

**CITY OF WALTERBORO, SOUTH CAROLINA**  
**FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2009**

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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 the City of Walterboro, South Carolina, as of and for the year ended June 30, 2009, 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 the 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 the City of Walterboro, South Carolina, as of June 30, 2009, and the respective changes in financial position, and cash flows, where applicable, thereof 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 December 8, 2009, 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 and budgetary comparison information on pages 3 through 16 and 50 through 51, are not a required part of the basic financial statements but are 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 the City of Walterboro, South Carolina's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, the statistical section, and the 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 and the schedules described in the accompanying table of contents have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are 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 auditing 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 8, 2009

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**CITY OF WALTERBORO, SOUTH CAROLINA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2009**

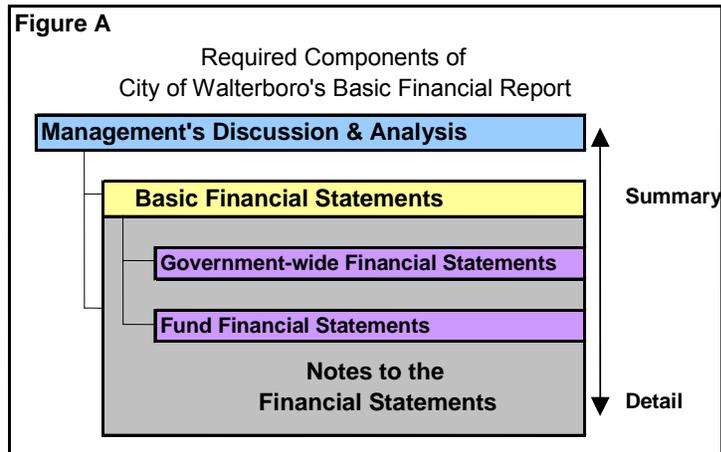
This section of the City of Walterboro's annual financial report (AFR) presents City management's discussion and analysis of the City's financial performance during the fiscal year that ended on June 30, 2009. Please read this in conjunction with the City's financial statements, which follow this section.

**FINANCIAL HIGHLIGHTS**

- ▶ Fiscal 2009 was a very challenging year for the local economy as the national economic downturn hit South Carolina and Colleton County especially hard. The City of Walterboro was fortunate in that revenues did continue to exceed the prior year in most categories although they failed to reach budgeted amounts. By managing costs your City's staff was able to hold expenditures down to more than offset the budget shortfall experienced in revenues and thus the City actually not only was able to balance its budget but generated a small surplus for the year.
- ▶ The total primary government experienced a 3.1% increase in net assets from \$25.4 million at June 30, 2008 to \$26.2 million at June 30, 2009. This change in Net Assets is due primarily to an increase in net capital assets of \$1.5 million.
- ▶ Within the business-like activities, fiscal 2009 revenue from water and sewer charges increased \$445,571(↑16.1%) from \$2.77 million to \$3.11 million. A substantial portion of this came from revenues relating to new construction and the balance resulted almost exclusively from a 5% rate increase. Volumes were relatively flat. At the same time, water and sewer operating expenses remained relatively flat, resulting in an increase in operating income of \$338,477 (↑39.1%). At the same time, in governmental activities, revenue from taxes remained relatively flat, growing by \$78,791(↑3.1%).
- ▶ Early in fiscal 2004, the City issued general obligation bonds in the amount of \$1,000,000 to fund the purchase of various capital equipment and property, and \$170,690 was still on hand as of June 30, 2009.
- ▶ In both fiscal years 2008 and 2009, the City continued to support its employees through a three percent cost of living raise, while maintaining no costs to the employees for individual health insurance. As a point of reference, the City was unable to continue this policy in Fiscal 2010 because of a decrease in revenue projections caused by the economic downturn which began primarily during the early part of Fiscal 2009. Instead, while the individual health insurance cost increases were covered, the cost of living raise was limited to one percent for 2010.

## OVERVIEW OF THE FINANCIAL STATEMENTS

Figure A below gives a graphic presentation of the arrangement and components of this Financial Report.



As shown in Figure A above, the financial statements consist of three parts: 1) management's discussion and analysis (this section), 2) the basic financial statements, and the 3) 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 public safety, 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 B, below, 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.

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

## 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 two major 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 reported here and represents the only activity in the City's "Business-type Activities".

### **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 Waltherboro has one proprietary fund: the Water and Sewer Fund which is an 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.

In addition to these funds, the City maintains certain smaller funds in a fiduciary capacity. The City has no ownership in these funds. A Statement of the Assets and Liabilities for the Fiduciary Funds Group can be found immediately preceding 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.

## Supplementary Information

In addition to the above, this report also contains Supplementary Information that can be useful to the reader in order to better understand the financial statements and the results of the City's operations. This information can be found after the Notes to Financial Statements. 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 following the notes to the financial statements as the first report in the Supplementary Information.

## FINANCIAL ANALYSIS OF THE CITY (PRIMARY GOVERNMENT)

### Net assets

The City's *combined* net assets at June 30, 2009 totaled \$26,203,377 (↑3.3%). Governmental Activities' net assets comprising \$8.2 million (↑6.6%), while Business-type Activities' net assets held the balance of \$18.0 million (↑1.9%).

Most of the Governmental Activities' net assets (\$6.1 million) are invested in cash or cash equivalents, a decrease of 2.4%. The second largest asset category, \$5.4 million (↑6.9%), was held in capital assets (buildings, equipment, roads, etc). Governmental Activities unrestricted net assets remains strong at \$3,539,149 (↑3.0%) at the end of fiscal 2009, for overall positive net assets of \$8,170,867 (↑6.6) at the end of this year.

The total net assets of the City's Business-type Activities was \$18,032,810 at the end of fiscal year 2009. Of that total, most of the investment was tied into capital assets (\$15.3 million), net of related debt for the Water and Sewer Fund. Unrestricted net assets (assets available to support operations) decreased during the year by \$584,662 (↓19.6%) primarily because of further investments in capital assets without increases in borrowing. This caused the deployment of unrestricted net assets as capital assets.

### Changes In Net assets

Total net assets increased from \$25,364,513 in 2008 to \$26,203,677 (↑3.3%) in fiscal 2009. The major component of this increase in total assets was a \$1.5 million (↑8.1%) increase in Capital Assets. This was partly offset by a \$650,509 decrease in unrestricted net assets, which was caused by deployment of more current assets as capital assets without a corresponding increase in related debt.

The City's total revenues held steady at \$9.6 million in fiscal year 2009. The economic downturn was the primary reason that revenues did not increase as projected

### **Governmental Activities**

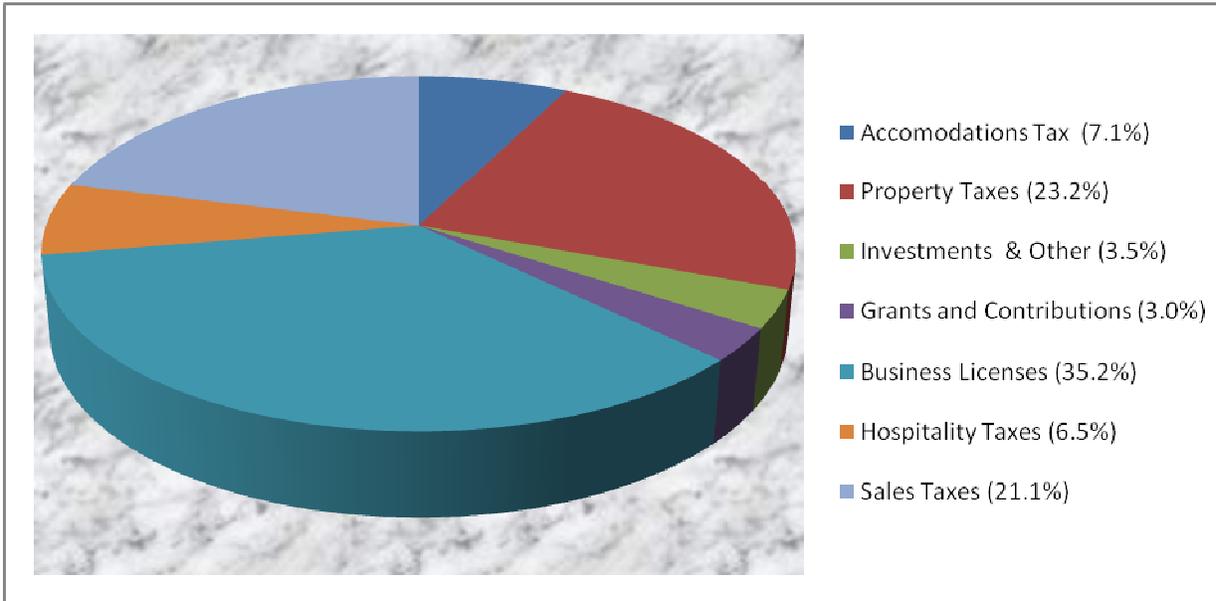
Transfers and Revenues, including general revenues (\$5.5 million), were not sufficient to cover expenses for fiscal year 2009, resulting in a net loss of \$60,498 for the year. This, however was still a favorable variance from the budgeted loss of \$180,000.

- ▶ The cost of all governmental activities this year was \$6.9 million (↑3.9%). However, the amount that our taxpayers paid for these activities through general revenues (primarily taxes and license fees) was \$5.5 million (↑3.2%).
- ▶ 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.

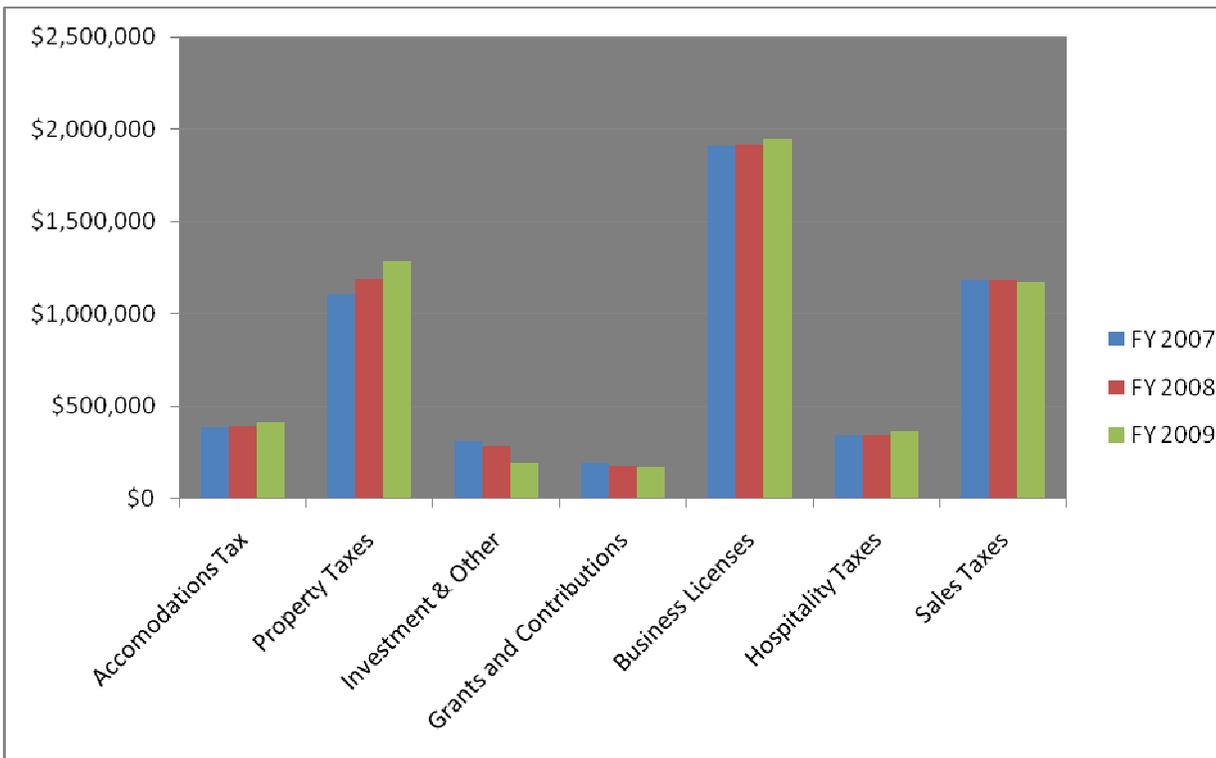
The City financed the \$4.2 million (↑18.8%) net expenses for governmental activities from the \$5.0 million (↑19.4%) in taxes, license fees and other general revenues, such as interest earnings as well as transfers from business-like activities.

- ▶ Figures C & D below show the various sources of general revenues for Fiscal Year 2008 (Figure C) and a comparison of these revenues to the same revenue categories for Fiscal Year 2007 (Figure D):

**Figure C – General Fund Revenues By Sources**



**Figure D – Comparative General Fund Revenues**



- 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 35.2% of total general revenues.
- The second largest source of general revenues (and very close in amount to the number three source, local option sales taxes) is property taxes at 23.2%. The City's millage, 81 mills, was increased 3 mills from 78 mills in 2007 to meet the property tax cap adjusted to population and CPI increases. Because of the stress on taxpayers an increase would cause, Council decided there would be no increase for 2009.
- The third largest general revenue source is the local option sales tax (21.1%). This fee is levied at 1% of gross receipts earned within the city limits and is used to off-set property tax and for general operations.

### **Business-type Activities**

The City operates a water department and sewer treatment plant and provides these services to the citizens of Walterboro and some of the surrounding areas.

### **FINANCIAL ANALYSIS OF THE CITY'S FUNDS**

As the City completed the year, its governmental funds reported a *combined* fund balance of \$6.5 million which was a slight decrease from 2008. This decrease in combined fund balances of the governmental funds was calculated on ending fund balances. These financial activities comprised the major changes in governmental fund balances:

#### ***Governmental revenues ~***

- ▶ Total revenues of the governmental funds showed an increase of 13.9% and \$835,233 over the prior year, primarily due to increased local hospitality taxes and grant revenues. Although the fund balances have grown, much of this increase is not available for normal City operations.
- ▶ Fines, Fees and Licenses revenue remained relatively stable
- ▶ Tax revenues, other than hospitality taxes remained stable

- ▶ Solid Waste Charges remained stable. Fee increases will allow these to increase in fiscal year 2009 as management continues to work to adjust revenues to cover operating costs for specific services that can readily be measured.

**Governmental expenses ~**

- ▶ Expenses by major governmental function are shown below:

Function	2008 Expenses	2009 Expenses	% Δ
<b>General Funds</b>			
Mayor and Council	\$257,994	\$256,744	-0.5%
Finance	363,427	382,297	5.2%
City Manager	194,745	188,369	-3.3%
Public Works	1,310,624	1,294,674	-1.2%
Codes Enforcement	140,544	215,954	53.7%
Public Safety	2,681,615	2,661,287	-0.8%
Judicial	318,073	349,320	9.8%
Sanitation	607,179	405,344	-33.2%
Parks	206,119	354,600	72.0%
Non-departmental	188,725	183,970	-2.5%
Other	25,271	28,639	13.3%
Total	<u>\$6,294,316</u>	<u>\$6,321,198</u>	0.4%
<b>Other Governmental Funds</b>			
Bond Fund	11,305	176,743	1463.4%
Project Fund	47,232	133,603	182.9%
Great Swamp Sanct.	318,736	60,077	-81.2%
Accommodations Tax	239,425	302,710	26.4%
Other	10,220	11,543	12.9%
	<u>626,918</u>	<u>684,676</u>	
<b>Total</b>	<u>\$6,921,234</u>	<u>\$7,005,874</u>	1.2%

- ▶ 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 2009. The cost of living raise, together with merit salary increases earned by employees through excellent performance, accounted for the rise in personal services costs.

A notable decrease in the expenses above was in the Sanitation Department. This was caused by the purchase of a garbage truck in 2008 for \$166,664. This also reduced maintenance and truck operating costs for the subsequent year.

- ▶ The increases in both Code Enforcement and Parks resulted from increased personnel in these areas.

#### ***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 directly from service charges increased approximately 9% in fiscal 2009, providing an additional \$82,452 in resources. Beginning in Fiscal 2007 Water and sewer service rates were increased for the first time since 2001 in an effort to offset loss generated by increased fuel and insurance. These changes were strongly recommended by the State's Office of Community Development Block Grants as a condition to receive much-needed funding for water and sewer system upgrades.

#### ***Proprietary funds' expenses ~***

- ▶ In the Water and Sewer Fund, operating expenses for fiscal 2009 increased by 4.9 %..

### **Analysis of Changes in Major Funds**

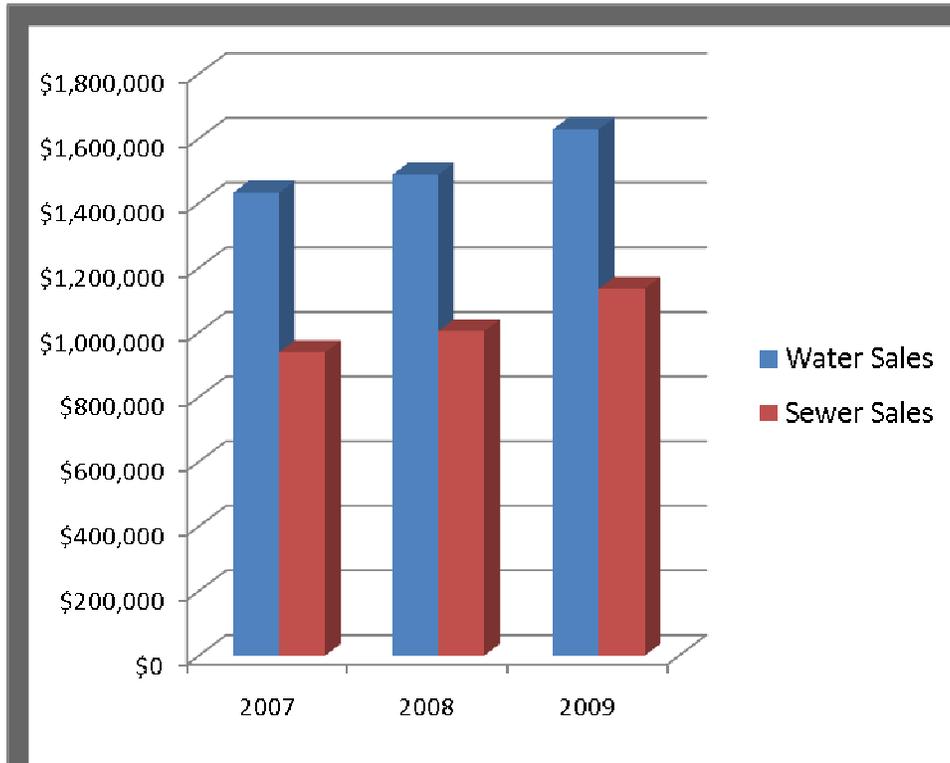
#### ***The General Fund (The Governments primary operating fund) ~***

At the end of fiscal 2009 the total fund balance of the City's General Fund decreased \$180,000 (7%) from the prior year's ending balance. This was related to an increase in capital assets.

#### ***Water and Sewer Fund (Business-type activity) ~***

Generally, the Water and Sewer Funds account 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.

Figure E shows the financial trends in the water and sewer fund.



### General Fund Budgetary Highlights

The City of Waltherboro adopts an annual budget, as required by State law. Waltherboro's management actively uses the budget as a financial management tool, reporting on budget status to the City Council each month. Historically each annual budget was reviewed following the completion of the first half of the fiscal year. Revenue projections were updated and budgeted expenditures levels modified to reflect changing conditions. Because of economic uncertainties, budgets for 2009 were monitored even more closely with a monthly analysis of revenues being made to ensure management was aware of any downturns that may have required budgetary adjustments as soon as possible. This is continuing in Fiscal 2010. As was the case last year, any items deemed to require action will be brought to the attention of Council on a timely basis.

The final fiscal year 2009 General Fund budget projected \$5,647,000 in revenues and \$909,135 in other financing sources. Appropriations were made for \$6,736,135 in expenditures. Actual revenues fell short of budget by \$91,766 but this was more than offset by reductions of actual general funds expenditures resulting in a favorable overall budget variance.

## **CAPITAL ASSET AND DEBT MANAGEMENT**

### **Capital Assets**

At the end of fiscal 2009, the City had invested \$23.4 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 5.4% 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.

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, 2008. 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 2009. The City is working to develop the retroactive infrastructure capital assets data for inclusion in future years' financial statements. Note 5 provides additional details on capital assets.

### **Long-term Debt**

At 2009 fiscal year-end, the City had \$6.3 million in long-term debt outstanding, of which \$454,894 will mature during fiscal 2010. The net decrease in long-term debt from the previous year was \$454,481 or 7.2%. 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 approximately \$730,000 (41%), resulting in a legal debt margin of approximately \$1,053,000.

Although sales and use tax is considered a revenue source subject to variations in the economy, the consistent growth and relatively 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 approximately 5½%, 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**

As we write this, certain factors at the national level, including the overall stability of the economy make the uncertainties we face in the near future far more unpredictable than at any time in recent memory.

Another factor that raises uncertainties is the extent to which the volatility of fuel prices over past two years may further affect the City's tourism industry. While the City is not a major tourist

destination, the traffic along I-95 accounts for a significant portion of business licenses, local option sales tax, accommodations tax and hospitality tax revenues. Together, these revenue sources account for about half of the City's annual budget.

With these caveats, we will set forth our comments in view of current circumstances about which we have more direct knowledge.

Even with the general economic downturn experienced within the State of South Carolina over the past several years, Walterboro has remained a stable, growing economy. Price level changes within the City are comparable with national indices. The City's unemployment rates typically compare unfavorably with the State and national rates. The most recent data available (September 2009) shows that the Walterboro area's unemployment rate (Colleton County) was 14.2% as compared to 10.0%, at this time in 2008. This compares to 11.6% (7.6% in 2008) for the State of South Carolina and the national rate of 9.8% (6.1% for 2008)

***Source: SC Employment Security Commission***

Revenue growth for the City's General Revenues, as defined above, continue to be relatively stable. Expenses continue to grow at about the same rate as annual payroll costs, which are set primarily by the cost of living increases Council approves for a specific year. As noted above this was 3% in each of the past fiscal years. For 2010, this was reduced to 1% because of economic conditions.

The City's staff considered these and other relevant factors in preparing the annual budget for fiscal year 2010. Revenues budgeted for 2010 are actually below collections for 2009. This is the first time, at least in recent memory, this has occurred. As a result of these uncertainties, the City's staff continues to monitor monthly revenue collections in more detail and more timely than in the past.

## **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, 2009**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Cash	\$ 6,099,960	\$ 1,804,663	\$ 7,904,623
Receivables	613,098	605,742	1,218,840
Inventories	-	135,645	135,645
Notes receivable	53,781	273,183	326,964
Internal balances	22,915	(22,915)	-
Bond issue costs, net	30,970	30,925	61,895
Restricted cash	-	291,459	291,459
Capital assets	<u>5,365,662</u>	<u>18,061,339</u>	<u>23,427,001</u>
 Total assets	 <u>\$ 12,186,386</u>	 <u>\$ 21,180,041</u>	 <u>\$ 33,366,427</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 200,651	\$ 121,795	\$ 322,446
Current portion - long term debt	274,957	179,937	454,894
Interest payable	14,708	-	14,708
Customer deposits	-	236,339	236,339
Deferred revenue	-	50,605	50,605
Bonds, notes and leases payable	3,361,309	2,533,311	5,894,620
Compensated absences	<u>163,894</u>	<u>25,244</u>	<u>189,138</u>
 Total liabilities	 <u>4,015,519</u>	 <u>3,147,231</u>	 <u>7,162,750</u>
<b>NET ASSETS</b>			
Unrestricted	3,535,149	2,393,260	5,928,409
Restricted for debt service	-	291,459	291,459
Capital assets, net of related debt	<u>4,635,718</u>	<u>15,348,091</u>	<u>19,983,809</u>
 Total net assets	 <u>\$ 8,170,867</u>	 <u>\$ 18,032,810</u>	 <u>\$ 26,203,677</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, 2009**

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	\$ 262,545	\$ -	\$ -	\$ -	\$ (262,545)	\$ -	\$ (262,545)
Housing project	1,088	-	5,663	-	4,575	-	4,575
Police drug fund	-	-	2,405	-	2,405	-	2,405
Victims advocate	2,273	21,648	-	-	19,375	-	19,375
Local law enforcement grant	5,887	-	-	3,000	(2,887)	-	(2,887)
Cash project fund	-	-	-	3,600	3,600	-	3,600
Grant fund	2,214	-	3,703	-	1,489	-	1,489
Great Swamp	43,191	-	-	-	(43,191)	-	(43,191)
Local accommodations tax fund	107,953	-	-	-	(107,953)	-	(107,953)
State accommodations tax fund	194,839	-	-	-	(194,839)	-	(194,839)
Finance	383,635	-	-	-	(383,635)	-	(383,635)
City manager	195,999	-	-	-	(195,999)	-	(195,999)
Public works	1,277,972	-	-	-	(1,277,972)	-	(1,277,972)
Codes enforcement	219,028	31,083	-	-	(187,945)	-	(187,945)
Public safety	2,484,957	357,881	-	-	(2,127,076)	-	(2,127,076)
Judicial	348,408	-	-	-	(348,408)	-	(348,408)
Sanitation	477,512	411,722	-	-	(65,790)	-	(65,790)
Parks	240,347	-	-	-	(240,347)	-	(240,347)
Non-department support	93,840	-	-	-	(93,840)	-	(93,840)
Reserve accounts	28,639	-	-	-	(28,639)	-	(28,639)
Interest on long-term debt	158,607	-	-	-	(158,607)	-	(158,607)
Total governmental activities	\$ 6,528,934	\$ 822,334	\$ 11,771	\$ 6,600	(5,688,229)	-	(5,688,229)
Business-type activities:							
Water	\$ 1,368,838	\$ 1,761,218	\$ -	\$ -	-	392,381	392,381
Sewer	752,910	1,451,504	-	-	-	698,594	698,594
Total business-type activities	2,121,748	3,212,722	-	-	-	1,090,975	1,090,975
Total primary government	\$ 8,650,682	\$ 4,035,056	\$ 11,771	\$ 6,600	(5,688,229)	1,090,975	(4,597,255)
General revenues:							
Property taxes					1,287,221	-	1,287,221
Sales taxes					1,168,830	-	1,168,830
Business licenses					1,950,618	-	1,950,618
Merchant inventory					50,749	-	50,749
Local accommodations tax					161,152	-	161,152
State accommodations tax					251,058	-	251,058
Hospitality tax					362,023	-	362,023
Grants and contributions not restricted to specific programs					167,765	-	167,765
Sale of equipment					21,654	2,061	23,715
Investment earnings					119,104	64,183	183,287
Transfers					655,684	(825,684)	(170,000)
Total general revenues					6,195,858	(759,440)	5,436,418
Change in net assets					507,629	331,535	839,164
Net assets, beginning of year					7,663,238	17,701,275	25,364,513
Net assets, end of year					\$ 8,170,867	\$ 18,032,810	\$ 26,203,677

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

**CITY OF WALTERBORO, SOUTH CAROLINA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2009**

<b>ASSETS</b>	<b>General Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
	<u>          </u>	<u>          </u>	<u>          </u>
Cash	\$ 4,058,361	\$ 2,041,599	\$ 6,099,960
Receivables	415,612	197,484	613,096
Due from other funds	10,602	597,322	607,924
Notes receivable	<u>          -</u>	<u>          53,781</u>	<u>          53,781</u>
Total assets	<u>\$ 4,484,575</u>	<u>\$ 2,890,186</u>	<u>\$ 7,374,761</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 88,070	\$ 112,580	\$ 200,650
Due to other funds	558,499	26,510	585,009
Deferred revenue	<u>          79,916</u>	<u>          53,781</u>	<u>          133,697</u>
Total liabilities	<u>          726,485</u>	<u>          192,871</u>	<u>          919,356</u>
<b>FUND BALANCES</b>			
Undesignated	<u>          3,758,090</u>	<u>          2,697,315</u>	<u>          6,455,405</u>
Total fund balances	<u>          3,758,090</u>	<u>          2,697,315</u>	<u>          6,455,405</u>
Total liabilities and fund balances	<u>\$ 4,484,575</u>	<u>\$ 2,890,186</u>	<u>\$ 7,374,761</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, 2009**

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

Total fund balances - governmental funds	\$ 6,455,405
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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 \$868,781 accumulated depreciation	2,621,078	
Machinery and Equipment, net of \$850,786 accumulated depreciation	587,301	
Vehicles, net of \$1,895,825 accumulated depreciation	877,521	
Infrastructure, net of \$24,910 accumulated depreciation	83,899	
Construction in progress	<u>114,300</u>	
Total capital assets		5,365,662

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.	133,697
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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, 2009 are:

Accrued interest payable	(14,708)	
General obligation bonds payable	(3,636,266)	
Accrued compensated absences	<u>(163,894)</u>	
Total long-term liabilities		(3,814,868)

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.	<u>30,971</u>
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Net assets of governmental activities	<u><u>\$ 8,170,867</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, 2009**

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>			
Taxes	\$ 2,599,244	\$ 740,118	\$ 3,339,362
Fines, fees and licenses	2,283,243	-	2,283,243
Intergovernmental	160,530	-	160,530
Solid waste charges	411,722	-	411,722
Miscellaneous	<u>100,495</u>	<u>101,012</u>	<u>201,507</u>
 Total revenues	 <u>5,555,234</u>	 <u>841,130</u>	 <u>6,396,364</u>
<b>EXPENDITURES</b>			
Mayor and Council	256,744	-	256,744
Finance	382,297	-	382,297
City manager	188,369	-	188,369
Public works	1,294,674	-	1,294,674
Code enforcement	215,954	-	215,954
Public safety	2,661,287	-	2,661,287
Judicial	349,320	-	349,320
Sanitation	405,344	-	405,344
Parks	354,600	-	354,600
Non-department support	183,970	-	183,970
Reserve accounts	28,639	-	28,639
Housing project	-	1,088	1,088
Victims advocate	-	2,272	2,272
Local law enforcement grant	-	5,887	5,887
Bond fund	-	176,743	176,743
Local hospitality	-	82	82
Project fund	-	133,603	133,603
Grant fund	-	2,214	2,214
Great Swamp	-	60,077	60,077
Local accommodations tax fund	-	107,871	107,871
State accommodations tax fund	<u>-</u>	<u>194,839</u>	<u>194,839</u>
 Total expenditures	 <u>6,321,198</u>	 <u>684,676</u>	 <u>7,005,874</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Operating transfers in	907,635	405,648	1,313,283
Operating transfers out	<u>(202,169)</u>	<u>(583,464)</u>	<u>(785,633)</u>
 Total other financing sources (uses)	 <u>705,466</u>	 <u>(177,816)</u>	 <u>527,650</u>
 Net change in fund balance	 (60,498)	 (21,362)	 (81,860)
 Fund balance, beginning	 <u>3,818,588</u>	 <u>2,718,677</u>	 <u>6,537,265</u>
 Fund balance, ending	 <u>\$ 3,758,090</u>	 <u>\$ 2,697,315</u>	 <u>\$ 6,455,405</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, 2009**

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	\$ (81,860)
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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 (\$960,871) exceeded depreciation, (\$420,213) in the current period.	540,658
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The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net assets	(195,543)
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Repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net assets.	277,567
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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.

Compensated absences	\$ (16,201)	
Accrued interest	1,176	
Amortization of bond issue costs	(2,684)	
Deferred revenues	<u>(15,484)</u>	
		<u>(33,193)</u>

Total change in net assets of governmental activities	<u>\$ 507,629</u>
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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, 2009**

<b>ASSETS</b>	<b>Business-type Activities</b> <b>Enterprise Funds</b> <b><u>Water and Sewer</u></b>
<b>ASSETS</b>	
Current assets	
Cash	\$ 1,804,663
Receivables	605,742
Inventories	135,645
Notes receivable	<u>273,183</u>
Total current assets	<u>2,819,233</u>
Non-current assets	
Restricted cash	291,459
Bond issue costs	30,925
Capital assets	<u>18,061,339</u>
Total non-current assets	<u>18,383,723</u>
Total assets	<u>\$ 21,202,956</u>
 <b>LIABILITIES AND NET ASSETS</b>	
Current liabilities	
Accounts payable	\$ 121,795
Current portion - long-term debt	179,937
Customer deposits	236,339
Deferred revenue	50,605
Due to other funds	<u>22,915</u>
Total current liabilities	<u>611,591</u>
Non-current liabilities	
Bonds, notes, and leases payable	2,533,311
Annual leave	<u>25,244</u>
Total non-current liabilities	<u>2,558,555</u>
Total liabilities	<u>3,170,146</u>
Net assets	
Unrestricted	2,393,260
Restricted for debt service	291,459
Capital assets, net of related debt	<u>15,348,091</u>
Total net assets	<u>18,032,810</u>
Total liabilities and net assets	<u>\$ 21,202,956</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, 2009**

	<b>Business-type activities</b> <b>Enterprise Funds</b> <b><u>Water and Sewer</u></b>
<b>Operating revenues</b>	
Charges for services	
Water sales	\$ 1,761,218
Sewer charges	<u>1,451,504</u>
Total operating revenues	<u>3,212,722</u>
<b>Operating expenses</b>	
Cost of sales and service	
Water	759,324
Sewer	565,500
Utility support	138,079
Depreciation	534,978
Bank charges	3,075
Bond issue costs	<u>7,917</u>
Total operating expenses	<u>2,008,873</u>
<b>Operating income</b>	<u>1,203,849</u>
<b>Nonoperating revenues (expenses)</b>	
Investment income	64,183
Sale of equipment	2,061
Interest expense	<u>(112,874)</u>
Total nonoperating revenues (expenses)	<u>(46,630)</u>
Income before contributions and transfers	1,157,219
Operating transfers out	<u>(825,684)</u>
Change in net assets	331,535
Net assets, beginning	<u>17,701,275</u>
Net assets, ending	<u>\$ 18,032,810</u>

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, 2009**

	<b>Business-type Activities Enterprise Funds Water and Sewer</b>
<b>Cash flows from operating activities:</b>	
Cash received from customers	\$ 3,105,689
Cash paid to employees	(568,916)
Cash paid for operating goods and services	<u>(1,055,269)</u>
Net cash provided by operating activities	<u>1,481,504</u>
<b>Cash flows from capital financing activities:</b>	
Transfers to other funds	<u>(655,684)</u>
Net cash used in noncapital financing activities	<u>(655,684)</u>
<b>Cash flows from investing activities:</b>	
Interest received on investments	64,183
Purchases of fixed assets	<u>(1,388,047)</u>
Net cash used in investing activities	<u>(1,323,864)</u>
<b>Cash flows from capital and related financing activities:</b>	
Interest and bank charges paid	(150,446)
Repayment of long-term debt	<u>(135,344)</u>
Net cash used in investing activities	<u>(285,790)</u>
NET DECREASE IN CASH	(783,834)
CASH AT BEGINNING OF YEAR	<u>2,879,956</u>
CASH AT END OF YEAR	<u>\$ 2,096,122</u>
<b>Reconciliation of net income (loss) to net cash provided (used) by operating activities</b>	
Net operating income	<u>\$ 1,203,849</u>
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities	
Depreciation	478,686
(Increase) decrease in accounts receivable	(107,033)
(Increase) decrease in inventories	(24,369)
Increase (decrease) in accounts payable	114,013
Increase (decrease) in annual leave	1,596
Increase (decrease) in due to other funds	(252,151)
(Increase) decrease in due from other funds	18,594
Increase (decrease) in accrued liabilities	50,605
Increase (decrease) in customer deposits	<u>(2,286)</u>
Total adjustments	<u>277,655</u>
Net cash provided by operating activities	<u>\$ 1,481,504</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, 2009**

	<b>Agency Funds</b>	
	<b>Municipal Court</b>	<b>Firemen's Fund</b>
<b>ASSETS</b>		
Cash	\$ 41,492	\$ 74
Total assets	<u>\$ 41,492</u>	<u>\$ 74</u>
<b>LIABILITIES</b>		
Due to others	\$ 41,492	\$ 74
Total liabilities	<u>\$ 41,492</u>	<u>\$ 74</u>

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, 2009**

**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, 2009**

**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 fund:

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 City reports the following major proprietary fund:

The *water and sewer fund* accounts for the activities of the water and sewer operations. 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.

**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.

**CITY OF WALTERBORO, SOUTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2009**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**Assets, Liabilities, and Net Assets or Equity – Continued**

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 15<sup>th</sup> with penalties assessed of 3% if paid after January 15<sup>th</sup>, 10% if paid after January 31<sup>st</sup>, and 15% if paid after March 15<sup>th</sup>. 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 2008 is 81 mills. 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.

Property and equipment of the primary government and proprietary fund 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
Infrastructure	20-50

**CITY OF WALTERBORO, SOUTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2009**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**Assets, Liabilities, and Net Assets or Equity – Continued**

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 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, 2009 was \$163,894 and \$25,244, 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.

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, and 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.

**CITY OF WALTERBORO, SOUTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2009**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**Assets, Liabilities, and Net Assets or Equity – Continued**

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.

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.

**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. At June 30, 2009 the bank balances were \$6,121,023. All of the City's deposits at year end were covered by federal depository insurance or by collateral held in the pledging financial institution's trust department in the City's name. Therefore, none of the City's deposits were exposed to custodial credit risk at June 30, 2009.

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.

**CITY OF WALTERBORO, SOUTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2009**

**NOTE 4 – RECEIVABLES**

**Accounts Receivable**

Receivables at June 30, 2009, including the applicable allowances for uncollectible accounts, are as follows for the fund and government-wide financial statements, respectively.

<u>Receivables</u>	<u>General Government</u>	<u>Proprietary Funds</u>	<u>Total</u>
Property taxes and assessments	\$ 224,628	\$ -	\$ 224,628
Intergovernmental	525,491	33,687	559,178
Charges for services	<u>-</u>	<u>680,129</u>	<u>680,129</u>
Gross receivables	750,119	713,816	1,463,935
Less allowance for uncollectible accounts	<u>(137,023)</u>	<u>(108,074)</u>	<u>(245,097)</u>
Net total receivables	<u>\$ 613,096</u>	<u>\$ 605,742</u>	<u>\$ 1,218,838</u>

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	\$ 79,916	\$ -
Net balance of housing notes receivable	<u>53,781</u>	<u>-</u>
Total	<u>\$ 133,697</u>	<u>\$ -</u>

**Notes Receivable**

The City has notes receivable from various individuals for \$53,781 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 \$5,976 as an allowance for bad debts as these loans are not always collectible in full and deferred the balance of \$53,781 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, 2009.

**CITY OF WALTERBORO, SOUTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2009**

**NOTE 5 – CAPITAL ASSETS**

Capital assets activity for the year ended June 30, 2009 was as follows:

<u>Governmental Activities</u>	<u>June 30, 2008</u>	<u>Increase</u>	<u>Decrease</u>	<u>June 30, 2009</u>
<i>Capital assets not being depreciated</i>				
Land and improvements	\$ 1,081,563	\$ -	\$ -	\$ 1,081,563
Construction in progress	<u>106,851</u>	<u>202,992</u>	<u>195,543</u>	<u>114,300</u>
Total capital assets, not being depreciated	<u>1,188,414</u>	<u>202,992</u>	<u>195,543</u>	<u>1,195,863</u>
<i>Capital assets being depreciated</i>				
Buildings and improvements	3,095,129	394,730	-	3,489,859
Machinery and equipment	1,238,812	199,275	-	1,438,087
Infrastructure	93,221	15,588	-	108,809
Vehicles	<u>3,059,418</u>	<u>148,286</u>	<u>434,358</u>	<u>2,773,346</u>
Total capital assets being depreciated	<u>7,486,580</u>	<u>757,879</u>	<u>434,358</u>	<u>7,810,101</u>
Less accumulated depreciation for:				
Buildings and improvements	802,115	66,666	-	868,781
Machinery and equipment	768,538	82,248	-	850,786
Infrastructure	-	24,910	-	24,910
Vehicles	<u>2,083,794</u>	<u>246,389</u>	<u>434,358</u>	<u>1,895,825</u>
Total accumulated depreciation	<u>3,654,447</u>	<u>420,213</u>	<u>434,358</u>	<u>3,640,302</u>
Total capital assets being depreciated, net	<u>3,832,133</u>	<u>337,666</u>	<u>-</u>	<u>4,169,799</u>
Governmental activities capital assets, net	<u>\$ 5,020,547</u>	<u>\$ 540,658</u>	<u>\$ 195,543</u>	<u>\$ 5,365,662</u>

<u>Business-type Activities</u>	<u>June 30, 2008</u>	<u>Increase</u>	<u>Decrease</u>	<u>June 30, 2009</u>
<i>Capital assets not being depreciated</i>				
Land and improvements	\$ 44,773	\$ -	\$ -	\$ 44,773
Construction in progress	<u>490,665</u>	<u>1,439,099</u>	<u>569,135</u>	<u>1,360,629</u>
Total capital assets, not being depreciated	<u>535,438</u>	<u>1,439,099</u>	<u>569,135</u>	<u>1,405,402</u>
<i>Capital assets being depreciated</i>				
Water system and improvements	12,871,815	568,748	-	13,440,563
Sewer system and improvements	10,274,154	-	-	10,274,154
Buildings and improvements	223,569	-	-	223,569
Machinery and equipment	650,250	15,605	-	665,855
Vehicles	<u>315,895</u>	<u>-</u>	<u>64,209</u>	<u>251,686</u>
Total capital assets being depreciated	<u>24,335,683</u>	<u>584,353</u>	<u>64,209</u>	<u>24,855,827</u>
Less accumulated depreciation for:				
Water system and improvements	2,791,306	264,130	-	3,055,436
Sewer system and improvements	4,152,223	207,598	-	4,359,821
Buildings and improvements	150,909	5,589	-	156,498
Machinery and equipment	383,352	37,314	-	420,666
Vehicles	<u>251,331</u>	<u>20,347</u>	<u>64,209</u>	<u>207,469</u>
Total accumulated depreciation	<u>7,729,121</u>	<u>534,978</u>	<u>64,209</u>	<u>8,199,890</u>
Total capital assets being depreciated, net	<u>16,606,562</u>	<u>49,375</u>	<u>-</u>	<u>16,655,937</u>
Business-type activities capital assets, net	<u>\$ 17,142,000</u>	<u>\$ 1,488,474</u>	<u>\$ 569,135</u>	<u>\$ 18,061,339</u>

**CITY OF WALTERBORO, SOUTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2009**

**NOTE 5 – CAPITAL ASSETS – CONTINUED**

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

<u>Governmental Activities</u>	
City manager	\$ 8,003
Code enforcement	4,180
Fire	24,560
Great Swamp	40,085
Mayor and council	5,801
Parks	1,304
Police	114,176
Public works	149,218
Sanitation	<u>72,886</u>
 Total depreciation expense	 <u>\$ 420,213</u>

<u>Business-type Activities</u>	
Sewer	\$ 239,180
Water	<u>295,798</u>
 Total depreciation expense	 <u>\$ 534,978</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 composition of interfund balances as of June 30, 2009 is as follows:

<u>Transfer Out</u>	<u>Transfer In</u>			<u>Total</u>
	<u>General Fund</u>	<u>Nonmajor Governmental</u>	<u>Water and Sewer Fund</u>	
General fund	\$ -	\$ 202,169	\$ -	\$ 202,169
Nonmajor governmental fund	21,500	190,574	73,356	285,430
Water Sewer	<u>886,135</u>	<u>12,905</u>	<u>-</u>	<u>899,040</u>
 Total transfers out	 <u>\$ 907,635</u>	 <u>\$ 405,648</u>	 <u>\$ 73,356</u>	 <u>\$ 1,386,639</u>

**CITY OF WALTERBORO, SOUTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2009**

**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	\$ 558,499	\$ 10,602
Other governmental funds	26,510	597,322
Water Sewer	<u>22,915</u>	<u>-</u>
Total due to/from other funds	<u>\$ 607,924</u>	<u>\$ 607,924</u>

**NOTE 7 – LONG-TERM OBLIGATIONS**

**Operating Leases**

The City leases equipment under non-cancelable operating leases. The total costs for such leases amounted to \$3,000 for the year ended June 30, 2009. The future minimum leases for these leases are as follows:

<u>Year Ending June 30,</u>	<u>Business-type Activities</u>
2010	\$ 3,000
Total	<u>\$ 3,000</u>

**Capital Leases**

The City has entered into various lease agreements for financing of vehicles and heavy equipment. These lease agreements qualify 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>(377,854)</u>
Total	<u>\$ 218,341</u>

**CITY OF WALTERBORO, SOUTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2009**

**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, 2009, were as follows:

<b><u>Year Ending June 30,</u></b>	<b><u>Governmental Activities</u></b>
2010	\$ 32,673
2011	22,803
2012	22,803
2013	22,803
2014 to 2015	<u>37,320</u>
 Total minimum lease payments	 138,402
Less amount representing interest	<u>(12,326)</u>
 Present value of minimum lease payments	 <u>\$ 126,076</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. \$170,690 of this funding was still on hand in cash accounts at June 30, 2009. 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:

<b><u>Bonds Payable</u></b>	<b><u>Governmental Activities</u></b>
\$1,000,000, Series 2003 serial bonds due in annual installments of \$90,130 due on December 30th at 4.03% interest rate over 15 years.	\$ 729,944
 \$1,735,000 TIF Revenue Bond due in monthly installments of \$13,124 at 4.22% interest rate over 15 years.	 1,464,973
 \$1,560,000 Lease Base Lease Hospitality Tax due in monthly installments of \$11,712 at 5.11% interest rate over 15 years.	 <u>1,315,273</u>
 Total bonds payable	 <u>\$ 3,510,190</u>

**CITY OF WALTERBORO, SOUTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2009**

**NOTE 7 – LONG-TERM OBLIGATIONS – CONTINUED**

**Governmental Activities Bonds - Continued**

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

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 245,745	\$ 142,419	\$ 388,164
2011	256,053	132,112	388,165
2012	266,793	121,372	388,165
2013	277,983	110,180	388,163
2014	289,645	98,361	388,006
2015-2019	1,641,000	299,819	1,940,819
2020-2021	<u>532,971</u>	<u>23,138</u>	<u>556,109</u>
Total	<u>\$ 3,510,190</u>	<u>\$ 927,401</u>	<u>\$ 4,437,591</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>Bonds Payable:</u>	<u>Water and Sewer Fund</u>
\$3,459,914, Sewer Line Rehabilitation Bond, Series 2001B, due in quarterly installments of \$63,036 with 4.0% interest through April, 2022.	\$ 2,508,702
\$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>204,546</u>
Total bonds payable	<u>\$ 2,713,248</u>

Revenue bond debt service requirements to maturity are as follows:

<u>Year Ending June 30,</u>	<u>Water and Sewer</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 179,937	\$ 105,583	\$ 285,520
2011	187,242	98,548	285,790
2012	194,790	90,990	285,780
2013	202,591	83,189	285,780
2014	210,645	78,135	288,780
2015-2019	1,076,251	275,582	1,351,833
2020-2022	<u>661,792</u>	<u>70,793</u>	<u>732,585</u>
Total	<u>\$ 2,713,248</u>	<u>\$ 802,820</u>	<u>\$ 3,516,068</u>

**CITY OF WALTERBORO, SOUTH CAROLINA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2009**

**NOTE 7 – LONG-TERM OBLIGATIONS – CONTINUED**

The following is a summary of changes in long-term obligations for the year ended June 30, 2009.

	<u>Balance</u> <u>June 30, 2008</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2009</u>	<u>Due Within</u> <u>A Year</u>
<b><u>Governmental Activities</u></b>					
Bonds payable	\$ 3,746,660	\$ -	\$ 236,470	\$ 3,510,190	\$ 246,388
Notes and leases payable	<u>167,163</u>	<u>-</u>	<u>41,087</u>	<u>126,076</u>	<u>28,569</u>
Total	<u>\$ 3,913,823</u>	<u>\$ -</u>	<u>\$ 277,557</u>	<u>\$ 3,636,266</u>	<u>\$ 274,957</u>
<b><u>Business-type Activities</u></b>					
Bonds payable	<u>\$ 2,886,164</u>	<u>\$ -</u>	<u>\$ 172,916</u>	<u>\$ 2,713,248</u>	<u>\$ 179,937</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 \$158,607 and \$112,875, 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.

**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:

**CITY OF WALTERBORO, SOUTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2009**

**NOTE 9 – RETIREMENT PLAN – CONTINUED**

<b>SOUTH CAROLINA RETIREMENT CONTRIBUTION INFORMATION</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>
Covered payroll	\$ 1,765,602	\$ 1,674,289	\$ 1,645,894
Covered retirees	44,346	45,571	40,722
Employee contributions	117,647	111,791	109,556
Employee contribution rate (based upon salary)	7%	7%	7%
Employer contributions	167,238	155,819	135,773
Employer contribution rate (based upon salary)	9%	9%	8%
Group life contributions	2,715	2,580	2,530
Group life contribution rate (based upon salary)	0%	0%	0%

<b>SOUTH CAROLINA POLICE OFFICERS CONTRIBUTION INFORMATION</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>
Covered payroll	\$ 1,289,055	\$ 1,220,557	\$ 1,016,325
Employee contributions	83,789	79,336	66,062
Employee contribution rate (based upon salary)	7%	7%	7%
Employer contributions	137,285	125,717	104,682
Employer contribution rate (based upon salary)	11%	10%	10%
Group life contributions	2,579	2,441	2,033
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.

**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 plan 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.

**CITY OF WALTERBORO, SOUTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2009**

**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 – SUBSEQUENT EVENTS**

Subsequent to June 30, 2009, the City issued Water and Sewerage revenue bonds in the amount of \$3,116,588 for the purpose of rehabilitating the wastewater unit of its waterworks and sewer system.

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# Baird & Company CPAs, LLC

CERTIFIED PUBLIC ACCOUNTANTS & FINANCIAL ADVISORS  
Augusta, Georgia Office

Thomson, Georgia Office

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W. Lee Hammond, CPA

## 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

City of Walterboro 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 the City of Walterboro, South Carolina, as of and for the year ended June 30, 2009, which collectively comprise the City of Walterboro, South Carolina's basic financial statements and have issued our report thereon dated December 8, 2009. 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 opinions 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 misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, City Council, others within the entity, 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 8, 2009

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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, 2009**

	<u>General Fund</u>			<b>Variance Favorable (Unfavorable)</b>
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	
<b>REVENUES</b>				
Taxes	\$ 2,520,000	\$ 2,520,000	\$ 2,599,244	\$ 79,244
Fines, fees and licenses	2,320,000	2,320,000	2,283,243	(36,757)
Intergovernmental	177,000	177,000	160,530	(16,470)
Solid waste charges	500,000	500,000	411,722	(88,278)
Miscellaneous	130,000	130,000	100,495	(29,505)
Total revenues	<u>5,647,000</u>	<u>5,647,000</u>	<u>5,555,234</u>	<u>(91,766)</u>
<b>EXPENDITURES</b>				
Mayor and council	229,145	229,145	256,744	(27,599)
Finance	409,503	409,503	382,297	27,206
City manager	187,613	187,613	188,369	(756)
Public works	1,351,132	1,351,132	1,294,674	56,458
Codes enforcement	212,828	212,828	215,954	(3,126)
Public safety	2,777,570	2,777,570	2,661,287	116,283
Judicial	334,745	334,745	349,320	(14,575)
Sanitation	532,732	532,732	405,344	127,388
Parks	436,437	436,437	354,600	81,837
Non-department support	189,430	189,430	183,970	5,460
Reserve accounts	75,000	75,000	28,639	46,361
Total expenditures	<u>6,736,135</u>	<u>6,736,135</u>	<u>6,321,198</u>	<u>414,937</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers in	909,135	909,135	907,635	(1,500)
Operating transfers out	-	-	(202,169)	(202,169)
Total financing sources (uses)	<u>909,135</u>	<u>909,135</u>	<u>705,466</u>	<u>(203,669)</u>
Net income (loss)	(180,000)	(180,000)	(60,498)	119,502
Fund balance, beginning	<u>2,705,795</u>	<u>2,705,795</u>	<u>3,818,588</u>	<u>1,112,793</u>
Fund balance, ending	<u>\$ 2,525,795</u>	<u>\$ 2,525,795</u>	<u>\$ 3,758,090</u>	<u>\$ 1,232,295</u>

**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, 2009**

	<b>Water and Sewer</b>			
	<b><u>Original Budget</u></b>	<b><u>Final Budget</u></b>	<b><u>Actual</u></b>	<b><u>Variance Favorable (Unfavorable)</u></b>
<b>OPERATING REVENUES</b>				
Charges for service				
Water sales	\$ 1,836,800	\$ 1,911,000	\$ 1,761,218	\$ (149,782)
Sewer charges	<u>1,170,100</u>	<u>1,235,500</u>	<u>1,451,504</u>	<u>216,004</u>
Total revenues	<u>3,006,900</u>	<u>3,146,500</u>	<u>3,212,722</u>	<u>66,222</u>
<b>OPERATING EXPENDITURES</b>				
Costs of sales and service				
Water	1,342,149	755,836	759,324	(3,488)
Sewer	922,851	696,337	565,500	130,837
Utility support	399,762	442,706	138,079	304,627
Bank charges	-	-	3,075	(3,075)
Bond issue costs	-	-	7,917	(7,917)
Depreciation	<u>-</u>	<u>-</u>	<u>534,978</u>	<u>(534,978)</u>
Total expenditures	<u>2,664,762</u>	<u>1,894,879</u>	<u>2,008,873</u>	<u>(113,994)</u>
Operating income	342,138	1,251,621	1,203,849	(47,772)
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Investment income	-	-	64,183	64,183
Economic development	-	(64,836)	-	64,836
Sale of equipment	-	-	2,061	2,061
Interest expense	<u>-</u>	<u>-</u>	<u>(112,874)</u>	<u>(112,874)</u>
Total nonoperating revenues (expenses)	<u>-</u>	<u>(64,836)</u>	<u>(46,630)</u>	<u>18,206</u>
Income before contributions and transfers	342,138	1,186,785	1,157,219	(29,566)
Operating transfers out	<u>(886,135)</u>	<u>(1,186,785)</u>	<u>(825,684)</u>	<u>361,101</u>
Change in net assets	(543,997)	-	331,535	331,535
Fund balance, beginning	<u>15,862,226</u>	<u>15,862,226</u>	<u>17,701,275</u>	<u>1,839,049</u>
Fund balance, ending	<u>\$ 15,318,229</u>	<u>\$ 15,862,226</u>	<u>\$ 18,032,810</u>	<u>\$ 2,170,584</u>

# 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.

<b>Housing Project Fund</b>	This fund is used to account for the revenues and expenditures that relate to the repayment of grant loans from community development block funds.
<b>DARE Fund</b>	This fund is used to account for contributions restricted for use by the police department for the DARE program.
<b>Police Drug Fund</b>	This fund is used to account for the money seized in drug raids and is used to prevent the use and distributions of drugs.
<b>Victims Advocate Fund</b>	This fund is legally restricted for victim advocacy.
<b>Police Grant Fund</b>	This fund is used to account for the funds received for federal grants to purchase law enforcement equipment.
<b>Bond Fund</b>	This fund is used to account for general obligation debt restricted to specific purposes.
<b>Tax Incremental Financing Fund</b>	This fund is used to account for capital infrastructure improvements in the tax incremental financing district.
<b>Local Hospitality Tax Fund</b>	This fund is used to account for the local hospitality taxes collected by the city.
<b>Equipment Replacement Fund</b>	This fund is used to account for the budgeted accumulation of resource to purchase equipment.
<b>Project Fund</b>	This fund is used to account for various projects.
<b>Grant Fund</b>	This fund is used to account for various grants awarded to the City.
<b>Great Swamp Fund</b>	This fund is used to account for the funds related to the construction of the Great Swamp Project.
<b>Accommodations Tax Fund</b>	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  
JUNE 30, 2009**

	<b>Housing Project Fund</b>	<b>Police Drug Fund</b>	<b>Victims Advocate Fund</b>	<b>Police Grant Fund</b>	<b>Bond Fund</b>	<b>TIF Fund</b>	<b>Local Hospitality Fund</b>
<b>ASSETS</b>							
Cash	\$ 186,393	\$ 10,162	\$ 257	\$ 5,685	\$ 170,690	\$ 1,138,656	\$ 164,612
Receivables	-	-	1,664	-	-	-	32,146
Due from other funds	-	-	-	-	-	-	-
Notes receivable	<u>53,781</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets	<u>\$ 240,174</u>	<u>\$ 10,162</u>	<u>\$ 1,921</u>	<u>\$ 5,685</u>	<u>\$ 170,690</u>	<u>\$ 1,138,656</u>	<u>\$ 196,758</u>
 <b>LIABILITIES AND FUND BALANCES</b>							
<b>LIABILITIES</b>							
Current Liabilities							
Accrued expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-	-	-	-
Deferred revenues	<u>53,781</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>53,781</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
 <b>FUND BALANCES</b>							
Unreserved	<u>186,393</u>	<u>10,162</u>	<u>1,921</u>	<u>5,685</u>	<u>170,690</u>	<u>1,138,656</u>	<u>196,758</u>
Total Fund Balances	<u>186,393</u>	<u>10,162</u>	<u>1,921</u>	<u>5,685</u>	<u>170,690</u>	<u>1,138,656</u>	<u>196,758</u>
Total Liabilities & Fund Balances	<u>\$ 240,174</u>	<u>\$ 10,162</u>	<u>\$ 1,921</u>	<u>\$ 5,685</u>	<u>\$ 170,690</u>	<u>\$ 1,138,656</u>	<u>\$ 196,758</u>

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

**CITY OF WALTERBORO, SOUTH CAROLINA  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2009**

	<u>Equipment Replacement Fund</u>	<u>Project Fund</u>	<u>Grant Fund</u>	<u>Great Swamp Fund</u>	<u>Local Accommodations Tax Fund</u>	<u>State Accommodations Tax Fund</u>	<u>Total Nonmajor Governmental Funds</u>
<b>ASSETS</b>							
Cash	\$ -	\$ -	\$ -	\$ -	\$ 365,144	\$ -	\$ 2,041,599
Receivables	-	92,112	-	-	13,082	58,480	197,484
Due from other funds	560,448	3,600	17,365	-	15,909	-	597,322
Notes receivable	-	-	-	-	-	-	53,781
Total Assets	<u>\$ 560,448</u>	<u>\$ 95,712</u>	<u>\$ 17,365</u>	<u>\$ -</u>	<u>\$ 394,135</u>	<u>\$ 58,480</u>	<u>\$ 2,890,186</u>
 <b>LIABILITIES AND FUND BALANCES</b>							
<b>LIABILITIES</b>							
Current Liabilities							
Accounts payable	\$ -	\$ 92,112	\$ -	\$ -	\$ -	\$ 20,468	\$ 112,580
Due to other funds	-	-	10,602	-	-	15,908	26,510
Deferred revenues	-	-	-	-	-	-	53,781
Total Liabilities	<u>-</u>	<u>92,112</u>	<u>10,602</u>	<u>-</u>	<u>-</u>	<u>36,376</u>	<u>192,871</u>
 <b>FUND BALANCES</b>							
Unreserved	<u>560,448</u>	<u>3,600</u>	<u>6,763</u>	<u>-</u>	<u>394,135</u>	<u>22,104</u>	<u>2,697,315</u>
Total Fund Balances	<u>560,448</u>	<u>3,600</u>	<u>6,763</u>	<u>-</u>	<u>394,135</u>	<u>22,104</u>	<u>2,697,315</u>
Total Liabilities & Fund Balances	<u>\$ 560,448</u>	<u>\$ 95,712</u>	<u>\$ 17,365</u>	<u>\$ -</u>	<u>\$ 394,135</u>	<u>\$ 58,480</u>	<u>\$ 2,890,186</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, 2009**

	<u>Housing Project Fund</u>	<u>Police Drug Fund</u>	<u>Victims Advocate Fund</u>	<u>Police Grant Fund</u>	<u>Bond Fund</u>	<u>TIF Fund</u>	<u>Local Hospitality Fund</u>
<b>REVENUES</b>							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 362,023
Miscellaneous	25,913	2,670	21,936	3,226	3,602	23,707	3,503
Total revenues	<u>25,913</u>	<u>2,670</u>	<u>21,936</u>	<u>3,226</u>	<u>3,602</u>	<u>23,707</u>	<u>365,526</u>
<b>EXPENDITURES</b>							
Housing project	1,088	-	-	-	-	-	-
Police drug fund	-	-	-	-	-	-	-
Victims advocate	-	-	2,272	-	-	-	-
Local law enforcement grant	-	-	-	5,887	-	-	-
Bond fund	-	-	-	-	176,743	-	-
TIF fund	-	-	-	-	-	-	-
Local hospitality	-	-	-	-	-	-	82
Project fund	-	-	-	-	-	-	-
Grant fund	-	-	-	-	-	-	-
Great swamp	-	-	-	-	-	-	-
Accommodations tax	-	-	-	-	-	-	-
Total expenditures	<u>1,088</u>	<u>-</u>	<u>2,272</u>	<u>5,887</u>	<u>176,743</u>	<u>-</u>	<u>82</u>
<b>OTHER FINANCING SOURCES (USES)</b>							
Operating transfers in	-	-	-	-	-	-	-
Operating transfers out	-	-	(21,500)	-	(99,262)	(91,312)	(298,034)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(21,500)</u>	<u>-</u>	<u>(99,262)</u>	<u>(91,312)</u>	<u>(298,034)</u>
Net income (loss)	24,825	2,670	(1,836)	(2,661)	(272,403)	(67,605)	67,410
Fund balances, beginning	<u>161,568</u>	<u>7,492</u>	<u>3,757</u>	<u>8,346</u>	<u>443,093</u>	<u>1,206,261</u>	<u>129,348</u>
Fund balances, ending	<u>\$ 186,393</u>	<u>\$ 10,162</u>	<u>\$ 1,921</u>	<u>\$ 5,685</u>	<u>\$ 170,690</u>	<u>\$ 1,138,656</u>	<u>\$ 196,758</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, 2009**

	<u>Equipment Replacement Fund</u>	<u>Project Fund</u>	<u>Grant Fund</u>	<u>Great Swamp Fund</u>	<u>Local Accommodations Tax Fund</u>	<u>State Accommodations Tax Fund</u>	<u>Total Nonmajor Governmental Funds</u>
<b>REVENUES</b>							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 161,152	\$ 216,943	\$ 740,118
Miscellaneous	-	3,600	3,703	-	9,152	-	101,012
Total revenues	<u>-</u>	<u>3,600</u>	<u>3,703</u>	<u>-</u>	<u>170,304</u>	<u>216,943</u>	<u>841,130</u>
<b>EXPENDITURES</b>							
Housing project	-	-	-	-	-	-	1,088
Police drug fund	-	-	-	-	-	-	-
Victims advocate	-	-	-	-	-	-	2,272
Local law enforcement grant	-	-	-	-	-	-	5,887
Bond fund	-	-	-	-	-	-	176,743
TIF fund	-	-	-	-	-	-	-
Local hospitality	-	-	-	-	-	-	82
Project fund	-	133,603	-	-	-	-	133,603
Grant fund	-	-	2,214	-	-	-	2,214
Great swamp	-	-	-	60,077	-	-	60,077
Local accommodations tax	-	-	-	-	107,871	-	107,871
State accommodations tax	-	-	-	-	-	194,839	194,839
Total expenditures	<u>-</u>	<u>133,603</u>	<u>2,214</u>	<u>60,077</u>	<u>107,871</u>	<u>194,839</u>	<u>684,676</u>
<b>OTHER FINANCING SOURCES (USES)</b>							
Operating transfers in	211,968	133,603	-	60,077	-	-	405,648
Operating transfers out	<u>-</u>	<u>(73,356)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(583,464)</u>
Total other financing sources (uses)	<u>211,968</u>	<u>60,247</u>	<u>-</u>	<u>60,077</u>	<u>-</u>	<u>-</u>	<u>(177,816)</u>
Net income (loss)	211,968	(69,756)	1,489	-	62,433	22,104	(21,362)
Fund balances, beginning	<u>348,480</u>	<u>73,356</u>	<u>5,274</u>	<u>-</u>	<u>331,702</u>	<u>-</u>	<u>2,718,677</u>
Fund balances, ending	<u>\$ 560,448</u>	<u>\$ 3,600</u>	<u>\$ 6,763</u>	<u>\$ -</u>	<u>\$ 394,135</u>	<u>\$ 22,104</u>	<u>\$ 2,697,315</u>

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, 2009**

	<b>Business-type Activities</b>			<b>Total</b>
	<b>Walterboro Water &amp; Sewer</b>	<b>Ruffin Water</b>	<b>Hendersonville Water &amp; Sewer</b>	
<b>ASSETS</b>				
Current assets				
Cash	\$ 1,678,900	\$ 115,554	\$ 10,209	\$ 1,804,663
Receivables	585,964	10,703	9,075	605,742
Inventories	135,645	-	-	135,645
Notes receivables	<u>273,183</u>	<u>-</u>	<u>-</u>	<u>273,183</u>
Total current assets	<u>2,673,692</u>	<u>126,257</u>	<u>19,284</u>	<u>2,819,233</u>
Non-current assets				
Restricted cash	291,459	-	-	291,459
Bond issue costs	30,925	-	-	30,925
Capital assets	<u>16,186,033</u>	<u>1,257,642</u>	<u>617,664</u>	<u>18,061,339</u>
Total non-current assets	<u>16,508,417</u>	<u>1,257,642</u>	<u>617,664</u>	<u>18,383,723</u>
Total assets	<u>\$ 19,182,109</u>	<u>\$ 1,383,899</u>	<u>\$ 636,948</u>	<u>\$ 21,202,956</u>
<b>LIABILITIES AND NET ASSETS</b>				
<b>LIABILITIES</b>				
Current Liabilities				
Accounts payable	\$ 121,795	\$ -	\$ -	\$ 121,795
Current portion - long-term debt	179,937	-	-	179,937
Due to other funds	22,915	-	-	22,915
Deferred revenue	50,605	-	-	50,605
Customer deposits	<u>236,339</u>	<u>-</u>	<u>-</u>	<u>236,339</u>
Total current liabilities	<u>611,591</u>	<u>-</u>	<u>-</u>	<u>611,591</u>
Non-current liabilities				
Bonds, notes and leases payable	2,533,311	-	-	2,533,311
Annual leave	<u>25,244</u>	<u>-</u>	<u>-</u>	<u>25,244</u>
Total non-current liabilities	<u>2,558,555</u>	<u>-</u>	<u>-</u>	<u>2,558,555</u>
Total liabilities	<u>3,170,146</u>	<u>-</u>	<u>-</u>	<u>3,170,146</u>
Net assets				
Unrestricted	2,247,719	126,257	19,284	2,393,260
Restricted for debt service	291,459	-	-	291,459
Capital assets, net of related debt	<u>13,472,785</u>	<u>1,257,642</u>	<u>617,664</u>	<u>15,348,091</u>
Total net assets	<u>16,011,963</u>	<u>1,383,899</u>	<u>636,948</u>	<u>18,032,810</u>
Total liabilities and net assets	<u>\$ 19,182,109</u>	<u>\$ 1,383,899</u>	<u>\$ 636,948</u>	<u>\$ 21,202,956</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 ENDED JUNE 30, 2009**

	<u>Business-type Activities</u>			<u>Total</u>
	<u>Walterboro Water &amp; Sewer</u>	<u>Ruffin Water</u>	<u>Hendersonville Water &amp; Sewer</u>	
<b>OPERATING REVENUES</b>				
Charges for service				
Water sales	\$ 1,710,067	\$ 45,896	\$ 5,255	\$ 1,761,218
Sewer charges	<u>1,447,894</u>	<u>-</u>	<u>3,610</u>	<u>1,451,504</u>
Total operating revenues	<u>3,157,961</u>	<u>45,896</u>	<u>8,865</u>	<u>3,212,722</u>
<b>OPERATING EXPENDITURES</b>				
Costs of sales and service				
Water	737,271	19,787	2,266	759,324
Sewer	564,094	-	1,406	565,500
Utility support	135,725	1,973	381	138,079
Bank charges	3,075	-	-	3,075
Bond issue costs	7,917	-	-	7,917
Depreciation	<u>492,905</u>	<u>28,027</u>	<u>14,046</u>	<u>534,978</u>
Total expenditures	<u>1,940,987</u>	<u>49,787</u>	<u>18,099</u>	<u>2,008,873</u>
Operating income	<u>1,216,974</u>	<u>(3,891)</u>	<u>(9,234)</u>	<u>1,203,849</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Investment income	64,183	-	-	64,183
Sale of equipment	2,061	-	-	2,061
Interest expense	<u>(112,874)</u>	<u>-</u>	<u>-</u>	<u>(112,874)</u>
Total nonoperating revenues (expenses)	<u>(46,630)</u>	<u>-</u>	<u>-</u>	<u>(46,630)</u>
Income before contributions and transfers	1,170,344	(3,891)	(9,234)	1,157,219
Operating transfers, net	<u>(825,684)</u>	<u>-</u>	<u>-</u>	<u>(825,684)</u>
Change in net assets	344,660	(3,891)	(9,234)	331,535
Fund balance, beginning	<u>15,667,303</u>	<u>1,387,790</u>	<u>646,182</u>	<u>17,701,275</u>
Fund balance, ending	<u>\$ 16,011,963</u>	<u>\$ 1,383,899</u>	<u>\$ 636,948</u>	<u>\$ 18,032,810</u>

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

**CITY OF WALTERBORO, SOUTH CAROLINA  
SCHEDULE OF FINES AND ASSESSMENTS  
FOR THE YEAR ENDED JUNE 30, 2009**

<b>COURT FINES</b>	
Court fines collected	\$ 261,561
Court fines retained by the City	<u>(144,875)</u>
Court fines remitted to the State Treasurer	116,686
<b>COURT ASSESSMENTS</b>	
Court assessments collected	6,541
Court assessments retained by the City	<u>-</u>
Court assessments remitted to the State Treasurer	6,541
<b>COURT SURCHARGES</b>	
Court surcharges collected	63,227
Court surcharges retained by the City	<u>-</u>
Court surcharges remitted to the State Treasurer	63,227
<b>VICTIMS ASSISTANCE</b>	
Court assessments allocated to Victims Assistance	14,811
Court surcharges allocated to Victims Assistance	<u>6,837</u>
Funds allocated to Victim Assistance	21,648
Interest income	288
Victim Services expenditures	<u>(23,772)</u>
Funds available (deficit) for carryforward	(1,836)
Beginning balance	<u>3,758</u>
Ending balance	<u>\$ 1,922</u>

## **STATISTICAL SECTION**

**CITY OF WALTERBORO, SOUTH CAROLINA  
COMPUTATION OF LEGAL DEBT MARGIN  
FOR THE YEAR ENDED JUNE 30, 2009**

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, 2009 was \$3,740,711.

**CITY OF WALTERBORO, SOUTH CAROLINA  
COMPARISON OF REVENUE AND EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2009**

<u>Revenues</u>	<u>Amount</u>	<u>Percent of Total</u>	<u>Increase (Decrease) from 2008</u>	<u>Percent of Increase (Decrease)</u>
Taxes	\$ 2,599,244	46.79%	\$ 78,951	3.13%
Fines, fees and licenses	2,283,243	41.10%	78,428	3.56%
Intergovernmental	160,530	2.89%	(7,727)	(4.59%)
Sanitation	411,722	7.41%	80,262	(24.21%)
Miscellaneous	100,495	1.81%	(50,192)	(33.31%)
 Total revenues	 <u>\$ 5,555,234</u>	 <u>100.00%</u>	 <u>\$ 179,722</u>	

<u>Expenditures</u>	<u>Amount</u>	<u>Percent of Total</u>	<u>Increase (Decrease) from 2008</u>	<u>Percent of Increase (Decrease)</u>
Mayor and Council	\$ 256,744	4.06%	\$ (1,250)	(0.48%)
City manager	188,369	2.98%	(6,376)	(3.27%)
Finance	382,297	6.05%	18,870	5.19%
Public works	1,294,674	20.48%	(15,950)	(1.22%)
Codes enforcement	215,954	3.42%	75,410	53.66%
Public safety	2,661,287	42.10%	(20,328)	(0.76%)
Judicial	349,320	5.53%	31,247	9.82%
Sanitation	405,344	6.41%	(201,835)	(33.24%)
Parks	354,600	5.61%	148,481	72.04%
Miscellaneous	212,609	3.36%	(1,387)	(0.65%)
 Total expenditures	 <u>\$ 6,321,198</u>	 <u>100.00%</u>	 <u>\$ 26,882</u>	