Police Drug Fund	Victims Advocate Fund	Police Grant Fund	Bond Fund
REVENUES						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Miscellaneous	41,021	-	1,685	17,299	5,572	40,830
Total revenues	<u>41,021</u>	<u>-</u>	<u>1,685</u>	<u>17,299</u>	<u>5,572</u>	<u>40,830</u>
EXPENDITURES						
Housing project	29,288	-	-	-	-	-
DARE project	-	-	-	-	-	-
Police drug fund	-	-	4,913	-	-	-
Victims advocate	-	-	-	4,890	-	-
Local law enforcement grant	-	-	-	-	5,945	-
Bond fund	-	-	-	-	-	151,094
Project fund	-	-	-	-	-	-
Grant fund	-	-	-	-	-	-
Great swamp	-	-	-	-	-	-
Accommodations tax	-	-	-	-	-	-
Total expenditures	<u>\$ 29,288</u>	<u>\$ -</u>	<u>\$ 4,913</u>	<u>\$ 4,890</u>	<u>\$ 5,945</u>	<u>\$ 151,094</u>
OTHER FINANCING SOURCES (USES)						
Operating transfers in	-	-	-	-	-	-
Operating transfers out	(131,346)	-	-	(14,600)	-	(218,882)
Total other financing sources (uses)	<u>(131,346)</u>	<u>-</u>	<u>-</u>	<u>(14,600)</u>	<u>-</u>	<u>(218,882)</u>
Net income	(119,613)	-	(3,228)	(2,191)	(373)	(329,146)
Fund balances, beginning	<u>248,182</u>	<u>294</u>	<u>4,258</u>	<u>4,750</u>	<u>7,846</u>	<u>774,332</u>
Fund balances, ending	<u>\$ 128,569</u>	<u>\$ 294</u>	<u>\$ 1,030</u>	<u>\$ 2,559</u>	<u>\$ 7,473</u>	<u>\$ 445,186</u>

The notes to the financial statements are an integral part of this statement.

CITY OF WALTERBORO, SOUTH CAROLINA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2007

	Equipment Replacement Fund	Project Fund	Grant Fund	Great Swamp Fund	Accom Tax Fund	Total Nonmajor Governmental Funds
REVENUES						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 168,784	\$ 168,784
Miscellaneous	-	-	4,979	30,142	221,011	362,539
Total revenues	-	-	4,979	30,142	389,795	531,323
EXPENDITURES						
Housing project	-	-	-	-	-	29,288
DARE project	-	-	-	-	-	-
Police drug fund	-	-	-	-	-	4,913
Victims advocate	-	-	-	-	-	4,890
Local law enforcement grant	-	-	-	-	-	5,945
Bond fund	-	-	-	-	-	151,094
Project fund	-	306,965	-	-	-	306,965
Grant fund	-	-	1,341	-	-	1,341
Great swamp	-	-	-	363,798	-	363,798
Accommodations tax	-	-	-	-	268,045	268,045
Total expenditures	-	306,965	1,341	363,798	268,045	1,136,279
OTHER FINANCING SOURCES (USES)						
Operating transfers in	97,639	419,717	-	324,068	-	841,424
Operating transfers out	-	-	-	-	(22,089)	(386,917)
Total other financing sources (uses)	97,639	419,717	-	324,068	(22,089)	454,507
Net income	97,639	112,752	3,638	(9,588)	99,661	(150,450)
Fund balances, beginning	69,087	-	1,899	-	22,177	1,132,826
Prior period adjustment	-	-	-	-	60,615	60,615
Fund balances, beginning, as restated	69,087	-	1,899	-	82,792	1,193,441
Fund balances, ending	\$ 166,726	\$ 112,752	\$ 5,537	\$ (9,588)	\$ 182,453	\$ 1,042,991

The notes to the financial statements are an integral part of this statement.

PROPRIETARY FUNDS

Enterprise Funds

Special revenue funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes.

Walterboro Water & Sewer

This fund is used to account for water and sewer activities in the Walterboro area.

Ruffin Water

This fund is used to account for water operations in the Ruffin area.

Hendersonville Water and Sewer

This fund is used to account for water and sewer operations in the Hendersonville area.

**CITY OF WALTERBORO, SOUTH CAROLINA
COMBINING STATEMENT OF NET ASSETS
PROPRIETARY FUNDS – ENTERPRISE FUNDS
JUNE 30, 2007**

	Business-type Activities		
	Walterboro Water & Sewer	Ruffin Water	Hendersonville Water & Sewer
ASSETS			
Current assets			
Cash	\$ 2,835,380	\$ 70,149	\$ 2,423
Receivables	475,196	11,472	7,550
Inventories	126,232	-	-
Notes receivables	273,183	-	-
Due from other funds	18,594	-	-
Total current assets	<u>3,728,585</u>	<u>81,621</u>	<u>9,973</u>
Non-current assets			
Restricted cash	294,133	-	-
Bond issue costs	46,759	-	-
Capital assets	<u>14,464,231</u>	<u>1,313,695</u>	<u>645,756</u>
Total non-current assets	<u>14,805,123</u>	<u>1,313,695</u>	<u>645,756</u>
Total assets	<u>\$ 18,533,708</u>	<u>\$ 1,395,316</u>	<u>\$ 655,729</u>
LIABILITIES AND NET ASSETS			
LIABILITIES			
Current Liabilities			
Accounts payable	\$ 10,070	\$ -	\$ -
Current portion - long-term debt	130,062	-	-
Due to other funds	3,246	-	-
Customer deposits	<u>229,621</u>	<u>-</u>	<u>-</u>
Total current liabilities	<u>373,000</u>	<u>-</u>	<u>-</u>
Non-current liabilities			
Bonds, notes and leases payable	2,922,270	-	-
Annual leave	<u>21,742</u>	<u>-</u>	<u>-</u>
Total non-current liabilities	<u>2,944,012</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>3,317,012</u>	<u>-</u>	<u>-</u>
Net assets			
Unrestricted	3,510,663	81,621	9,973
Restricted	294,133	-	-
Capital assets, net	<u>11,411,900</u>	<u>1,313,695</u>	<u>645,756</u>
Total net assets	<u>15,216,696</u>	<u>1,395,316</u>	<u>655,729</u>
Total liabilities and net assets	<u>\$ 18,533,708</u>	<u>\$ 1,395,316</u>	<u>\$ 655,729</u>

The notes to the financial statements are an integral part of this statement.

CITY OF WALTERBORO, SOUTH CAROLINA
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS – ENTERPRISE FUNDS
FOR THE YEAR ENDING JUNE 30, 2007

	Business-type Activities		
	Walterboro Water & Sewer	Ruffin Water	Hendersonville Water & Sewer
OPERATING REVENUES			
Charges for service			
Water sales	\$ 1,543,392	\$ 39,001	\$ 4,510
Sewer charges	1,023,286	-	3,011
Total operating revenues	<u>2,566,678</u>	<u>39,001</u>	<u>7,521</u>
OPERATING EXPENDITURES			
Costs of sales and service			
Water	748,606	20,406	2,511
Sewer	522,902	-	1,534
Utility support	103,267	1,541	297
Bank charges	3,075	-	-
Bond issue costs	3,818	-	-
Depreciation	464,760	28,027	14,046
Total expenditures	<u>1,846,428</u>	<u>49,974</u>	<u>18,388</u>
Operating income	720,250	(10,973)	(10,867)
NONOPERATING REVENUES (EXPENSES)			
Investment income	148,989	-	-
Unclaimed property	135	-	-
Interest expense	(126,105)	-	-
Total nonoperating revenues (expenses)	<u>23,019</u>	<u>-</u>	<u>-</u>
Income before contributions and transfers	743,269	(10,973)	(10,867)
Operating transfers out	<u>(733,351)</u>	<u>-</u>	<u>-</u>
Change in net assets	9,918	(10,973)	(10,867)
Fund balances, beginning	<u>15,206,778</u>	<u>1,406,289</u>	<u>666,596</u>
Fund balance, ending	<u>\$ 15,216,696</u>	<u>\$ 1,395,316</u>	<u>\$ 655,729</u>

The notes to the financial statements are an integral part of this statement.

STATISTICAL SECTION

**CITY OF WALTERBORO, SOUTH CAROLINA
COMPUTATION OF LEGAL DEBT MARGIN
FOR THE YEAR ENDED JUNE 30, 2007**

Legal Debt Limit

The State Constitution restricts the City's borrowing power. This law provides that a local unit cannot at any time have total debt outstanding in an amount that exceeds eight percent of its assessed property value. Excluded from the limitation are: bonded indebtedness approved by the voters and issued within five years of the date of such referendum; special bonded indebtedness levies assessed on properties located in an area receiving special benefits from the taxes collected; and bonded indebtedness existing on December 1, 1977, the effective date of amendment of Article X of the constitution of South Carolina pertaining to bonded debt. The City's legal debt margin as June 30, 2007 was \$938,791.

**CITY OF WALTERBORO, SOUTH CAROLINA
COMPARISON OF REVENUE AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2007**

Revenues	Amount	Percent of Total	Increase (Decrease) from 2006	Percent of Increase (Decrease)
Taxes	\$ 2,430,832	46.67%	\$ 328,178	15.61%
Fines, Fees and Licenses	2,130,653	40.91%	21,729	1.03%
Intergovernmental	152,242	2.92%	11,006	7.79%
Sanitation	338,195	6.49%	4,964	1.49%
Miscellaneous	156,657	3.01%	104,081	197.96%
Total revenues	\$ 5,208,579	100.00%	\$ 469,958	

Expenditures	Amount	Percent of Total	Increase (Decrease) from 2006	Percent of Increase (Decrease)
Mayor and Council	\$ 226,632	4.34%	\$ 46,082	25.52%
City Manager	195,074	3.74%	24,996	14.70%
Finance	351,114	6.73%	23,372	7.13%
Public Works	1,008,932	19.33%	(80,657)	-7.40%
Codes Enforcement	101,243	1.94%	9,690	10.58%
Police	1,674,232	32.08%	21,643	1.31%
Fire	496,443	9.51%	(201,131)	-28.83%
Judicial	223,563	4.28%	(33,998)	-13.20%
Sanitation	419,404	8.04%	(151,722)	-26.57%
Parks	210,078	4.02%	N/A	N/A
Miscellaneous	312,706	5.99%	(1,172)	-0.37%
Total expenditures	\$ 5,219,421	100.00%	\$ (342,897)	