



**CITY OF WALTERBORO
SOUTH CAROLINA**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2011**

MAYOR

WILLIAM T. YOUNG, JR

CITY COUNCIL

DWAYNE BUCKNER	TOM LOHR
CHARLES LUCAS	RANDY PETERS
ROBERT BONDS	PAUL SIEGEL

CITY MANAGER

JEFFREY V. LORD

DIRECTOR OF FINANCE AND ADMINISTRATION

DENNIS AVERKIN

PREPARED BY:
FINANCE DEPARTMENT

City of Walterboro, South Carolina Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2011

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City of Walterboro, South Carolina
Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2011

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INTRODUCTORY SECTION

City of Walterboro

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Walterboro, South Carolina, 29488-3525

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November 11, 2011

The Honorable Members of City Council and the Citizens of the City of Walterboro, South Carolina

State law requires that all general-purpose local governments publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted accounting standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of City of Walterboro for the fiscal year ended June 30, 2011.

This report consists of management's representations concerning the finances of the City. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations management of the City has established a comprehensive internal control framework, that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with GAAP. Because the costs of internal controls should not outweigh their benefits, City of Walterboro's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City's financial statements have been audited by Baird & Company, CPAs, LLC, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended June 30, 2011 are free of material misstatement. The independent audit involves examining on a test basis, evidence supporting the amounts and disclosures in the financial statement presentation; assessing the accounting principles used and significant estimates made by management and evaluating the overall financial statement presentation. The independent auditor concluded based upon the audit that there was a reasonable basis for rendering an unqualified opinion that the City's financial statements for the fiscal year ended June 30, 2011 are fairly presented in conformity with GAAP. The independent auditors' report is presented as the first component of the financial section of this report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of management's discussion and analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. City of Walterboro's MD&A can be found immediately following the report of the independent auditors.

Profile of the Government

The City of Walterboro was incorporated in 1826 and is located in Colleton County, South Carolina. It is 54 miles south of Charleston, South Carolina and 69 miles north of Savannah, Georgia on Interstate I-95 exits 53 and 57. At June 30, 2011, the City occupied a land area of 6.57 square miles and serves a population of 5,398. The City is empowered to levy a property tax on both real and personal properties located within its boundaries.

The City operates under the council manager form of government. Policy-making and legislative authority are vested in a governing council consisting of seven members. The governing council is responsible, among other things for passing ordinances, adopting the budget, appointing committees, and hiring both the government's manager and attorney. The government's manager is responsible for carrying out policies and ordinances of the governing council, for overseeing the day-to-day operations of the government, and for appointing the heads of various departments. The six Council members and mayor are each elected to four-year staggered terms, with three council members elected every two years.

The City provides a full range of services to its citizens including: public safety, public works, zoning and code enforcement, parks infrastructure, court services, economic development, tourism, and water and sewer infrastructure.

The annual budget serves as the foundation for the City's financial planning and control. All departments of City of Walterboro are required to submit requests for appropriations to the manager on or before the last day in March each year. The City Manager uses these requests as the starting point for developing a proposed budget. These requests are based upon the policy goals requested by the Council at an annual planning retreat. The City Manager then presents this proposed budget to the council for review prior to May 15th. The Council is required to hold public hearings on the proposed budget and to adopt a final budget by no later than June 30th, the close of the City's fiscal year. The appropriated budget is prepared by fund and department. Budgetary control (that is the level at which expenditures cannot legally exceed the appropriated amount) is maintained by the manager at the fund level and may be amended as necessary during the fiscal year. Budget-to-actual comparisons are provided in the report for each individual governmental fund for which an appropriated annual budget has been adopted. For the general fund, this comparison is presented on page 51 as part of the required supplementary information for governmental funds.

Factors Affecting Financial Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City operates.

Local Economy

According to the 2010 Census, median household income was presented as \$32,200. Walterboro's existing retail marketplace is approximately \$345 million (as extrapolated from business license returns). Major retailers such as WalMart, PetSmart, Belk's, Rite-Aid, Bi-Lo, Radio Shack, Sears, Ace Hardware, Auto Zone, Walgreen's, CVS, Bojangles, and more than a dozen large hotels etc. have chosen to set up operations in Walterboro's vibrant local economy. The City has been able to minimize the effects of the current economic downturn by maintaining a conservative budget. Commercial construction activity almost ceased during 2008 due to the lack of available credit, and has remained stagnant through 2009 and 2010. 2011 has witnessed the construction of a new Bojangles' restaurant, Verizon retail store, a new O'Reilly Auto Parts store, and several major up-fits of existing buildings. Other proposed developments, primarily commercial, which have been postponed are under consideration. Economic development efforts the past five years have created substantial commercial redevelopment of properties located at Exit 57 along I-95. In addition to the above-mentioned, the City is in negotiations with major developments at both exits 53 & 57 as well as two potential re-development in our revitalized historic downtown. These should result in groundbreaking within the next 18 months.

Long-term Financial Planning

One of the City's primary concerns is that the necessary planning and growth management tools are implemented to assure that the future cost of providing City services does not exceed the revenues generated from slow--but steady--growth. During the budget preparation process, capital needs are projected five years into the future, along with anticipated revenues and related operating expenditures. These projections are updated each year. The City's water and wastewater treatment resources continue to be a critical component of the City's ability to service its population and attract commercial development. Over the past few years, the City has been actively engaged in improving its sources and treatment of water. The City is currently participating in two major water infrastructure improvement projects. A program for increasing water rates 5% annually over a five year period is being finalized in 2011. The City of Walterboro continues its efforts to provide quality wastewater treatment services to the citizens.

Relevant Accounting Policies

Internal Controls – Internal controls are procedures that are designed to protect assets from loss, theft, or misuse; to check the accuracy and reliability of accounting data; to promote operational efficiency; and to encourage compliance with managerial policies. The management of the City is responsible for establishing a system of internal controls designed to provide reasonable assurance these objectives are met.

Budgetary Controls – The City maintains budgetary controls which are designed to ensure compliance with legal provisions of the annual budget adopted by Council. It is the City's objective to conduct an open budget process providing for input from department administrators, top management, elected officials, and the public as the City's programs and services are determined for the next year.

The City adopted GASB Statement No. 45, "*Post Employment Benefits*" effective for fiscal year 2010. This resulted in a prior period adjustment to reflect the fiscal year 2010 cost. Also, GASB Statement No. 54, "*Fund Balance Reporting and Government Fund Type Definitions*" was adopted in the current year and accordingly, fund balances reflect the new types to be reported.

Major Initiatives

The City of Waltherboro has embarked upon the first phase of a 15-phase, I-95 Business Loop Streetscape project that upon completion, will total \$12.65 million in improvements. The project will span the entire length of S. Jeffries Blvd/N. Jeffries Blvd/Bells Highway between I-95 exits 53 and 57. With completion of the public questionnaire, field inventory/assessment, public input meetings, and conceptual master plan recommendations the objectives of the project are:

- Downtown Arborscape Improvements
- Mast Arm Enhancements throughout the corridor
- Commercial Village Enhancements (S. Jeffries Blvd.)
- Street Lighting and Banners
- Intersection Enhancements
- Median and Bike Lane Enhancements
- Great Swamp Corridor Trail System Enhancements

The stated benefits are to reduce the amount of curbcuts/driveways, provide landscaped medians, enhance floral and ornamental landscaping using native and naturalized plants, reducing the speed limit, provide bicycle lanes, improve directional signage, tourism destination signage (i.e., festival, seasonal, etc.), supplement existing street lighting with decorative post lights, provide new/additional street lighting, and attract more visitors and tourists to the historic downtown of Waltherboro.

The City of Waltherboro is also planning to purchase a ladder truck as well as construct a fire training tower in the next fiscal year, which will further enhance public safety.

Awards and Acknowledgments

The Government Finance Officers Association of the United States and Canada (GFOA) awards a Certificate of Achievement in Financial Reporting. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report, the contents of which conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements. This is the first year that the City has prepared a comprehensive annual financial report.

A Certificate of Achievement is valid for a period of one year only. We believe our current report will conform to certificate of achievement program requirements, and we are submitting it to the GFOA to determine its eligibility for a certificate.

The preparation of the comprehensive annual financial report was made possible by the cooperation of the department heads and staff of the City. Each of these individuals has our sincere appreciation for the contributions made in the preparation of this report.

Sincerely,

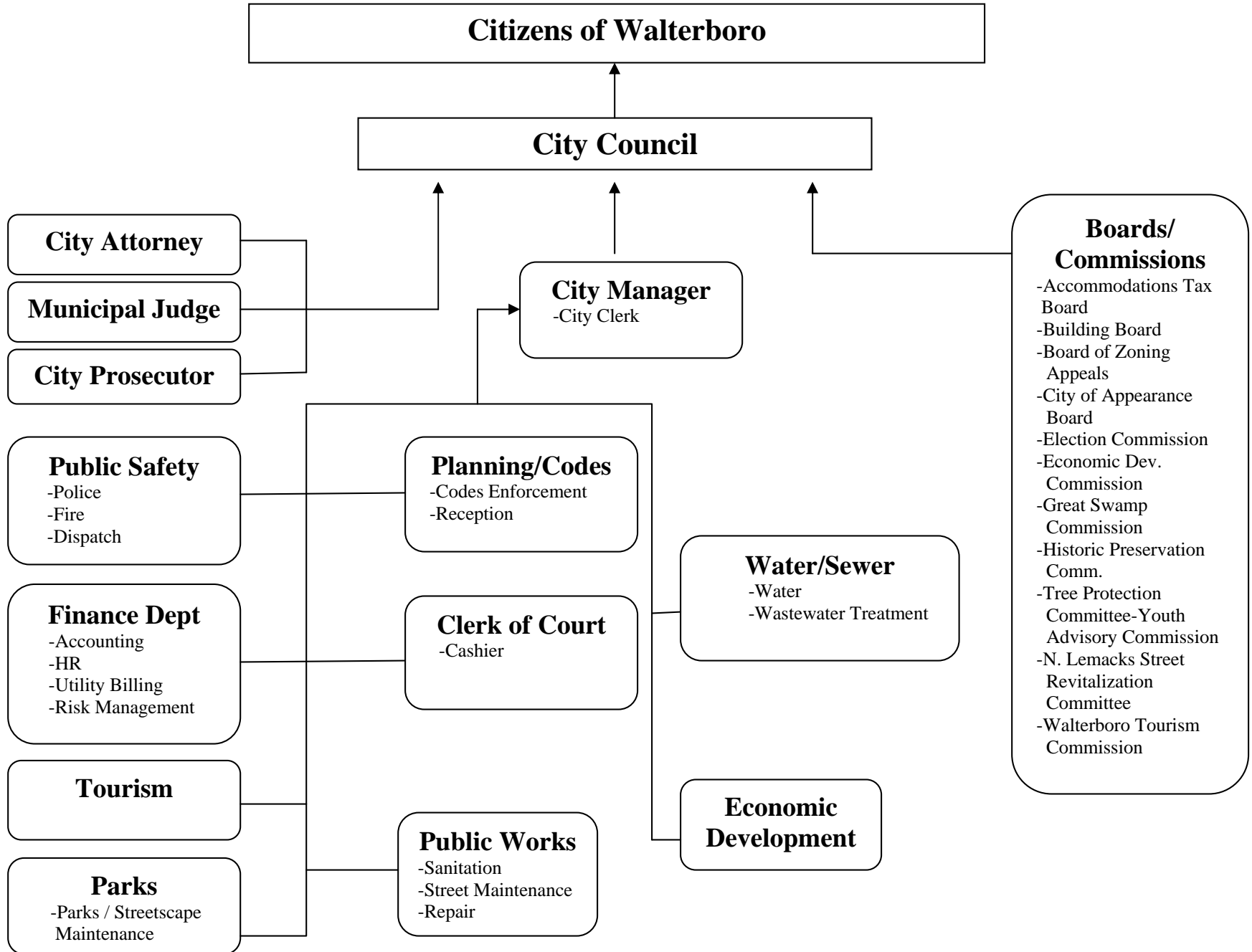


Jeffrey V. Lord
City Manager



Dennis E. Averkin
Director of Finance & Administration

CITY OF WALTERBORO, SOUTH CAROLINA ORGANIZATIONAL CHART



**CITY OF WALTERBORO
SOUTH CAROLINA
LIST OF PRINCIPAL OFFICIALS
JUNE 30, 2011**

TITLE	NAME
Mayor.....	William T. Young, Jr.
Council Member.....	Dwayne Buckner
Council Member.....	Tom Lohr
Council Member.....	Charles Lucas
Council Member.....	Randy Peters
Council Member.....	Robert Bonds
Council Member.....	Paul Siegel
City Manager.....	Jeffrey V. Lord
Director of Finance and Administration.....	Dennis Averkin
City Attorney.....	George W. Cone
Utility Director.....	Wayne Crosby
Public Works Director.....	Charlie Chewing
Building Official & Code Enforcement.....	Angelo Pacilio
Planning & Codes Director.....	David B. Dodd
Economic Development Director.....	Hank Amundson
Public Safety Director.....	Otis Rhodes
Tourism Director.....	Donna Laird
Parks Director.....	Carolyn Powell

FINANCIAL SECTION

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, 2011, 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, 2011, 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 November 11, 2011, 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 10 through 18, the budgetary comparison information on page 52 and the schedule of funding for other post employment benefits on page 52 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Walterboro, South Carolina's financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements, and statistical section, are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements 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 do not express an opinion or provide any assurance on it.

Baird & Company, CPAs, LLC

BAIRD & COMPANY, CPAs, LLC
Certified Public Accountants

Augusta, Georgia
November 11, 2011

City of Walterboro, South Carolina **Management's Discussion and Analysis**

As management of City of Walterboro (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2011. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 1 to 5 of this report.

Financial Highlights

- The assets of the City exceed its liabilities at the close of the most recent fiscal year by \$27,868,945 (net assets). Of this amount, \$3,931,675 (unrestricted net assets) may be used to meet the City's ongoing obligations to citizen's and creditors.
- The City's total net assets increased by \$815,983.
- As of the close of the current fiscal year the City's governmental funds reported combined ending fund balance of \$6,249,236, an increase of \$1,567.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$3,218,771 or 47.6 percent of the total fund expenditures.
- The City had \$8,457,249 in notes and leases outstanding versus \$7,221,831 last year, an increase of 17.1 percent. This increase was the result of the revenue bond in the amount of \$1,735,618 for a sewer rehabilitation project.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of City of Walterboro's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases and decreases in the net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused vacation leave).

The government-wide financial statements distinguish functions of the City that are supported by taxes and intergovernmental revenues (governmental activities). The governmental activities of the City include general government, finance, public works, sanitation, emergency services, codes enforcement, courts, public safety, and parks, recreation and tourism. The business-type activities of the City include a water and sewer authority.

The government-wide financial statements can be found on pages 19-20 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City like other state and local governments uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into these three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governments for which similar information is presented for the governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains fifteen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the general fund and grant funds that are considered to be major funds. Data from the other thirteen governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 22-25 of this report,

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 provide the same type information as the government-wide financial statements, only in more detail. The City has one proprietary fund for water and sewer services, which is an enterprise fund. A budget is presented in the supplemental statements to monitor the performance of the water and sewer operations. Also included in the supplemental statements is a combining statement that reports the balances by City and the communities of Ruffin and Hendersonville. The basic proprietary fund financial statements can be found on pages 26-28 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City's own programs. The basic fiduciary fund financial statement can be found on pages 29-30 of this report.

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 can be found on pages 31-50 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's budget.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 53-67 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of City of Walterboro assets exceeded liabilities by \$27,868,945 at the close of the most recent fiscal year. The following table reflects the condensed governmental-wide statement of net assets.

	CITY OF WALTERBORO, SOUTH CAROLINA NET ASSETS					
	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Current and Other Assets						
Cash and Other Assets	\$ 6,854,445	\$ 7,309,425	\$ 2,732,292	\$ 2,618,892	\$ 9,586,737	\$ 9,928,317
Capital Assets	6,119,212	5,626,195	21,555,763	20,195,631	27,674,975	25,821,826
Total Assets	12,973,657	12,935,620	24,288,055	22,814,523	37,261,712	35,750,143
Long-term Liabilities Outstanding	3,270,584	3,259,664	5,400,781	3,676,002	8,671,365	6,935,666
Other Liabilities	454,044	948,033	267,358	598,482	721,402	1,546,515
Total Liabilities	3,724,628	4,207,697	5,668,139	4,274,484	9,392,767	8,482,181
Net Assets						
Investment in Capital Assets, Net of Related Debt	4,171,417	4,958,029	16,181,612	16,335,109	20,353,029	21,293,138
Restricted	3,030,465	-	553,776	474,821	3,584,241	474,821
Unrestricted	2,047,147	3,769,894	1,884,528	1,730,109	3,931,675	5,500,003
Total Net Assets	\$ 9,249,029	\$ 8,727,923	\$ 18,619,916	\$ 18,540,039	\$ 27,868,945	\$ 27,267,962

At the end of the current fiscal year, City of Walterboro is able to report positive balances in all categories of net assets.

By far the largest portion of the City's net assets \$20,353,029 (73 percent) reflects its investment in capital assets (e.g. land, construction in progress, building and improvements, machinery and equipment, vehicles, and infrastructure); less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The restricted portion of net assets of \$3,584,241 represents the balance of net assets that have restricted resources and are not available to fund other commitments. The largest portion \$2,137,169 of the restricted assets represent assets that have been assigned in the special revenue funds for equipment replacement and tax incremental finance. The remaining restricted net assets of \$1,447,072 relate to debt covenants in the proprietary fund of \$553,776, to special revenue funds of \$574,689 committed to promote tourism and \$310,175 restricted to housing, public safety, and projects of the City.

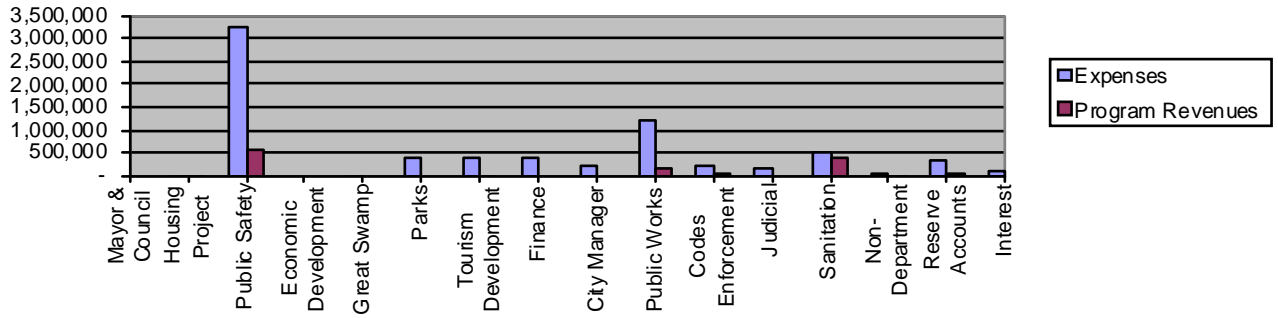
The balance of unrestricted net assets \$3,931,675 (14.1 percent) may be used to meet the City's ongoing obligations to citizen's and creditors.

Governmental activities. Governmental activities increased the City's net assets by a net of \$521,106 (\$736,106 less the prior period adjustment of \$215,000 for post employment benefits), thereby accounting for 87 percent of the total growth in the net assets of the city. Key elements of this increase are as follows:

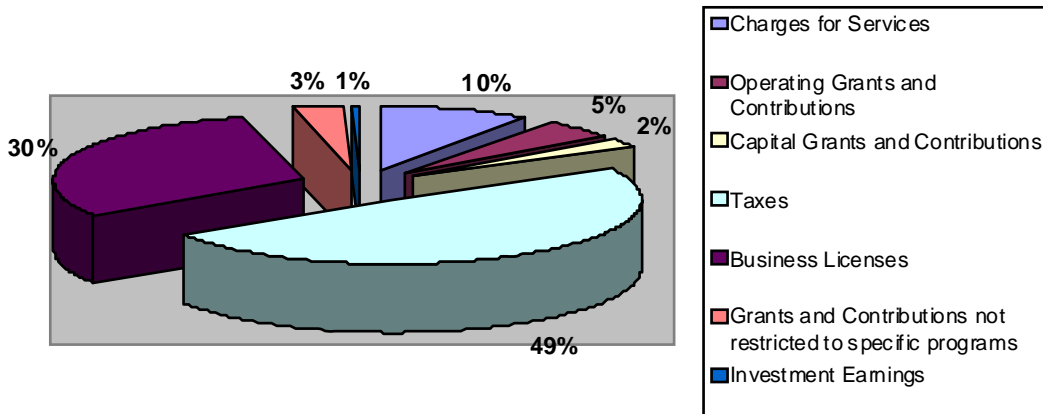
CITY OF WALTERBORO, SOUTH CAROLINA CHANGE IN NET ASSETS						
	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Revenues:						
Program Revenues:						
Charges for Services	\$ 700,018	\$ 639,338	\$ 3,167,316	\$ 3,009,446	\$ 3,867,334	\$ 3,648,784
Operating Grants and Contributions	342,816	11,605	-	-	342,816	11,605
Capital Grants and Contributions	162,357	223,121	485,282	660,170	647,639	883,291
General Revenues:						
Taxes	3,407,960	3,372,108	-	-	3,407,960	3,372,108
Business Licenses	2,117,002	1,909,357	-	-	2,117,002	1,909,357
Grants and Contributions not restricted to	230,925	142,078	-	-	230,925	142,078
Other	41,469	127,366	11,563	31,564	53,032	158,930
Transfers	1,281,316	992,483	(1,281,316)	(992,483)	-	-
Total Revenues	<u>8,283,863</u>	<u>7,417,456</u>	<u>2,382,845</u>	<u>2,708,697</u>	<u>10,666,708</u>	<u>10,126,153</u>
Expenses						
Mayor and Council	247,569	270,136	-	-	247,569	270,136
Housing Project	9,618	17,313	-	-	9,618	17,313
Public Safety	3,225,479	2,845,582	-	-	3,225,479	2,845,582
Economic Development	126	-	68,501	-	68,627	-
Great Swamp	10,732	15,156	-	-	10,732	15,156
Parks	390,775	343,969	-	-	390,775	343,969
Tourism Development	411,048	368,212	-	-	411,048	368,212
Finance	410,047	398,053	-	-	410,047	398,053
City Manager	202,258	201,594	-	-	202,258	201,594
Public Works	1,225,700	1,172,210	-	-	1,225,700	1,172,210
Codes Enforcement	245,236	267,388	-	-	245,236	267,388
Judicial	172,612	165,602	-	-	172,612	165,602
Sanitation	502,085	484,031	-	-	502,085	484,031
Non-Department Support	43,160	19,199	-	-	43,160	19,199
Reserve Accounts	318,366	148,049	-	-	318,366	148,049
Interest Expense	132,946	143,906	-	-	132,946	143,906
Water	-	-	1,404,784	1,409,170	1,404,784	1,409,170
Sewer	-	-	829,683	792,298	829,683	792,298
Total expenses	<u>7,547,757</u>	<u>6,860,400</u>	<u>2,302,968</u>	<u>2,201,468</u>	<u>9,850,725</u>	<u>9,061,868</u>
Change in net assets	736,106	557,056	79,877	507,229	815,983	1,064,285
Net assets – beginning	8,727,923	8,170,867	18,540,039	18,032,810	27,267,962	26,203,677
Prior Period Adjustment	(215,000)	-	-	-	(215,000)	-
Net assets – ending	<u>\$ 9,249,029</u>	<u>\$ 8,727,923</u>	<u>\$ 18,619,916</u>	<u>\$ 18,540,039</u>	<u>\$ 27,868,945</u>	<u>\$ 27,267,962</u>

- Operating grants for governmental activities increased by \$331,011, mostly as a result of an aggressive grant application undertaken by the public safety department.
- Operating transfers from the Water Fund increased \$288,833.
- A prior period adjustment of \$215,000 due to the implementation of GASB No. 45 was made to reflect the funding of the plan for fiscal year end June 20, 2010.

Expenses and Program Revenues – Governmental Activities



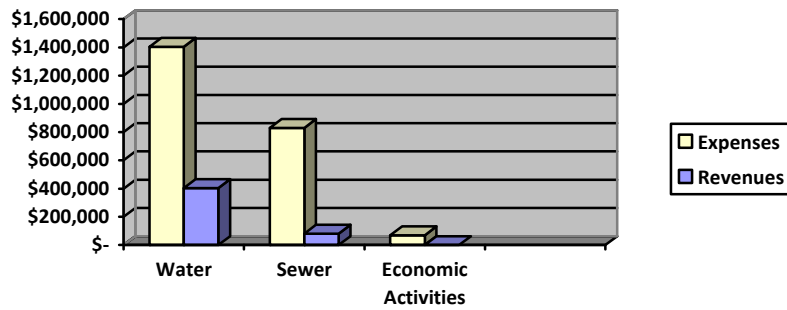
Revenues by Source – Governmental Activities



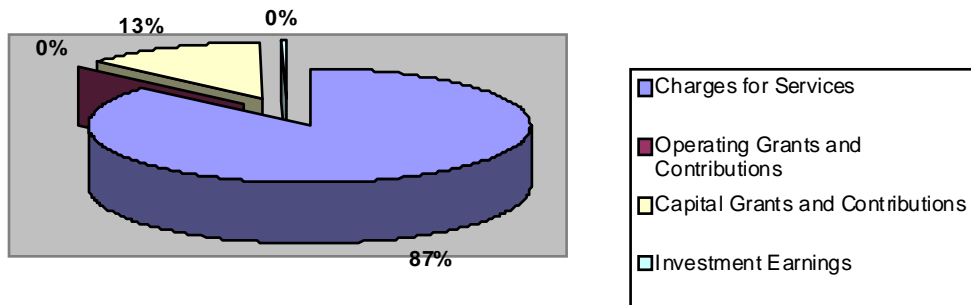
Business-type activities. Business-type activities increase the City's net assets by \$79,877. The water and sewer activities account for the entire increase. Key elements of this increase are as follows:

- Water and sewer rates increased 5 percent.
- Capital grants for water looping and expansion in the amount of \$485 thousand was received.
- Expenses remained about the same as in the prior year.
- The transfer to the general fund increased \$288,833 to fund an expected shortfall in the general fund.

Expenses and Program Revenues – Business-type Activities



Revenues by Source – Business-type Activities



Financial Analysis of the Government's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing City of Waltherboro's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$6,249,236, an increase of \$1,567 in comparison with an increase of \$7,264 for the prior year.

The fund balance of the City's General Fund increased by \$87,385 during the current fiscal year compared to a \$411,704 decrease last year. Key factors of this increase are as follows:

- Fines, fees, and licenses increased \$373,828 because of better collection procedures for police fines and a rate increase for business licenses.
- Other financing sources increased by a net of \$148,639.
- Expenditures remained relatively the same as in the prior year.

The grant fund has a total fund balance of \$8,432. The increase in fund balance during the current year of \$306 was a result of interest earnings.

General Fund Budgetary Highlights

City Council has the authority to amend the budget as required. During the current fiscal year, City Council did not approve any supplemental budget increases or reductions.

Capital Assets and Debt Administration

Capital Assets. The City's investment in capital assets as of June 30, 2011 amounts to \$27,868,945 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings and improvements, machinery and equipment, vehicles, and infrastructure.

Major capital asset events during the current year include the following:

- Construction continued on the sewer line upgrade; construction in progress as of the close of the fiscal year had reached \$2,666,753.
- Construction continued on Exit 53 and Exit 57 and a variety of development projects; construction in progress as of the close of the fiscal year had reached \$850,349 in general government.
- Vehicles for the public safety department were purchased at a cost of \$153,084.

CITY OF WALTERBORO, SOUTH CAROLINA CAPITAL ASSETS - NET OF DEPRECIATION

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Land and Improvements	\$ 1,081,563	\$ 1,081,563	\$ 44,773	\$ 44,773	\$ 1,126,336	\$ 1,126,336
Construction in progress	850,349	300,293	2,666,753	2,600,520	3,517,102	2,900,813
Buildings and Improvements	2,484,666	2,559,003	55,893	61,482	2,540,559	2,620,485
Machinery and Equipment	565,535	517,895	170,394	207,217	735,929	725,112
Vehicles	1,019,618	1,092,864	41,936	40,762	1,061,554	1,133,626
Infrastructure	117,480	74,577	18,576,014	17,240,877	18,693,494	17,315,454
Total	\$ 6,119,211	\$ 5,626,195	\$ 21,555,763	\$ 20,195,631	\$ 27,674,974	\$ 25,821,826

Additional information on the City's capital assets can be found in note 5 on page 39 of this report.

Long-term Obligations. At the end of the current fiscal year, the City had total long-term obligations outstanding of \$8,671,365. The City's total long-debt increased by a net of \$1,247,513. The main component of this increase was an increase in the revenue bond for sewer rehabilitation. Changes in outstanding debt are summarized below.

State statutes limit the amount of general obligations debt a governmental entity may issue, without a referendum, to 8 percent of its total assessed valuation. The current debt limitation for the City is \$2,034,134 of which \$606,070 is outstanding..

Additional information on the City's long-term debt can be found in note 7 on page 41 of this report.

CITY OF WALTERBORO, SOUTH CAROLINA CAPITAL ASSETS - NET OF DEPRECIATION

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
General Obligation Bonds	\$ 606,070	\$ 669,231	\$ -	\$ -	\$ 606,070	\$ 669,231
Revenue Bonds	2,401,010	2,594,571	5,374,150	3,860,522	7,775,160	6,455,093
Capital Lease	76,019	97,507	-	-	76,019	97,507
Total	<u>\$ 3,083,099</u>	<u>\$ 3,361,309</u>	<u>\$ 5,374,150</u>	<u>\$ 3,860,522</u>	<u>\$ 8,457,249</u>	<u>\$ 7,221,831</u>

Economic Factors and Next Year's Budgets and Rates

- Total governmental revenues increased by \$467,211 or 9% over 2011, and finished \$223,176 over budget.
- Fund balance finished \$247,957 over budget at \$3,218,771.
- While the national economy is tipping into recession, the City has experienced continued growth in the retail and accommodations sectors which has stabilized the local economy. Local accommodations taxes increased by 14%, while local hospitality taxes remained flat.
- Property taxes increased by 1%, despite deflation in property values nationwide.
- The City's economic development department continued to receive inquiries regarding commercial space and development opportunities located within City limits, which indicates businesses are optimistic about continued economic growth in Walterboro.
- The City implemented its fifth and final planned increase of 5% in water and sewer utility rates. Despite this, the City's utility rates remain in the lowest quartile of public utilities in the state rendering the City's utility services highly competitive for attracting further development (Source: SC Municipal Association).

During the current fiscal year, unreserved fund balance in the general fund decreased by \$127,615. The City set millage for the 2012 budget year at 77 mills, unchanged from the prior year. Budgeted general fund expenditures for 2012 are projected to at \$7,387,710. This represents an increase of \$308,185 compared to budgeted expenditures in 2011. Also, the City has budgeted \$3,347,138 in expenditures for the proprietary fund in 2012, a reduction of \$340,062 compared to budgeted expenditures in 2011.

Requests for Information

This financial report is designed to provide a general overview of City of Walterboro's finances for all those with as interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director of Finance and Administration, City of Walterboro, 248 Hampton Street, Walterboro, South Carolina, 29488.

BASIC FINANCIAL STATEMENTS

CITY OF WALTERBORO, SOUTH CAROLINA
STATEMENT OF NET ASSETS
JUNE 30, 2011

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS			
Cash	\$ 5,882,617	\$ 1,079,871	\$ 6,962,488
Receivables	872,605	595,744	1,468,349
Due from Other Funds	(135,758)	135,758	-
Inventories	-	102,901	102,901
Prepays or Deposits	6,037	-	6,037
Notes Receivable	30,369	-	30,369
Bond Issue Costs	25,603	15,091	40,694
Restricted Cash	172,972	802,927	975,899
Capital Assets, being depreciated	4,187,300	18,844,237	23,031,537
Capital Assets, not being depreciated	<u>1,931,912</u>	<u>2,711,526</u>	<u>4,643,438</u>
Total Assets	<u>12,973,657</u>	<u>24,288,055</u>	<u>37,261,712</u>
LIABILITIES			
Accounts Payable	65,478	18,207	83,685
Accrued Expenses	234,333	-	234,333
Deferred Revenue	154,233	-	154,233
Customer Deposits	-	249,151	249,151
Noncurrent Liabilities:			
Due within one year	312,722	328,885	641,607
Due in more than one year	<u>2,957,862</u>	<u>5,071,896</u>	<u>8,029,758</u>
Total Liabilities	<u>3,724,628</u>	<u>5,668,139</u>	<u>9,392,767</u>
NET ASSETS			
Unrestricted	2,047,147	1,884,528	3,931,675
Restricted	3,030,465	553,776	3,584,241
Capital Assets, Net of Related Debt	<u>4,171,417</u>	<u>16,181,612</u>	<u>20,353,029</u>
Total Net Assets	<u>\$ 9,249,029</u>	<u>\$ 18,619,916</u>	<u>\$ 27,868,945</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, 2011**

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	\$ 247,569	\$ -	\$ -	\$ -	\$ (247,569)	\$ -	\$ (247,569)
Housing Project	9,618	-	13,708	-	4,090	-	4,090
Public Safety	3,225,479	227,165	323,649	-	(2,674,665)	-	(2,674,665)
Economic Development	126	-	25	-	(101)	-	(101)
Great Swamp	10,732	-	-	-	(10,732)	-	(10,732)
Parks	390,775	-	-	-	(390,775)	-	(390,775)
Tourism Development	411,048	-	-	23,393	(387,655)	-	(387,655)
Finance	410,047	-	-	-	(410,047)	-	(410,047)
City Manager	202,258	-	-	-	(202,258)	-	(202,258)
Public Works	1,225,700	-	5,434	138,964	(1,081,302)	-	(1,081,302)
Codes Enforcement	245,236	48,001	-	-	(197,235)	-	(197,235)
Judicial	172,612	1,785	-	-	(170,827)	-	(170,827)
Sanitation	502,085	423,067	-	-	(79,018)	-	(79,018)
Non-Department Support	43,160	-	-	-	(43,160)	-	(43,160)
Reserve Accounts	318,366	-	-	-	(318,366)	-	(318,366)
Interest on long-term debt	132,946	-	-	-	(132,946)	-	(132,946)
Total Governmental Activities	<u>\$ 7,547,757</u>	<u>\$ 700,018</u>	<u>\$ 342,816</u>	<u>\$ 162,357</u>	<u>\$ (6,342,566)</u>	<u>\$ -</u>	<u>\$ (6,342,566)</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 ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011**

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
Business-type Activities							
Water	\$ 1,404,784	\$ 1,992,832	\$ -	\$ 404,909	\$ -	\$ 992,957	\$ 992,957
Sewer	829,683	1,174,484	-	80,373	-	425,174	425,174
Economic Development	68,501	-	-	-	-	(68,501)	(68,501)
Total Business-type Activities	<u>2,302,968</u>	<u>3,167,316</u>	<u>-</u>	<u>485,282</u>	<u>-</u>	<u>1,349,630</u>	<u>1,349,630</u>
Total Primary Government	<u>\$ 9,850,725</u>	<u>\$ 3,867,334</u>	<u>\$ 342,816</u>	<u>\$ 647,639</u>	<u>(6,342,566)</u>	<u>1,349,630</u>	<u>(4,992,936)</u>
General Revenues							
Taxes					3,407,960	-	3,407,960
Business Licenses					2,117,002	-	2,117,002
Grants and contributions not restricted to specific programs					230,925	-	230,925
Investment Earnings					41,469	11,563	53,032
Transfers					1,281,316	(1,281,316)	-
Total General Revenues and Transfers					<u>7,078,672</u>	<u>(1,269,753)</u>	<u>5,808,919</u>
Change in Net Assets					736,106	79,877	815,983
Net Assets, Beginning					8,727,923	18,540,039	27,267,962
Prior Period Adjustment					(215,000)	-	(215,000)
Net Assets, Ending					<u>\$ 9,249,029</u>	<u>\$ 18,619,916</u>	<u>\$ 27,868,945</u>

**CITY OF WALTERBORO, SOUTH CAROLINA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011**

	General	Grant Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash	\$ 4,288,579	\$ 8,432	\$ 1,585,606	\$ 5,882,617
Restricted Cash	-	-	172,972	172,972
Receivables	392,331	341,939	138,335	872,605
Due from Other Funds	-	-	1,293,336	1,293,336
Prepays or Deposits	6,037	-	-	6,037
Notes Receivable	-	-	30,369	30,369
Total Assets	\$ 4,686,947	\$ 350,371	\$ 3,220,618	\$ 8,257,936
 LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts Payable	\$ 51,495	\$ -	\$ 13,983	\$ 65,478
Accrued Expenses	222,120	-	-	222,120
Due to Other Funds	1,087,155	341,939	-	1,429,094
Deferred Revenue	107,406	-	184,602	292,008
Total Liabilities	1,468,176	341,939	198,585	2,008,700
 FUND BALANCES				
Unassigned	3,218,771	-	-	3,218,771
Assigned	-	-	2,137,169	2,137,169
Restricted	-	8,432	310,175	318,607
Committed	-	-	574,689	574,689
Total Fund Balances	3,218,771	8,432	3,022,033	6,249,236
Total Liabilities and Fund Balances	\$ 4,686,947	\$ 350,371	\$ 3,220,618	\$ 8,257,936

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, 2011**

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

Total fund balances for governmental funds	\$	6,249,236
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Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Those assets consist of:

Land and Improvements	\$	1,081,563	
Construction in Progress		850,349	
Buildings and Improvements, net of \$1,016,622 accumulated depreciation		2,484,666	
Machinery and Equipment, net of \$1,029,891 accumulated depreciation		565,536	
Vehicles, net of \$2,260,122 accumulated depreciation		1,019,618	
Infrastructure, net of \$43,773 accumulated depreciation		<u>117,480</u>	
Total Capital Assets			6,119,212

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.		137,775
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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, 2011 are:

Accrued Interest Payable		(12,213)	
Bonds Payable		(3,007,080)	
Capital Leases		(76,019)	
Accrued Compensated Absences		<u>(187,485)</u>	
Total Long-Term Liabilities			(3,282,797)

Bond issue costs are reported as an expenditures in governmental funds but amortized over the period of the bond in the statement of net assets		<u>25,603</u>
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Total net assets of governmental activities	\$	<u><u>9,249,029</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, 2011

	<u>General</u>	<u>Grant Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES				
Taxes	\$ 2,629,105	\$ -	\$ 748,319	\$ 3,377,424
Fines, Fees and Licenses	2,402,428	-	-	2,402,428
Intergovernmental	112,117	-	-	112,117
Solid Waste Charges	423,067	-	-	423,067
Miscellaneous	136,445	192,540	382,106	711,091
Total Revenues	<u>5,703,162</u>	<u>192,540</u>	<u>1,130,425</u>	<u>7,026,127</u>
EXPENDITURES				
Current				
Mayor and Council	241,767	-	-	241,767
Housing Project	-	-	9,618	9,618
Public Safety	2,871,831	192,234	31,956	3,096,021
Economic Development	-	-	126	126
Great Swamp	-	-	10,732	10,732
Parks	329,481	-	59,783	389,264
Tourism Development	143,948	-	222,327	366,275
Finance	408,211	-	-	408,211
City Manager	193,997	-	-	193,997
Public Works	1,100,300	-	202	1,100,502
Codes Enforcement	239,008	-	-	239,008
Judicial	173,292	-	-	173,292
Sanitation	405,982	-	-	405,982
Non-Department Support	43,160	-	-	43,160
Reserve Accounts	318,366	-	-	318,366
Capital Outlay				
Public Safety	161,829	-	80,780	242,609
Great Swamp	-	-	108,952	108,952
Parks	5,863	-	80,505	86,368
Finance	-	-	13,990	13,990
Public Works	10,868	-	435,800	446,668
Debt Service				
Principal	84,649	-	193,561	278,210
Interest	28,284	-	104,474	132,758
Total Expenditures	<u>6,760,836</u>	<u>192,234</u>	<u>1,352,806</u>	<u>8,305,876</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	1,450,767	-	710,126	2,160,893
Transfers Out	(305,708)	-	(573,869)	(879,577)
Total Other Financing Sources (Uses)	<u>1,145,059</u>	<u>-</u>	<u>136,257</u>	<u>1,281,316</u>
Net Income	87,385	306	(86,124)	1,567
Fund Balances, Beginning	3,346,386	8,126	3,108,157	6,462,669
Prior Period Adjustment	(215,000)	-	-	(215,000)
Fund Balances, Ending	<u>\$ 3,218,771</u>	<u>\$ 8,432</u>	<u>\$ 3,022,033</u>	<u>\$ 6,249,236</u>

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

**CITY OF WALTERBORO, SOUTH CAROLINA
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011**

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

Net change in fund balances -- total governmental funds	\$	1,567
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (\$898,586) exceeded depreciation (\$405,569) in the current period.</p>		
		493,017
<p>Repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net assets.</p>		
		278,210
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
		(23,580)
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>		
Compensated Absences	\$ (12,920)	
Accrued Interest and bond issue costs	<u>(188)</u>	
		<u>(13,108)</u>
Total change in net assets of governmental activities	\$	<u><u>736,106</u></u>

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, 2011**

	Business-type Activities <hr/> Enterprise Funds Water and Sewer <hr/>
ASSETS	
Current Assets	
Cash	\$ 1,079,871
Receivables	595,744
Inventories	102,901
Due from Other Funds	341,939
Total Current Assets	<hr/> 2,120,455 <hr/>
Noncurrent Assets	
Restricted Cash	802,927
Bond Issue Costs	15,091
Capital Assets - not being depreciated	2,711,526
Capital Assets - being depreciated	18,844,237
Total Noncurrent Assets	<hr/> 22,373,781 <hr/>
Total Assets	<hr/> \$ 24,494,236 <hr/>
LIABILITIES AND NET ASSETS	
LIABILITIES	
Current Liabilities	
Accounts Payable	\$ 18,207
Compensated Absences - current	5,000
Revenue Bonds Payable - current	323,885
Customer Deposits	249,151
Due to Other Funds	206,181
Total Current Liabilities	<hr/> 802,424 <hr/>
Noncurrent Liabilities	
Revenue Bonds Payable	5,050,266
Compensated Absences	21,630
Total Noncurrent Liabilities	<hr/> 5,071,896 <hr/>
Total Liabilities	<hr/> 5,874,320 <hr/>
NET ASSETS	
Net Assets	
Unrestricted	1,884,528
Restricted	553,776
Capital Assets, Net	16,181,612
Total Net Assets	<hr/> 18,619,916 <hr/>
Total Liabilities and Net Assets	<hr/> \$ 24,494,236 <hr/>

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, 2011

	<u>Business-type Activities</u> <u>Enterprise Funds</u> <u>Water and Sewer</u>
OPERATING REVENUES	
Charges for Services	
Water Sales	\$ 1,992,832
Sewer Charges	1,174,484
Total Operating Revenues	<u>3,167,316</u>
OPERATING EXPENSES	
Costs of Sales and Services	
Water	780,518
Sewer	567,767
Utility Support	112,587
Economic Development	68,501
Depreciation	580,605
Bad Debt Expense	43,491
Total Operating Expenses	<u>2,153,469</u>
Operating Income	<u>1,013,847</u>
NONOPERATING REVENUES (EXPENSES)	
Investment Income	11,563
Interest Expense	(138,507)
Bank Charges	(3,075)
Bond Issue Costs	(7,917)
Total Nonoperating Revenues (Expenses)	<u>(137,936)</u>
Income Before Contributions and Transfers	875,911
Grant and Developer Contributions	485,282
Transfers Out	<u>(1,281,316)</u>
Change in Net Assets	79,877
Net Assets, Beginning	18,540,039
Net Assets, Ending	<u>\$ 18,619,916</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, 2011**

	Business-type Activities
	Enterprise Funds
	Water and Sewer
Cash Flows From Operating Activities	
Cash received from customers	\$ 3,122,378
Cash paid for operating goods and services	(1,639,611)
Net Cash Provided (Used) by Operating Activities	1,482,767
Cash Flows From Noncapital Financing Activities	
Transfers to other funds	(1,109,766)
Net Cash Provided (Used) by Noncapital Financing Activities	(1,109,766)
Cash Flows From Investing Activities	
Interest received on investments	11,563
Grant and Developer Contributions	485,282
Purchases of fixed assets	(1,940,737)
Loans to another entity	(68,756)
Net Cash Provided (Used) by Investing Activities	(1,512,648)
Cash Flows From Financing Activities	
Interest and bank charges paid	(149,499)
Repayment of long-term obligations	1,513,629
Bond issue costs	7,917
Net Cash Provided (Used) by Financing Activities	1,372,047
NET INCREASE (DECREASE) IN CASH	232,400
CASH AT BEGINNING OF YEAR	1,650,398
CASH AT END OF YEAR	\$ 1,882,798
Reconciliation of Net Income (Loss) to Net Cash Provided (Used) by Operating Activities	
Net income (loss)	\$ 1,057,338
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities	
Depreciation and amortization	580,605
Bad debts	(43,491)
(Increase) decrease in accounts receivable	(22,217)
(Increase) decrease in inventories	30,506
Increase (decrease) in accounts payable	(96,431)
Increase (decrease) in other accrued liabilities	(28,773)
Increase (decrease) in annual leave	(822)
Increase (decrease) in customer deposits	6,052
Total adjustments	425,429
Net Cash Provided (Used) by Operating Activities	\$ 1,482,767

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

**CITY OF WALTERBORO, SOUTH CAROLINA
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2011**

	<u>Post Retirement Fund</u>	<u>Agency Fund</u>
ASSETS		
Cash	\$ 208,605	\$ 19,510
Total Assets	<u>\$ 208,605</u>	<u>\$ 19,510</u>
LIABILITIES		
Liabilities		
Due to Others	\$ -	\$ 19,510
Total Liabilities	<u>-</u>	<u>\$ 19,510</u>
Net Assets		
Held in trust for employee health benefits	<u>208,605</u>	
	<u>\$ 208,605</u>	

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

**CITY OF WALTERBORO, SOUTH CAROLINA
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2011**

	Post Retirement Fund
Additions	
Employer Contributions	\$ 215,000
Total Additions	215,000
Deductions	
Administrative Expense	6,395
Total Deductions	6,395
Change in Net Assets	208,605
Net Assets, Beginning of Year	-
Net Assets, End of Year	\$ 208,605

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

**CITY OF WALTERBORO, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The City of Walterboro, South Carolina (the “City”) is a political subdivision of the State of South Carolina, operating under the Council-Manager form of government to provide services authorized by its charter. It is governed by an elected Board (the “Council”), which is governed by state statutes and regulations.

REPORTING ENTITY

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 selection of governing authority. Based on the above reporting criteria, there are no other organizations that must be included in the reporting entity.

The accompanying financial statements present the combined financial positions and combined results of operations of the various fund types controlled by the Council and the City Manager.

The City is primarily funded through taxations, fines and fees. The operating revenues and expenditures are included in the General Fund. The accounting policies of the City conform to generally accepted accounting principles, as applicable to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting.

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 and 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.

**CITY OF WALTERBORO, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 *grant fund* accounts for major grant revenues and expenditures.

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 government reports the following fund types:

The *agency fund* is used to account for resources held by the City in a trustee capacity for the employee post retirement benefits and for amounts held for others.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

**CITY OF WALTERBORO, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water and sewer enterprise fund are charges to customers for sales, services, and tap fees that intended to recover the cost of connecting new customers to the system. Operating expenses for the water and sewer enterprise fund 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.

The City is authorized by state statute to invest in the following:

Obligations of the United States, its agencies and instrumentalities;

Obligations of the State of South Carolina or any of its political subdivisions;

Savings and Loan Associations to the extent that the same are insured by an agency of the federal government;

Certificates of deposit and repurchase agreements provided the collateral is of the types described in 1 and 2 above and has a market value in excess of the certificate of deposit or repurchase agreement plus accrued interest, and is held by a third party as escrow agent or custodian;

Repurchase agreements when collateralized by securities of the type described in 1 and 2 above and held by a third party as escrow agent or custodian, of a market value not less than the amount of the repurchase agreement so collateralized, including interest;

No load open-end or closed-end management type investment companies or investment trusts registered under the Investment Company Act of 1940, as amended, where the investment is made by a bank or trust company or savings and loan association or other financial institution when acting as trustee or agent for a bond debt issue of the City if the particular portfolio of the investment company or investment trust in which the investment is made (1) is limited to obligations described above and (2) has among its objectives the attempt to maintain a constant net asset value of one dollar a share and to that end, values its assets by the amortized cost method.

**CITY OF WALTERBORO, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities, and Net Assets or Equity (Continued)

Receivable 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 "interfund receivables/payables". Interfund receivables/payables are netted for purposes of determining major funds.

Property taxes receivables are shown net of an allowance for uncollectibles.

The City Code of Ordinances provides for the taxation of all real and personal property located within the City limits on the first day of January. Motor vehicle taxes are billed and collected by the County Treasurer on a monthly basis. Other personal and real property taxes are levied by the City in October of each year and become due and payable immediately upon receipt by the taxpayer. Real property taxes are delinquent after January 15th with penalties assessed of 3% if paid after January 15th, 10% if paid after January 31st, and 15% if paid after March 15th. Assessed property is subject to lien one year from the levy date if taxes remain unpaid. The property tax rate approved by ordinance for fiscal year 2011 is 77 mils.

Inventories

Inventories of the general fund consist of supplies held for consumption and are immaterial to the financial statements and accordingly are not recorded. Inventories in the water and sewer fund consist of pipe and repair parts and is recorded.

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

Assets	Years
Buildings	50
Infrastructure	20 to 50
Vehicles and Equipment	5 to 20

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities.

In the fund financial statements, governmental fund types recognize the face amount of debt issued as other financing sources.

**CITY OF WALTERBORO, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities, and Net Assets or Equity (Continued)

Fund Equity

The GASB has issued Statement No. 54, “*Fund Balance Reporting and Governmental Fund Type Definitions*”. The objective of this Statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2010. The following categories of fund balance are now being used in the fund level financial statements of the government funds:

Nonspendable Fund Balance

The nonspendable fund balance classification includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash, for example, inventories and prepaid amounts. It also includes the long-term amount of loans and notes receivable, as well as property acquired for resale.

Restricted Fund Balance

The restricted fund balance classification includes amounts that are either restricted externally by creditors, grantors, contributors, or laws or regulations of other governments or restricted by law through constitutional provisions or enabling legislation.

Committed Fund Balance

The committed fund balance classification includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the City’s highest level of decision-making authority. Those committed amounts cannot be used for any other purpose unless the City removes or changes the specified use by taking the same type of action it employed to previously commit those amounts. Committed fund balances also incorporate contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements. The City recognizes committed fund balances that have been approved for specific purposes by City Council before the year end.

Assigned Fund Balance

The assigned fund balance classification includes amounts that are constrained by the City’s intent to be used for specific purposes but are not restricted or committed. The authority for making an assignment is not required to be the City’s highest level of decision-making authority and as such, the nature of the actions necessary to remove or modify an assignment does not require the City’s highest level of authority. Assigned fund balance amounts in the City’s financial statements represent amounts approved by City Council to be transferred and spend after year end. In the special revenue fund, assigned fund balances represent amounts to be spent for specific purposes.

Unassigned Fund Balance

The unassigned fund balance classification includes amounts that have not been assigned to other funds and has not been restricted, committed, or assigned for specific purposes within the general fund.

Based on the City’s policies regarding fund balance classifications as noted above, the City considers amounts that are restricted, committed, or assigned to be spent when the corresponding expenditures that has been designated by City Council or donors has been made. After these fund balances have been depleted, unassigned fund balance will be considered to have been spent.

CITY OF WALTERBORO, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities, and Net Assets or Equity (Continued)

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 all government assets; therefore, a significant portion of the net assets reported there typically reflects a government's investment in capital assets. To draw financial statement users' attention to this important information, GAAP requires the amount of net assets invested in capital assets to be reported as a separate category of net assets. Net assets invested in capital assets, net of related debt includes all capital assets less accumulated depreciation and outstanding principal of related debt.

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

GAAP direct that the difference between total net assets and the two categories discussed above (invested in capital assets, net of related debt and restricted net assets) be reported as unrestricted net assets.

Comparative Data

Comparative total data for the prior year has not been presented.

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 an 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.

**CITY OF WALTERBORO, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Expenses/Expenditures (Continued)

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 basis of budgeting is the same as generally accepted accounting principles. 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.

In March, the budget process begins with a special comprehensive work session in which the finance department and city manager 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, function 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 City Manager delegated by City Council, may make line item 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. There were no budget amendments during the year.

NOTE 3 – DEPOSITS AND INVESTMENTS

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 deposits with the South Carolina Local Investment Pool.

Interest Rate Risk – In accordance with its investment policy, the City manages its exposure to declines in fair value by limiting the weighted average maturity of its investments to short-term investments in the South Carolina Local Investment Pool.

Custodial Credit Risk – Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The City has a deposit policy for custodial credit risk. As of June 30, 2011, the bank balances were \$6,723,542. 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, 2011.

**CITY OF WALTERBORO, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 4 – RECEIVABLES

Receivables at June 30, 2011, including the applicable allowances for uncollectible accounts, are as follows for the fund and government-wide financial statements, respectively.

<u>Receivables</u>	<u>General</u>	<u>Grant Fund</u>	<u>Other Governmental Funds</u>	<u>Water and Sewer Fund</u>	<u>Total</u>
Taxes	\$ 498,147	\$ -	\$ 103,267	\$ -	\$ 601,414
Fines and Fees	18,635	-	1,210	-	19,845
Intergovernmental	26,918	341,939	-	-	368,857
Accounts	-	-	-	727,943	727,943
Other	-	-	33,858	-	33,858
Gross receivables	543,700	341,939	138,335	727,943	1,751,917
Allowance for uncollectible accounts	(151,369)	-	-	(132,199)	(283,568)
Net total receivables	<u>\$ 392,331</u>	<u>\$ 341,939</u>	<u>\$ 138,335</u>	<u>\$ 595,744</u>	<u>\$ 1,468,349</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 (general fund)	\$ 107,406	\$ -
Housing notes (other governmental funds)	30,369	-
Grant drawdowns not spent	154,233	154,233
Total	<u>\$ 292,008</u>	<u>\$ 154,233</u>

Notes Receivable

The City has notes receivable from various individuals for \$33,743 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 \$3,374 as an allowance for bad debts as these loans are not always collectible in full. The deferred balance of \$30,369 is to be recognized as the payments are collected.

**CITY OF WALTERBORO, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 5 – CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2011 was as follows:

<u>Governmental Activities</u>	<u>June 30, 2010</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2011</u>
<i>Capital assets not being depreciated</i>				
Land and improvements	\$ 1,081,563	\$ -	\$ -	\$ 1,081,563
Construction in progress	<u>300,297</u>	<u>550,052</u>	<u>-</u>	<u>850,349</u>
Total capital assets, not being depreciated	<u>1,381,860</u>	<u>550,052</u>	<u>-</u>	<u>1,931,912</u>
<i>Capital assets being depreciated</i>				
Buildings and improvements	3,501,288	-	-	3,501,288
Machinery and equipment	1,452,420	143,006	-	1,595,426
Vehicles	3,156,867	153,084	30,211	3,279,740
Infrastructure	<u>108,809</u>	<u>52,444</u>	<u>-</u>	<u>161,253</u>
Total capital assets being depreciated	<u>8,219,384</u>	<u>348,534</u>	<u>30,211</u>	<u>8,537,707</u>
Less accumulated depreciation for:				
Buildings and improvements	942,284	74,338	-	1,016,622
Machinery and equipment	934,526	95,365	-	1,029,891
Vehicles	2,064,008	226,325	30,211	2,260,122
Infrastructure	<u>34,232</u>	<u>9,541</u>	<u>-</u>	<u>43,773</u>
Total accumulated depreciation	<u>3,975,050</u>	<u>405,569</u>	<u>30,211</u>	<u>4,350,408</u>
Total capital assets being depreciated, net	<u>4,244,334</u>	<u>(57,035)</u>	<u>-</u>	<u>4,187,299</u>
Governmental activity capital assets, net	<u>\$ 5,626,194</u>	<u>\$ 493,017</u>	<u>\$ -</u>	<u>\$ 6,119,211</u>
<u>Business-Type</u>	<u>June 30, 2010</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2011</u>
<i>Capital assets not being depreciated</i>				
Land and improvements	\$ 44,773	\$ -	\$ -	\$ 44,773
Construction in progress	<u>2,600,520</u>	<u>1,909,034</u>	<u>1,842,801</u>	<u>2,666,753</u>
Total capital assets, not being depreciated	<u>2,645,293</u>	<u>1,909,034</u>	<u>1,842,801</u>	<u>2,711,526</u>
<i>Capital assets being depreciated</i>				
Water system and improvements	14,144,577	559,378	-	14,703,955
Sewer system and improvements	10,989,924	1,298,076	-	12,288,000
Buildings and improvements	223,569	-	-	223,569
Machinery and equipment	665,855	-	-	665,855
Vehicles	<u>267,257</u>	<u>17,050</u>	<u>22,781</u>	<u>261,526</u>
Total capital assets being depreciated	<u>26,291,182</u>	<u>1,874,504</u>	<u>22,781</u>	<u>28,142,905</u>
Less accumulated depreciation for:				
Water system and improvements	3,326,201	290,858	-	3,617,059
Sewer system and improvements	4,567,424	231,458	-	4,798,882
Buildings and improvements	162,087	5,589	-	167,676
Machinery and equipment	458,638	36,823	-	495,461
Vehicles	<u>226,494</u>	<u>15,877</u>	<u>22,781</u>	<u>219,590</u>
Total accumulated depreciation	<u>8,740,844</u>	<u>580,605</u>	<u>22,781</u>	<u>9,298,668</u>
Total capital assets being depreciated, net	<u>17,550,338</u>	<u>1,293,899</u>	<u>-</u>	<u>18,844,237</u>
Business-type activity capital assets, net	<u>\$ 20,195,631</u>	<u>\$ 3,202,933</u>	<u>\$ 1,842,801</u>	<u>\$ 21,555,763</u>

**CITY OF WALTERBORO, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 5 – CAPITAL ASSETS (CONTINUED)

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

<u>Governmental Activities</u>		
City Manager	\$	8,002
Finance		816
Mayor and Council		5,802
Public Safety		125,587
Public Works		121,483
Planning and Codes		5,647
Sanitation		94,960
Parks, Recreation and Tourism		<u>43,272</u>
Total depreciation expense - governmental activities	<u>\$</u>	<u>405,569</u>
<u>Business-Type Activities</u>		
Water	\$	326,606
Sewer		<u>253,999</u>
Total depreciation expense - business-type activities	<u>\$</u>	<u>580,605</u>

NOTE 6 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances as of June 30, 2011 is as follows:

Due To/From Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Project Fund	General Fund	\$ 66,179
Equipment Replacement	General Fund	1,020,976
Water and Sewer	Grant Fund	341,939
Equipment Replacement	Water and Sewer	51,948
Project Fund	Water and Sewer	<u>154,233</u>
Total		<u>\$ 1,635,275</u>

The outstanding balances between funds result mainly from the time lag between dates that (1) interfund goods and services provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Interfund Transfers

<u>Transfer Out</u>	<u>Transfer In</u>		<u>Total</u>
	<u>General Fund</u>	<u>Nonmajor Governmental</u>	
General Fund	\$ -	\$ 305,708	\$ 305,708
Water and Sewer Fund	1,238,967	42,349	1,281,316
Nonmajor Governmental Funds	<u>211,800</u>	<u>362,069</u>	<u>573,869</u>
Total transfers out	<u>\$ 1,450,767</u>	<u>\$ 710,126</u>	<u>\$ 2,160,893</u>

**CITY OF WALTERBORO, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 6 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (CONTINUED)

Transfers are used to (1) move revenues from the water and sewer fund and nonmajor funds to the general fund as provided in the budget, (2) move completed projects from the nonmajor projects fund to the water and sewer fund, (3) move amounts earmarked for future equipment replacement to the nonmajor equipment replacement fund.

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 financial resources.

NOTE 7 – LONG-TERM OBLIGATIONS

The following is a summary of changes in long-term obligations for the year ended June 30, 2011:

<u>Governmental Activities</u>	<u>June 30, 2010</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2011</u>	<u>Due Within A Year</u>
Bonds Payable:					
General obligation	\$ 669,231	\$ -	\$ 63,161	\$ 606,070	\$ 65,705
Tax increment financing debt	1,367,436	-	101,733	1,265,703	106,111
Revenue bond	1,227,135	-	91,828	1,135,307	95,676
Total bonds	3,263,802	-	256,722	3,007,080	267,492
Capital lease	97,507	-	21,488	76,019	20,230
Compensated absences	174,565	202,522	189,605	187,482	25,000
Total	<u>\$ 3,535,874</u>	<u>\$ 202,522</u>	<u>\$ 467,815</u>	<u>\$ 3,270,581</u>	<u>\$ 312,722</u>

<u>Business-Type Activities</u>	<u>June 30, 2010</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2011</u>	<u>Due Within A Year</u>
Bonds Payable:					
Revenue bonds	\$ 3,860,522	\$ 1,735,618	\$ 221,990	\$ 5,374,150	\$ 323,885
Compensated absences	27,452	24,698	25,520	26,630	5,000
Total	<u>\$ 3,887,974</u>	<u>\$ 1,760,316</u>	<u>\$ 247,510</u>	<u>\$ 5,400,780</u>	<u>\$ 328,885</u>

The government issued revenue bonds to finance various water and sewer expansion projects. The revenue from both water and sewer are pledged.

**CITY OF WALTERBORO, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 7 – LONG-TERM OBLIGATIONS (CONTINUED)

Long-term debt payable at June 30, 2011 is comprised of the following issues.

Capital Leases

The City entered into a lease agreement for the purchase of a fire truck. The lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the future minimum lease payments as of the inception date.

The assets acquired through capital leases are as follows:

Fire truck		\$ 189,862
Less: accumulated depreciation		<u>(56,168)</u>
Net book value		<u>\$ 133,694</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2011 were as follows:

Year Ending June 30,	Payment
2012	\$ 22,803
2013	22,803
2014	22,803
2015	<u>15,202</u>
Total	83,611
Less amount representing interest	<u>(7,592)</u>
Present value of minimum lease payments	<u>\$ 76,019</u>

General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities and large equipment. The original amount of general obligation bonds issued in prior years was \$1,000,000, of this amount, \$172,972 was on hand at June 30, 2011. General obligation bonds are direct obligations and pledge the full faith and credit of the City. The bond was issued for 15 years in annual installments of \$90,130 including interest at 4.03%.

Balance
<u>\$ 606,070</u>

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2012	\$ 65,705	\$ 24,425	\$ 90,130
2013	68,353	21,777	90,130
2014	71,108	19,022	90,130
2015	73,973	16,157	90,130
2016	76,955	13,175	90,130
2017 - 2020	<u>249,976</u>	<u>20,413</u>	<u>270,389</u>
Total	<u>\$ 606,070</u>	<u>\$ 114,969</u>	<u>\$ 721,039</u>

**CITY OF WALTERBORO, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 7 – LONG-TERM OBLIGATIONS (CONTINUED)

Revenue Bonds

Balance

The City has issued a tax increment financing (TIF) revenue bond to pay for improvements in the district. The original amount of the bond was \$1,735,000 due in monthly installments of \$13,124 including interest at 4.22% for 15 years.

\$ 1,265,703

Annual debt service requirements to maturity for the TIF bond are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 106,111	\$ 51,376	\$ 157,487
2013	110,676	46,811	157,487
2014	115,438	42,049	157,487
2015	120,405	37,082	157,487
2016	125,586	31,901	157,487
2017 - 2021	687,487	60,577	748,064
Total	<u>\$ 1,265,703</u>	<u>\$ 269,796</u>	<u>\$ 1,535,499</u>

Balance

The City has issued a revenue bond to complete construction of a local VA facility. Local hospitality tax revenues are pledged for the payment. The City does not own the facility. The original amount of the bond was \$1,560,000, due in monthly installments of \$11,712 including interest at 5.11% for 15 years.

\$ 1,135,307

Annual debt service requirements to maturity for the revenue bond are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 95,676	\$ 44,872	\$ 140,548
2013	99,682	40,866	140,548
2014	103,858	36,990	140,848
2015	108,208	32,340	140,548
2016	112,739	27,809	140,548
2017 - 2021	615,144	64,171	679,315
Total	<u>\$ 1,135,307</u>	<u>\$ 247,048</u>	<u>\$ 1,382,355</u>

**CITY OF WALTERBORO, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 7 – LONG-TERM OBLIGATIONS (CONTINUED)

Revenue Bonds (Continued)

The City has entered into three separate revenue bonds for sewer line rehabilitation and water and sewer expansion as follows:

	<u>Balance</u>
\$3,459,914 Sewer Line Rehabilitation Bond Series 2001B, due in quarterly payments of \$63,036 at 4.80% interest through April 2022.	\$ 2,257,308
\$378,153 Series 2001A, due in quarterly installments of \$8,412 at 4.0% through May 2016.	151,796
\$3,062,830 Sewer Rehabilitation Bond payable in quarterly installments of \$45,841 at 1.84% through December 2030.	<u>2,965,046</u>
	<u>\$ 5,374,150</u>

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

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 323,885	\$ 145,287	\$ 469,172
2013	334,077	135,095	469,172
2014	344,568	124,604	469,172
2015	355,355	113,816	469,171
2016	366,610	102,562	469,172
2017 - 2021	2,025,644	404,174	2,429,818
2022 - 2026	804,817	112,143	916,960
2027 - 2031	819,194	34,984	854,178
Total	<u>\$ 5,374,150</u>	<u>\$ 1,172,665</u>	<u>\$ 6,546,815</u>

Commitments Under Noncapitalized Leases – The City has operating leases on various small equipment. Amounts due are insignificant to the financial statements.

**CITY OF WALTERBORO, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 7 – LONG-TERM OBLIGATIONS (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. The City has no financial liability for unused sick leave. Compensated absences are paid from the general fund and water and sewer fund. The liability for compensated absences at June 30, 2011 amounted to \$187,482 and \$26,630, respectively, for the governmental activities and business-type activities and includes 17% for employee benefits.

Other Post Employment Benefits

Plan Description – City employees who participated in the City’s health insurance plan and who retire from City service in accordance with the South Carolina Retirement System may have their health insurance continued.

Service Retirees and employees enrolled in the health plan on or before July 1, 2010, and meet at least one of the following criteria: (1) have at least 16 years of continuous service with the City and be a Mayor, Council Member, or Council Appointee; or (2) have at least 15 years of continuous service with the City and retire from PORS; or (3) have at least 18 years of continuous service with the City and retire from SCRS. Participants with less than 10 years of service with the City on July 1, 2010 may not receive benefits until they are at least age 60 regardless of age at retirement. Participants with at least 10 years of service with the City on July 1, 2010 receive benefits immediately upon retirement.

Funding policy – The contribution requirements of plan members and the City are established and may be amended by the City Council. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually by the City Council. For fiscal year ended June 30, 2011, the City contributed \$252,900 to the plan, including \$30,930 for current premiums.

Annual OPEB Cost and Net OPEB Obligation - The City’s annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the City’s annual OPEB costs for the year, the amount actually contributed to the plan, and changes in the City’s net OPEB obligation:

Annual required contribution	\$ 259,800
Interest on net OPEB obligation	-
Annual OPEB cost (expense)	259,800
Contributions made	<u>(252,900)</u>
Increase in net OPEB obligation	6,900
Net OPEB obligation-beginning of year	-
Net OPEB obligation-end of year	<u>\$ 6,900</u>

**CITY OF WALTERBORO, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 7 – LONG-TERM OBLIGATIONS (CONTINUED)

Other Post Employment Benefits (Continued)

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2011 and the preceding year were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	\$ 247,000	100.0%	\$ -
2011	259,800	97.3%	6,900

Funded Status and Funding Progress - The funded status of the plan as of June 30, 2011 was as follows. The actuarial accrued liability for benefits was \$228,900 and the actuarial value of assets was \$208,605, resulting in an unfunded actuarial accrued liability (UAAL) of \$20,295. The covered payroll (annual payroll of active employees covered by the plan) was \$2,060,400, and the ratio of the UAAL to the covered payroll was 1 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. The occurrences that must be considered include employee turnover, pay increases, disablement, retirement, deaths, and investment income on anticipated plan assets. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented below, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

In the June 30, 2009 actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included a 6.5 percent investment rate of return, which is a blended rate of the expected long-term investment return on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 8.1 percent initially, reduced by decrements to an ultimate rate of 4.5 percent after ten years. Both rates included a 4.0 percent inflation assumption. The actuarial value of assets is set equal to the reported market value of assets. The assets are allocated among the divisions based on liabilities value at 4.5 percent. The UAAL is being amortized on an open basis as a level percentage of projected payroll (assumed to increase at 4 percent) required to fully amortize the UAAL over a thirty year period.

**CITY OF WALTERBORO, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 7 – LONG-TERM OBLIGATIONS (CONTINUED)

Other Post Employment Benefits (Continued)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Unit Credit Cost (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6/30/2010	\$ -	\$ 247,000	\$ 247,000	0.0%	\$ 2,682,600	9.2%
6/30/2011	208,605	228,900	20,295	91.1%	2,682,600	0.8%

NOTE 8 – PENSION PLAN

Plan Description - As a condition of employment, all eligible City employees are required to participate in a pension plan. All firemen and law enforcement officers must belong to the South Carolina Police Officers Retirement System (SCPORS). All other eligible employees must belong to the South Carolina Retirement System (SCRS). Both plans are a cost-sharing multiple-employer Public Employee Retirement System (PERS) administered by the Retirement Division of the State Budget and Control Board. Retirement costs are funded by withholding from the employees' salaries, and by a contribution from the City of a percentage of the employees' salaries. Both Retirement Systems are administered by the South Carolina Retirement System, which is a state agency. The City has no fiduciary responsibility for or further liability for either of the retirement plans beyond their current contributions. A Comprehensive Annual Financial Report containing financial statements and required supplementary information for the South Carolina Retirement System and Police Officers' Retirement System may be obtained by writing to the South Carolina Retirement System, PO Box 11960, Columbia, South Carolina 29211.

Basic Provisions - Benefit provisions are established under the authority of Title 9 of the South Carolina Code of Laws. Under current statutes pertaining to the SCRS, member employees who retire at age 65 or after 28 years of credited service are entitled to an annual full service retirement benefit, payable monthly for life, equal to 1.82 percent of the average final compensation (average compensation over the last three years of credited service) times years of credited service. A member with at least 25 years of credited service who terminates employment may continue to pay employee and employer contributions until 28 years of credited service credit is reached. The contributions will be made through the most recent employer on a regular basis and remitted to the South Carolina Retirement System.

Under current statutes pertaining to the SCPORS, member employees who retire at age 65 or after 25 years of credited service are entitled to an annual full service retirement benefit, payable monthly for life, equal to 2.14 percent of average final compensation times years of credited service.

Member employees who are at least 60 years of age may elect early retirement in which case the full service benefit is reduced by 5 percent for each year the employee's age at retirement is less than 65. In either case, any unrecovered contributions are payable upon death and cost of living adjustments are evaluated annually on an ad hoc basis. Full service or early retirees may elect other optional methods of benefit distributions, including lump sum distributions, benefit levels coordinated with the retiree's social security benefits and distributions to a named beneficiary. Benefits are fully vested on reaching 5 years of service. The SCRS and the SCPORS also provide life insurance, survivor and disability benefits to all member employees.

**CITY OF WALTERBORO, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 8 – PENSION PLAN – CONTINUED

Funding Policy

South Carolina Retirement System (SCRS)

The City is required to contribute 9.39 percent which includes 0.15 percent towards group life insurance. The City's contributions for the years ending June 30, 2011, 2010, and 2009 were \$185,624, \$181,838, and \$167,238, respectively, and were equal to the required contributions for each year.

Police Officers Retirement System (PORS)

The City is required to contribute 11.13 percent which includes 0.40 percent towards group life insurance and survivor and disability benefits. The City's contributions for the years ending June 30, 2011, 2010, and 2009 were \$165,586, \$147,081, and \$137,285, respectively, for SCPORS members and were equal to the required contributions for each year.

NOTE 9 – EMPLOYEE BENEFIT PLANS

401(K) Plan

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 a 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 10 – SUMMARY DISCLOSURE OF SIGNIFICANT COMMITMENTS AND CONTINGENCIES

The City has several lawsuits against it. Most of this litigation is covered by insurance or settled through subsequent agreements. Although the outcome of these lawsuits is not presently determinable, in the opinion of the City's council the resolution of these matters will not have a material adverse effect on the financial condition of the City.

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 FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 11 – RISK MANAGEMENT

The City is exposed to various types of risk of 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 State of South Carolina itself assumes substantially all risks for the following:

Claims of covered public employees for health and dental insurance benefits (Office of Insurance Services),

Claims of covered public employees for long-term disability and group-life insurance benefits (Retirement System), and

Property and casualty insurance on buildings, equipment, and vehicles owned by the City as well as tort liability on City employees (South Carolina Insurance Reserve Fund).

The City participates in the South Carolina Municipal Association Workers' Compensation Pool, 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 not been any reductions in insurance coverage from the prior year.

The amounts of settlements have not exceeded coverage in each of the past three fiscal years.

**CITY OF WALTERBORO, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

NOTE 12 – SUBSEQUENT EVENTS

The City refunded the following bonds:

Governmental Fund

1. Tax increment financing revenue bond balance at June 30, 2011, \$1,265,703 at 2.64% that will result in a savings of \$81,694.
2. Hospitality tax revenue bond balance at June 30, 2011, \$1,135,307 at 2.64% will result in a savings of \$63,804.

Additionally, the City issued \$2,051,000 of general obligation debt at 3.96% will be used to retire the current general obligation debt of \$606,070 and to make improvements in the downtown area.

Business-Type Fund

1. Sewer Line Rehabilitation Bond Series 2001A and 2001B balance at June 30, 2011, \$2,409,104 will result in savings of \$489,846.

NOTE 13 – PRIOR PERIOD ADJUSTMENT

A prior period adjustment of \$215,000 due to the implementation of GASB No. 45 was made to reflect the funding of the plan for the fiscal year ended June 30, 2010.

NOTE 14 – NET ASSETS

	Governmental Activities	Business-type Activities
Capital Assets, net of related debt:		
Capital assets	\$ 6,119,212	\$ 21,555,763
Long-term debt	(3,270,584)	(5,400,781)
Add: Compensated absences included above	187,482	26,630
Debt on VA facility not owned by the City	1,135,307	-
	\$ 4,171,417	\$ 16,181,612

REQUIRED SUPPLEMENTARY INFORMATION

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, 2011

	General Fund			Variance Favorable (Unfavorable)
	Original Budget	Final Budget	Actual	
REVENUES				
Taxes	\$ 2,555,000	\$ 2,555,000	\$ 2,629,105	\$ 74,105
Fines, Fees and Licenses	2,310,000	2,310,000	2,402,428	92,428
Intergovernmental	119,986	119,986	112,117	(7,869)
Solid Waste Charges	440,000	440,000	423,067	(16,933)
Miscellaneous	55,000	55,000	136,445	81,445
Total Revenues	<u>5,479,986</u>	<u>5,479,986</u>	<u>5,703,162</u>	<u>223,176</u>
EXPENDITURES				
Current				
Mayor and Council	248,015	248,015	241,767	6,248
Public Safety	2,812,645	2,812,645	2,871,831	(59,186)
Parks	323,689	323,689	329,481	(5,792)
Tourism Development	144,408	144,408	143,948	460
Finance	410,003	410,003	408,211	1,792
City Manager	193,079	193,079	193,997	(918)
Public Works	1,122,902	1,122,902	1,100,300	22,602
Codes Enforcement	252,104	252,104	239,008	13,096
Judicial	171,622	171,622	173,292	(1,670)
Sanitation	390,995	390,995	405,982	(14,987)
Non-Department Support	40,800	40,800	43,160	(2,360)
Reserve Accounts	405,000	405,000	318,366	86,634
Capital Outlay				
Public Safety	170,404	170,404	161,829	8,575
Parks	5,000	5,000	5,863	(863)
Public Works	-	-	10,868	(10,868)
Debt Service				
Principal	84,649	84,649	84,649	-
Interest	28,284	28,284	28,284	-
Total Expenditures	<u>6,803,599</u>	<u>6,803,599</u>	<u>6,760,836</u>	<u>42,763</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	1,438,967	1,438,967	1,450,767	11,800
Transfers Out	(275,926)	(275,926)	(305,708)	(29,782)
Total Other Financing Sources (Uses)	<u>1,163,041</u>	<u>1,163,041</u>	<u>1,145,059</u>	<u>(17,982)</u>
Net Income	(160,572)	(160,572)	87,385	247,957
Fund Balances, Beginning	3,346,386	3,346,386	3,346,386	-
Prior Period Adjustment	(215,000)	(215,000)	(215,000)	-
Fund Balances, Ending	<u>\$ 2,970,814</u>	<u>\$ 2,970,814</u>	<u>\$ 3,218,771</u>	<u>\$ 247,957</u>

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

**CITY OF WALTERBORO, SOUTH CAROLINA
SCHEDULES OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS
OTHER POSTEMPLOYMENT BENEFITS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

SCHEDULES OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a/c)
Primary Government						
7/1/2010	\$ -	\$ 2,289,600	\$ 2,289,600	0%	\$ 2,682,600	85.3%
7/1/2009	-	2,289,600	2,289,600	0%	2,682,600	85.3%

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Fiscal Year Ended June 30	Annual Required Contribution	Actual Contribution	Net OPEB Liability	Percent Contributed
Primary Government				
2010	\$ 259,800	\$ 252,900	\$ 253,900	97.35%
2009	247,000	-	247,000	0%

SUPPLEMENTARY INFORMATION

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

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

- Housing Project Accounts for transactions that are associated with a previous grant for housing.
- Police Drug Fund Accounts for assets seized from drug related arrests.
- Victims Advocate Accounts for the portion of fines that is restricted for victims of crime.
- Bullet Proof Vest Fund Accounts for grants received to purchase bullet proof vests.
- GO Bond Fund Accounts for the proceeds from general obligation bonds.
- Equipment Replacement Fund Accounts for amounts earmarked for future equipment replacement.
- Project Fund Accounts for major capital projects in the general fund and water and sewer fund. Water and sewer projects are transferred to the water and sewer fund at year end.
- TIF Bond Fund Accounts for the proceeds from Tax Increment Financing bonds.
- Miscellaneous Grant Fund Accounts for revenues and expenditures from various grants.
- Great Swamp Fund Accounts for capital projects and operating costs in the Great Swamp Park.
- Local Accommodation Tax Fund Accounts for revenues and expenditures that are restricted by ordinance.
- Local Hospitality Tax Fund Accounts for revenues and expenditures that are restricted by ordinance.
- State Accommodations Tax Accounts for revenues and expenditures that are restricted by State Law.

**CITY OF WALTERBORO, SOUTH CAROLINA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2011**

	Housing Project Fund	Police Drug Fund	Victims Advocate Fund	Police Grant Fund	Tax Incremental Finance Fund
ASSETS					
Cash	\$ 161,951	\$ 6,666	\$ 240	\$ 9,456	\$ 891,273
Restricted Cash	-	-	-	-	-
Receivables	-	-	1,210	-	-
Due from Other Funds	-	-	-	-	-
Notes Receivable	30,369	-	-	-	-
Total Assets	<u>\$ 192,320</u>	<u>\$ 6,666</u>	<u>\$ 1,450</u>	<u>\$ 9,456</u>	<u>\$ 891,273</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Current Liabilities					
Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ -
Deferred Revenue	30,369	-	-	-	-
Total Liabilities	<u>30,369</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES					
Assigned	-	-	-	-	891,273
Restricted	161,951	6,666	1,450	9,456	-
Committed	-	-	-	-	-
Total Fund Balances	<u>161,951</u>	<u>6,666</u>	<u>1,450</u>	<u>9,456</u>	<u>891,273</u>
Total Liabilities & Fund Balances	<u>\$ 192,320</u>	<u>\$ 6,666</u>	<u>\$ 1,450</u>	<u>\$ 9,456</u>	<u>\$ 891,273</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, 2011**

	<u>Bond Fund</u>	<u>Project Fund</u>	<u>Equipment Replacement Fund</u>	<u>Grant Fund</u>	<u>Great Swamp Fund</u>
ASSETS					
Cash	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted Cash	172,972	-	-	-	-
Receivables	-	-	-	-	-
Due from Other Funds	-	220,412	1,072,924	-	-
Notes Receivable	-	-	-	-	-
Total Assets	<u>\$ 172,972</u>	<u>\$ 220,412</u>	<u>\$ 1,072,924</u>	<u>\$ -</u>	<u>\$ -</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Current Liabilities					
Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ -
Deferred Revenue	-	154,233	-	-	-
Total Liabilities	<u>-</u>	<u>154,233</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES					
Assigned	172,972	-	1,072,924	-	-
Restricted	-	66,179	-	-	-
Committed	-	-	-	-	-
Total Fund Balances	<u>172,972</u>	<u>66,179</u>	<u>1,072,924</u>	<u>-</u>	<u>-</u>
Total Liabilities & Fund Balances	<u>\$ 172,972</u>	<u>\$ 220,412</u>	<u>\$ 1,072,924</u>	<u>\$ -</u>	<u>\$ -</u>

**CITY OF WALTERBORO, SOUTH CAROLINA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2011**

	State Accom Tax Fund	Local Accom Tax Fund	Local Hospitality Tax Fund	Total Nonmajor Governmental Funds
ASSETS				
Cash	\$ 20,457	\$ 276,217	\$ 219,346	\$ 1,585,606
Restricted Cash	-	-	-	172,972
Receivables	57,999	47,750	31,376	138,335
Due from Other Funds	-	-	-	1,293,336
Notes Receivable	-	-	-	30,369
Total Assets	<u>\$ 78,456</u>	<u>\$ 323,967</u>	<u>\$ 250,722</u>	<u>\$ 3,220,618</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Current Liabilities				
Accounts Payable	\$ 13,983	\$ -	\$ -	\$ 13,983
Deferred Revenue	-	-	-	184,602
Total Liabilities	<u>13,983</u>	<u>-</u>	<u>-</u>	<u>198,585</u>
FUND BALANCES				
Assigned	-	-	-	2,137,169
Restricted	64,473	-	-	310,175
Committed	-	323,967	250,722	574,689
Total Fund Balances	<u>64,473</u>	<u>323,967</u>	<u>250,722</u>	<u>3,022,033</u>
Total Liabilities & Fund Balances	<u>\$ 78,456</u>	<u>\$ 323,967</u>	<u>\$ 250,722</u>	<u>\$ 3,220,618</u>

CITY OF WALTERBORO, SOUTH CAROLINA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

	Housing Project Fund	Police Drug Fund	Victims Advocate Fund	Police Grant Fund	Tax Incremental Financing Fund
REVENUES					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Miscellaneous	15,120	4,056	32,637	1,170	7,484
Total Revenues	<u>15,120</u>	<u>4,056</u>	<u>32,637</u>	<u>1,170</u>	<u>7,484</u>
EXPENDITURES					
Current					
Housing Project	9,618	-	-	-	-
Public Safety	-	952	1,226	5,225	-
Economic Development	-	-	-	-	126
Great Swamp	-	-	-	-	-
Parks	-	-	-	-	-
Tourism Development	-	-	-	-	-
Public Works	-	-	-	-	-
Capital Outlay					
Public Safety	-	-	-	-	-
Great Swamp	-	-	-	-	-
Parks	-	-	-	-	-
Finance	-	-	-	-	-
Public Works	-	-	-	-	-
Debt Service					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Total Expenditures	<u>9,618</u>	<u>952</u>	<u>1,226</u>	<u>5,225</u>	<u>126</u>
OTHER FINANCING SOURCES (USES)					
Transfers In	-	-	-	3,000	-
Transfers Out	-	-	(31,800)	-	(143,293)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(31,800)</u>	<u>3,000</u>	<u>(143,293)</u>
Net Income	5,502	3,104	(389)	(1,055)	(135,935)
Fund Balances, Beginning	156,449	3,562	1,839	10,511	1,027,208
Fund Balances, Ending	<u>\$ 161,951</u>	<u>\$ 6,666</u>	<u>\$ 1,450</u>	<u>\$ 9,456</u>	<u>\$ 891,273</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, 2011

	Bond Fund	Project Fund	Equipment Replacement Fund	Grant Fund	Great Swamp Fund
REVENUES					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Miscellaneous	1,086	144,398	-	136,621	-
Total Revenues	<u>1,086</u>	<u>144,398</u>	<u>-</u>	<u>136,621</u>	<u>-</u>
EXPENDITURES					
Current					
Housing Project	-	-	-	-	-
Public Safety	-	-	-	24,553	-
Economic Development	-	-	-	-	-
Great Swamp	-	-	-	-	10,732
Parks	-	59,783	-	-	-
Tourism Development	-	-	-	-	-
Public Works	-	202	-	-	-
Capital Outlay					
Public Safety	-	-	-	80,780	-
Great Swamp	-	52,444	-	-	56,508
Parks	-	162	-	22,760	-
Finance	-	-	-	13,990	-
Public Works	-	435,800	-	-	-
Debt Service					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Total Expenditures	<u>-</u>	<u>548,391</u>	<u>-</u>	<u>142,083</u>	<u>67,240</u>
OTHER FINANCING SOURCES (USES)					
Transfers In	-	349,643	290,243	-	67,240
Transfers Out	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>349,643</u>	<u>290,243</u>	<u>-</u>	<u>67,240</u>
Net Income	1,086	(54,350)	290,243	(5,462)	-
Fund Balances, Beginning	171,886	120,529	782,681	5,462	-
Fund Balances, Ending	<u>\$ 172,972</u>	<u>\$ 66,179</u>	<u>\$ 1,072,924</u>	<u>\$ -</u>	<u>\$ -</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, 2011

	State Accom Tax Fund	Local Accom Tax Fund	Local Hospitality Tax Fund	Total Nonmajor Governmental Funds
REVENUES				
Taxes	\$ 211,380	\$ 173,663	\$ 363,276	\$ 748,319
Miscellaneous	340	36,914	2,280	382,106
Total Revenues	<u>211,720</u>	<u>210,577</u>	<u>365,556</u>	<u>764,869</u>
EXPENDITURES				
Current				
Housing Project	-	-	-	9,618
Public Safety	-	-	-	31,956
Economic Development	-	-	-	126
Great Swamp	-	-	-	10,732
Parks	-	-	-	59,783
Tourism Development	203,416	18,905	6	222,327
Public Works	-	-	-	202
Capital Outlay				
Public Safety	-	-	-	80,780
Great Swamp	-	-	-	108,952
Parks	-	57,583	-	80,505
Finance	-	-	-	13,990
Public Works	-	-	-	435,800
Debt Service				
Principal	-	-	193,561	193,561
Interest	-	-	104,474	104,474
Total Expenditures	<u>203,416</u>	<u>76,488</u>	<u>298,041</u>	<u>1,352,806</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	-	710,126
Transfers Out	-	(308,776)	(90,000)	(573,869)
Total Other Financing Sources (Uses)	<u>-</u>	<u>(308,776)</u>	<u>(90,000)</u>	<u>136,257</u>
Net Income	8,304	(174,687)	(22,485)	(86,124)
Fund Balances, Beginning	56,169	498,654	273,207	3,108,157
Fund Balances, Ending	<u>\$ 64,473</u>	<u>\$ 323,967</u>	<u>\$ 250,722</u>	<u>\$ 3,022,033</u>

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

PROPRIETARY FUND

Enterprise Fund

Proprietary Funds are used to account for operation of the City (a) that are financed and operated in a manner similar to private business, where the intent is for the cost of providing goods or services to be recovered, in whole or in part, through user charges; or (b) where the City Council has decided that periodic determination of revenues earned, expense incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes. This fund consists of water and sewer operations in the City of Walterboro, and communities of Ruffin and Hendersonville.

CITY OF WALTERBORO, SOUTH CAROLINA
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS - BUDGET AND ACTUAL
PROPRIETARY FUND - BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

	Water and Sewer			Variance Favorable (Unfavorable)
	Original Budget	Final Budget	Actual	
OPERATING REVENUES				
Charges for Services				
Water Sales	\$ 1,999,000	\$ 1,999,000	\$ 1,992,832	\$ (6,168)
Sewer Charges	1,207,500	1,207,500	1,174,484	(33,016)
Total Operating Revenues	<u>3,206,500</u>	<u>3,206,500</u>	<u>3,167,316</u>	<u>(39,184)</u>
OPERATING EXPENSES				
Costs of Sales and Services				
Water	1,155,674	1,155,674	780,518	375,156
Sewer	580,933	580,933	567,767	13,166
Utility Support	119,030	119,030	112,587	6,443
Economic Development	68,266	68,266	68,501	(235)
Depreciation	-	-	580,605	(580,605)
Bad Debt Expense	-	-	43,491	43,491
Total Operating Expenses	<u>1,923,903</u>	<u>1,923,903</u>	<u>2,153,469</u>	<u>(142,584)</u>
Operating Income	<u>1,282,597</u>	<u>1,282,597</u>	<u>1,013,847</u>	<u>103,400</u>
NONOPERATING REVENUES (EXPENSES)				
Investment Income	40,500	40,500	11,563	(28,937)
Interest Expense	(423,313)	(423,313)	(138,507)	284,806
Bank Charges	-	-	(3,075)	(3,075)
Bond Issue Costs	-	-	(7,917)	(7,917)
Total Nonoperating Revenues (Expenses)	<u>(382,813)</u>	<u>(382,813)</u>	<u>(137,936)</u>	<u>244,877</u>
Income Before Contributions and Transfers	899,784	899,784	875,911	348,277
Grant and Developer Contributions	-	-	485,282	485,282
Operating Transfers Out	<u>(1,256,284)</u>	<u>(1,256,284)</u>	<u>(1,281,316)</u>	<u>(25,032)</u>
Change in Net Assets	(356,500)	(356,500)	79,877	436,377
Net Assets, Beginning	<u>18,540,039</u>	<u>18,540,039</u>	<u>18,540,039</u>	<u>-</u>
Net Assets, Ending	<u>\$ 18,183,539</u>	<u>\$ 18,183,539</u>	<u>\$ 18,619,916</u>	<u>\$ 436,377</u>

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

**CITY OF WALTERBORO, SOUTH CAROLINA
COMBINING STATEMENT OF NET ASSETS
PROPRIETARY FUNDS - ENTERPRISE FUNDS
JUNE 30, 2011**

	Business-type Activities			Total
	Walterboro Water & Sewer	Ruffin Water	Hendersonville Water & Sewer	
ASSETS				
Current Assets				
Cash	\$ 865,519	\$ 186,525	\$ 27,827	\$ 1,079,871
Receivables	583,232	10,699	1,813	595,744
Inventories	102,901	-	-	102,901
Due From Other Funds	341,939	-	-	341,939
Total Current Assets	<u>1,893,591</u>	<u>197,224</u>	<u>29,640</u>	<u>2,120,455</u>
Noncurrent Assets				
Restricted Cash	802,927	-	-	802,927
Bond Issue Costs	15,091	-	-	15,091
Capital Assets, not being depreciated	2,711,526	-	-	2,711,526
Capital Assets, being depreciated	17,053,075	1,201,590	589,572	18,844,237
Total Noncurrent Assets	<u>20,582,619</u>	<u>1,201,590</u>	<u>589,572</u>	<u>22,373,781</u>
Total Assets	<u>\$ 22,476,210</u>	<u>\$ 1,398,814</u>	<u>\$ 619,212</u>	<u>\$ 24,494,236</u>
LIABILITIES AND NET ASSETS				
LIABILITIES				
Current Liabilities				
Accounts Payable	\$ 18,207	\$ -	\$ -	\$ 18,207
Compensated Absences - current	5,000	-	-	5,000
Revenue Bonds Payable - current	323,885	-	-	323,885
Customer Deposits	249,151	-	-	249,151
Due to Other Funds	206,181	-	-	206,181
Total Current Liabilities	<u>802,424</u>	<u>-</u>	<u>-</u>	<u>802,424</u>
Noncurrent Liabilities				
Revenue Bonds Payable	5,050,266	-	-	5,050,266
Compensated Absences	21,630	-	-	21,630
Total Noncurrent Liabilities	<u>5,071,896</u>	<u>-</u>	<u>-</u>	<u>5,071,896</u>
Total Liabilities	<u>5,874,320</u>	<u>-</u>	<u>-</u>	<u>5,874,320</u>
NET ASSETS				
Net Assets				
Unrestricted	1,657,664	197,224	29,640	1,884,528
Restricted	553,776	-	-	553,776
Capital Assets, Net	14,390,450	1,201,590	589,572	16,181,612
Total Net Assets	<u>16,601,890</u>	<u>1,398,814</u>	<u>619,212</u>	<u>18,619,916</u>
Total Liabilities and Net Assets	<u>\$ 22,476,210</u>	<u>\$ 1,398,814</u>	<u>\$ 619,212</u>	<u>\$ 24,494,236</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, 2011**

	Business-type Activities			Total
	Walterboro Water & Sewer	Ruffin Water	Hendersonville Water & Sewer	
OPERATING REVENUES				
Charges for Services				
Water Sales	\$ 1,937,791	\$ 49,408	\$ 5,633	\$ 1,992,832
Sewer Charges	1,170,290	-	4,194	1,174,484
Total Operating Revenues	<u>3,108,081</u>	<u>49,408</u>	<u>9,827</u>	<u>3,167,316</u>
OPERATING EXPENSES				
Costs of Sales and Services				
Water	758,663	19,513	2,342	780,518
Sewer	565,723	-	2,044	567,767
Utility Support	110,437	1,801	349	112,587
Economic Development	68,501	-	-	68,501
Depreciation	538,533	28,026	14,046	580,605
Bad Debt Expense	(43,491)	-	-	(43,491)
Total Operating Expenses	<u>1,998,366</u>	<u>49,340</u>	<u>18,781</u>	<u>2,066,487</u>
Operating Income	<u>1,109,715</u>	<u>68</u>	<u>(8,954)</u>	<u>1,100,829</u>
NONOPERATING REVENUES (EXPENSES)				
Investment Income	11,563	-	-	11,563
Interest Expense	(138,507)	-	-	(138,507)
Bank Charges	(3,075)	-	-	(3,075)
Bond Issue Costs	(7,917)	-	-	(7,917)
Total Nonoperating Revenues (Expenses)	<u>(137,936)</u>	<u>-</u>	<u>-</u>	<u>(137,936)</u>
Income Before Contributions and Transfers	971,779	68	(8,954)	962,893
Grant and Developer Contributions	485,282	-	-	485,282
Operating Transfers Out	(1,281,316)	-	-	(1,281,316)
Change in Net Assets	175,745	68	(8,954)	166,859
Net Assets, Beginning	16,513,127	1,398,746	628,166	18,540,039
Net Assets, Ending	<u>\$ 16,688,872</u>	<u>\$ 1,398,814</u>	<u>\$ 619,212</u>	<u>\$ 18,706,898</u>

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

FUDICIARY FUNDS

Agency Funds

Agency fund transactions relate to assets held by the City as an agent of a private organization, are accounted for in the Fiduciary Fund types.

The Agency Fund is used to account for assets held by the City as an agency and does not involve measurement of results of operations.

- Municipal Court Fund Accounts for fines collected and disbursed.
- Fireman Fund Accounts for funds received from the state that are restricted for use by firemen.

**CITY OF WALTERBORO, SOUTH CAROLINA
 COMBINING STATEMENT OF FIDUCIARY NET ASSETS
 AGENCY FUNDS
 JUNE 30, 2011**

	<u>Municipal Court</u>	<u>Firemens</u>	<u>Total</u>
ASSETS			
Cash	\$ 19,434	\$ 76	\$ 19,510
Total Assets	<u>\$ 19,434</u>	<u>\$ 76</u>	<u>\$ 19,510</u>
LIABILITIES			
Due to Others	\$ 19,434	\$ 76	\$ 19,510
Total Liabilities	<u>\$ 19,434</u>	<u>\$ 76</u>	<u>\$ 19,510</u>

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

**CITY OF WALTERBORO, SOUTH CAROLINA
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 AGENCY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2011**

	<u>Balance June 30, 2010</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2011</u>
Municipal Court				
Assets				
Cash	\$ 70,692	\$ 424,298	\$ 475,556	\$ 19,434
Total Assets	<u>\$ 70,692</u>	<u>\$ 424,298</u>	<u>\$ 475,556</u>	<u>\$ 19,434</u>
Liabilities				
Due to Others	\$ 70,692	\$ 424,298	\$ 475,556	\$ 19,434
Total Liabilities	<u>\$ 70,692</u>	<u>\$ 424,298</u>	<u>\$ 475,556</u>	<u>\$ 19,434</u>
 Firemens Fund				
Assets				
Cash	\$ 76	\$ 22,334	\$ 22,334	\$ 76
Total Assets	<u>\$ 76</u>	<u>\$ 22,334</u>	<u>\$ 22,334</u>	<u>\$ 76</u>
Liabilities				
Due to Others	\$ 76	\$ 22,334	\$ 22,334	\$ 76
Total Liabilities	<u>\$ 76</u>	<u>\$ 22,334</u>	<u>\$ 22,334</u>	<u>\$ 76</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, 2011**

COURT FINES

Court fines collected	\$ 184,442
Court fines retained by the City	<u>(184,442)</u>
Court Fines remitted to the State Treasurer	<u>-</u>

COURT ASSESSMENTS

Court assessments collected	161,025
Court assessments retained by City	<u>-</u>
Court assessments remitted to the State Treasurer	<u>161,025</u>

COURT SURCHARGES

Court surcharges collected	68,742
Court surcharges retained by the City	<u>-</u>
Court surcharges remitted to the State Treasurer	<u>68,742</u>

VICTIMS ASSISTANCE

Court assessments allocated to Victims Assistance	20,289
Court surcharges allocated to Victims Assistance	<u>12,236</u>
Funds allocated to Victim Assistance	<u>32,525</u>
Interest income	111
Victim Services expenditures	<u>(33,026)</u>
Funds available (deficit) for carryforward	(390)
Beginning Balance	<u>1,839</u>
Ending balance	<u><u>\$ 1,449</u></u>

STATISTICAL SECTION

CITY OF WALTERBORO, SOUTH CAROLINA

STATISTICAL SECTION

This part of the City of Walterboro, South Carolina comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, notes disclosure, and required supplementary information says about the City's overall financial health.

<u>Contents</u>	<u>Page</u>
Financial Trends These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	69-73
Revenue Capacity These schedules contain information to help the reader assess the factors affecting the City's ability to generate its property and sales taxes.	74-79
Debt Capacity These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	80-82
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place and to help comparisons over time and with other governments.	83-84
Operating Information These schedules contain information about the City's operations and resources to help the reader understand how the City's financial information relates to the services the district provides and the activities it performs.	85-87

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The City implemented GASB Statement No. 34 in 2004; schedules presenting government-wide information include information beginning in that year.

**CITY OF WALTERBORO, SOUTH CAROLINA
NET ASSETS BY COMPONENTS
LAST TEN FISCAL YEARS**

Schedule 1

	FISCAL YEAR									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
GOVERNMENTAL ACTIVITIES										
Invested in Capital Assets, Net of Related Debt	\$ 4,531,264	\$ 4,528,461	\$ 2,354,395	\$ 3,071,212	\$ 3,230,291	\$ 3,493,190	\$ 4,232,242	\$ 4,635,718	\$ 4,958,029	\$ 4,171,417
Restricted	-	-	-	-	-	-	-	-	-	3,030,465
Unrestricted	2,540,239	2,695,946	2,606,653	2,519,894	2,004,932	3,075,301	3,430,996	3,535,149	3,769,894	2,047,147
Total Governmental Activities Net Assets	<u>\$ 7,071,503</u>	<u>\$ 7,224,407</u>	<u>\$ 4,961,048</u>	<u>\$ 5,591,106</u>	<u>\$ 5,235,223</u>	<u>\$ 6,568,491</u>	<u>\$ 7,663,238</u>	<u>\$ 8,170,867</u>	<u>\$ 8,727,923</u>	<u>\$ 9,249,029</u>

Source: City Audit Reports

**CITY OF WALTERBORO, SOUTH CAROLINA
CHANGES IN NET ASSETS
LAST TEN FISCAL YEARS
(accrual basis of accounting)**

Schedule 2

	2004	2005	2006	2007	2008	2009	2010	2011
Expenses								
Governmental Activities:								
Mayor/Council/Attorney/Judge	\$ 153,934	\$ 166,696	\$ 180,550	\$ 211,740	\$ 246,884	\$ 262,545	\$ 270,136	\$ 247,569
City Manager/City Clerk	205,620	168,520	171,600	200,741	200,570	195,999	201,594	202,258
Finance	268,466	291,034	332,008	351,114	359,167	383,635	398,053	410,047
Public Works	939,259	1,019,364	1,125,977	1,060,001	1,116,447	1,277,972	1,172,210	1,225,700
Planning/Code Enforcement	80,006	91,501	96,337	105,685	148,449	219,028	267,388	245,236
Judicial	206,223	264,495	261,470	227,872	322,306	348,408	165,602	172,612
Public Safety	1,999,347	2,033,545	2,132,094	2,141,188	2,553,504	2,493,117	2,796,254	3,225,479
Sanitation	443,371	432,415	406,679	477,009	521,770	477,512	484,031	502,085
Parks	-	-	-	175,246	202,133	240,347	343,969	390,775
Tourism	-	-	122,211	233,482	204,435	194,839	336,880	411,048
Economic Development	-	-	1,560,015	-	-	-	-	126
Housing Project	141,526	131,636	243	29,288	695	1,088	17,313	9,618
Great Swamp	-	20,283	83,447	48,200	37,852	43,191	15,156	10,732
Non-Department Support	111,821	119,872	125,692	94,577	124,819	204,007	99,859	43,160
Reserve Accounts	129,177	98,764	123,576	135,685	25,271	28,639	148,049	318,366
Interest on Long-term Debt	39,363	339	74,311	181,810	166,941	158,607	143,906	132,946
Total Governmental Activities Expenses	4,718,113	4,838,464	6,796,210	5,673,638	6,231,243	6,528,934	6,860,400	7,547,757
Business-type Activities								
Water	985,694	744,488	928,000	1,106,381	1,303,066	1,368,838	1,409,170	1,404,784
Sewer	937,100	1,229,043	1,046,110	934,514	718,335	752,910	792,298	829,683
Economic Development	-	-	-	-	-	-	-	68,501
Total Business Activities Expenses	1,922,794	1,973,531	1,974,110	2,040,895	2,021,401	2,121,748	2,201,468	2,302,968
Total Primary Government Expenses	6,640,907	6,811,995	8,770,320	7,714,533	8,252,644	8,650,682	9,061,868	9,850,725
Revenues								
Governmental Activities:								
Program Revenues								
Charges for Services:								
General Government	565,856	720,545	719,223	633,152	702,424	822,334	639,338	700,018
Operating Grants and Contributions	101,880	20,696	17,562	14,711	25,639	11,771	11,605	342,816
Capital Grants and Contributions	18,127	181,286	316,005	105,331	594,950	6,600	223,121	162,357
Total Governmental Activities Program Revenues	685,863	922,527	1,052,790	753,194	1,323,013	840,705	874,064	1,205,191
Business-Type Activities								
Charges for Services:								
Water	1,308,656	1,368,177	1,526,327	1,586,903	1,687,985	1,761,218	1,895,381	1,992,832
Sewer	977,889	1,004,847	1,004,421	1,026,297	1,079,166	1,451,504	1,774,235	1,174,484
Capital Grants and Contributions	4,010,110	409,294	7,759	-	-	-	-	485,282
Total Business-Type Activities Program Revenues	6,296,655	2,782,318	2,538,507	2,613,200	2,767,151	3,212,722	3,669,616	3,652,598
Total Primary Government Program Revenues	6,982,518	3,704,845	3,591,297	3,366,394	4,090,164	4,053,427	4,543,680	4,857,789
Net (Expense) Revenue								
Governmental Activities	(4,032,250)	(3,915,937)	(5,743,420)	(4,920,444)	(4,908,230)	(5,688,229)	(5,986,336)	(6,342,566)
Business-Type Activities	4,373,861	808,787	564,397	572,305	745,750	1,090,974	1,468,148	1,349,630
Total Primary Government Net Revenue / (Expense)	341,611	(3,107,150)	(5,179,023)	(4,348,139)	(4,162,480)	(4,597,255)	(4,518,188)	(4,992,936)

CITY OF WALTERBORO, SOUTH CAROLINA
CHANGES IN NET ASSETS
LAST TEN FISCAL YEARS
(accrual basis of accounting)

Schedule 2

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
General Revenues and Other Changes in Net Assets								
Governmental Activities:								
Taxes	\$ 1,954,815	\$ 2,086,664	\$ 2,372,006	\$ 3,172,769	\$ 2,996,261	\$ 3,281,033	\$ 3,372,108	\$ 3,407,960
Business Licenses	1,306,011	1,492,522	1,653,426	1,910,569	1,917,324	1,950,618	1,909,357	2,117,002
Unrestricted Grants and Contributions	141,896	187,072	170,810	189,173	179,149	189,419	177,130	230,925
Investment Earnings	34,080	52,731	79,221	247,850	231,908	119,104	92,314	41,469
Transfers	635,875	727,009	1,112,074	733,351	678,335	655,684	992,483	1,281,316
Total Government Activities	<u>4,072,677</u>	<u>4,545,998</u>	<u>5,387,537</u>	<u>6,253,712</u>	<u>6,002,977</u>	<u>6,195,858</u>	<u>6,543,392</u>	<u>7,078,672</u>
Business-Type Activities:								
Investment Earnings	63,213	55,963	92,718	149,123	196,118	64,183	31,564	11,563
Transfers	(635,875)	(727,009)	(1,112,074)	(733,351)	(678,335)	(655,684)	(992,483)	(1,281,316)
Total Business-Type Activities	<u>(572,662)</u>	<u>(671,046)</u>	<u>(1,019,356)</u>	<u>(584,228)</u>	<u>(482,217)</u>	<u>(591,501)</u>	<u>(960,919)</u>	<u>(1,269,753)</u>
Total Primary Government	<u>3,500,015</u>	<u>3,874,952</u>	<u>4,368,181</u>	<u>5,669,484</u>	<u>5,520,760</u>	<u>5,604,357</u>	<u>5,582,473</u>	<u>5,808,919</u>
Change In Net Assets								
Governmental Activities	40,427	630,061	(355,883)	1,333,268	1,094,747	507,629	557,056	736,106
Business-Type Activities	3,801,199	137,741	(454,959)	(11,923)	263,533	331,535	507,229	79,877
Total Primary Government	<u>3,841,626</u>	<u>767,802</u>	<u>(810,842)</u>	<u>1,321,345</u>	<u>1,358,280</u>	<u>839,164</u>	<u>1,064,285</u>	<u>815,983</u>

Source: City Audit Reports

**CITY OF WALTERBORO, SOUTH CAROLINA
FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)**

Schedule 3

	FISCAL YEAR									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
GENERAL FUND										
Unassigned	1,989,973	2,217,542	2,265,088	2,490,109	2,160,922	3,755,745	3,818,588	3,758,090	3,346,386	3,218,771
Assigned	-	-	-	-	-	-	-	-	-	-
Restricted	-	-	-	-	-	-	-	-	-	-
Committed	-	-	-	-	-	-	-	-	-	-
Total General Fund	<u>\$ 1,989,973</u>	<u>\$ 2,217,542</u>	<u>\$ 2,265,088</u>	<u>\$ 2,490,109</u>	<u>\$ 2,160,922</u>	<u>\$ 3,755,745</u>	<u>\$ 3,818,588</u>	<u>\$ 3,758,090</u>	<u>\$ 3,346,386</u>	<u>\$ 3,218,771</u>
GRANT FUND										
Unassigned	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	-	-	-
Restricted	-	-	-	-	-	-	-	-	-	8,432
Committed	-	-	-	-	-	-	-	-	-	-
Total Economic Development Fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,432</u>
CAPITAL PROJECTS FUND										
Unassigned	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	-	-	-
Restricted	-	-	-	-	-	-	-	-	-	-
Committed	-	-	-	-	-	-	-	-	-	-
Total Capital Projects Fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
ALL OTHER GOVERNMENTAL FUNDS										
Unassigned	-	-	-	-	-	-	-	-	-	-
Assigned	530,265	478,404	1,241,159	1,117,145	2,833,523	2,781,086	2,718,677	2,697,315	3,116,283	2,137,169
Restricted	-	-	-	-	-	-	-	-	-	310,175
Committed	-	-	-	-	-	-	-	-	-	574,689
Total All Other Governmental Funds	<u>\$ 530,265</u>	<u>\$ 478,404</u>	<u>\$ 1,241,159</u>	<u>\$ 1,117,145</u>	<u>\$ 2,833,523</u>	<u>\$ 2,781,086</u>	<u>\$ 2,718,677</u>	<u>\$ 2,697,315</u>	<u>\$ 3,116,283</u>	<u>\$ 3,022,033</u>
TOTAL GOVERNMENTAL FUND BALANCE	<u>\$ 2,520,238</u>	<u>\$ 2,695,946</u>	<u>\$ 3,506,247</u>	<u>\$ 3,607,254</u>	<u>\$ 4,994,445</u>	<u>\$ 6,536,831</u>	<u>\$ 6,537,265</u>	<u>\$ 6,455,405</u>	<u>\$ 6,462,669</u>	<u>\$ 6,249,236</u>

Source: City Audit Reports

**CITY OF WALTERBORO, SOUTH CAROLINA
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)**

Schedule 4

	2004	2005	2006	2007	2008	2009	2010	2011
Revenues								
Taxes	\$ 1,908,344	\$ 2,017,635	\$ 2,274,231	\$ 3,032,901	\$ 3,030,233	\$ 3,339,362	\$ 3,393,356	\$ 3,377,424
Fines, Fees, and Licenses	1,589,506	1,926,649	2,108,924	2,130,653	2,204,815	2,283,243	2,028,600	2,402,428
Intergovernmental	133,970	139,535	141,236	152,242	168,257	160,530	134,627	112,117
Solid Waste Disposal Charges	302,531	309,061	333,231	338,195	331,460	411,722	389,379	423,067
Miscellaneous	179,203	367,046	492,503	659,751	1,131,972	201,507	545,607	711,091
Total Revenues	4,113,554	4,759,926	5,350,125	6,313,742	6,866,737	6,396,364	6,491,569	7,026,127
Expenditures								
Current:								
Mayor/Council/Attorney/Judge	153,934	166,696	180,550	226,629	257,994	256,744	264,334	241,767
City Manager/City Clerk	205,346	168,720	170,078	195,074	194,745	188,369	193,593	194,123
Finance	411,800	419,134	327,742	351,114	363,427	382,297	398,053	408,211
Public Works	957,172	1,018,949	1,089,589	1,008,932	1,310,624	1,294,674	1,143,648	1,100,502
Planning/Code Enforcement	81,871	108,233	91,553	101,243	140,544	215,954	288,193	239,008
Judicial	202,649	260,167	257,561	223,563	318,073	349,320	165,602	173,292
Public Safety	2,182,921	2,069,625	2,364,406	2,186,423	2,686,193	2,669,446	2,800,562	3,096,021
Sanitation	417,782	510,532	571,126	419,404	607,179	405,344	720,422	405,982
Parks	-	-	-	210,078	206,119	354,600	301,156	389,264
Tourism	-	-	-	-	-	194,839	336,880	366,275
Housing Project	141,526	131,636	243	29,288	695	1,088	17,313	9,618
Great Swamp	152,732	402,241	205,756	363,798	318,736	60,077	145,765	10,732
Non-Departmental Support	111,821	360,644	398,058	1,208,847	491,634	604,486	255,182	43,160
Reserve Accounts	214,576	98,764	123,576	135,685	25,271	28,639	148,049	318,366
Debt Service								
Principal	-	-	-	-	-	-	-	278,210
Interest	-	-	-	-	-	-	-	132,758
Capital Outlay	-	-	-	-	-	-	-	898,587
Total Expenditures	5,234,130	5,715,341	5,780,238	6,660,078	6,921,234	7,005,877	7,178,752	8,305,876
Excess (deficiency) of revenues over (under) expenditures	(1,120,576)	(955,415)	(430,113)	(346,336)	(54,497)	(609,513)	(687,183)	(1,279,749)
Other Financing Sources (Uses)								
Issuance of Debt	1,295,002	109,643	1,925,000	-	-	-	-	-
Transfers In	808,600	758,550	1,362,773	1,541,479	1,768,618	1,313,283	1,751,615	2,160,893
Transfers Out	(172,725)	(31,541)	(250,699)	(808,128)	(1,558,316)	(785,633)	(1,057,168)	(879,577)
Total Other Financing Sources (Uses)	1,930,877	836,652	3,037,074	733,351	210,302	527,650	694,447	1,281,316
Net Change in Fund Balances	810,301	(118,763)	2,606,961	387,015	155,805	(81,863)	7,264	1,567
Fund Balances, Beginning	2,695,946	3,506,247	3,387,484	5,994,445	6,381,460	6,537,265	6,455,402	6,462,669
Prior Period Adjustment(s)								(215,000)
Fund Balances, Ending	\$ 3,506,247	\$ 3,387,484	\$ 5,994,445	\$ 6,381,460	\$ 6,537,265	\$ 6,455,402	\$ 6,462,666	\$ 6,249,236
Debt service as a percentage of noncapital expenditures	N/A	N/A	N/A	N/A	N/A	N/A	N/A	5.5%

Source: City Audit Reports

**CITY OF WALTERBORO, SOUTH CAROLINA
 ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY
 LAST TEN FISCAL YEARS**

Schedule 5

FISCAL YEAR ENDED JUNE 30,	ASSESSED VALUE			MARKET VALUE			TOTAL DIRECT TAX RATE
	REAL PROPERTY	PERSONAL PROPERTY	TOTAL	REAL PROPERTY	PERSONAL PROPERTY	TOTAL	
	2002	\$ 10,735,540	\$ 3,385,580	\$ 14,121,120	\$ 182,858,654	\$ 31,199,525	
2003	11,343,050	3,644,820	14,987,870	192,955,354	33,495,951	226,451,305	95.00
2004	11,909,000	2,619,230	14,528,230	202,438,104	23,987,873	226,425,977	95.00
2005	11,954,140	4,017,590	15,971,730	204,539,759	36,552,021	241,091,780	95.00
2006*	14,125,900	3,231,410	17,357,310	245,613,856	28,356,973	273,970,829	78.00
2007	16,882,260	3,312,580	20,194,840	290,939,951	21,838,331	312,778,282	81.00
2008	17,445,170	3,628,988	21,074,158	300,340,051	34,835,056	335,175,107	83.00
2009	18,878,650	4,059,310	22,937,960	325,851,450	38,969,318	364,820,768	83.00
2010	18,175,613	4,116,560	22,292,173	431,533,550	40,747,393	472,280,943	77.00
2011	19,715,147	5,711,537	25,426,684	434,658,528	40,883,614	475,542,142	77.00

* Reassessment Year.

Data Source: Colleton County Auditor's Office

**CITY OF WALTERBORO, SOUTH CAROLINA
DIRECT AND OVERLAPPING PROPERTY TAX RATES
LAST TEN FISCAL YEARS**

FISCAL YEAR ENDED JUNE 30,	CITY	OVERLAPPING RATES			
	DIRECT RATES	COUNTY		SCHOOL	SCHOOL
	BASIC RATE	COUNTY OPERATIONS	DEBT SERVICE	OPERATIONS	DEBT SERVICE
2002	95.00	96.00	8.20	113.00	11.30
2003	95.00	100.60	11.40	115.40	11.40
2004	95.00	122.70	11.40	117.70	14.20
2005	95.00	125.50	11.10	113.40	10.50
2006	78.00	96.10	12.50	87.80	7.80
2007	81.00	102.40	11.20	98.20	24.50
2008	83.00	104.20	11.40	101.44	44.50
2009	83.00	104.20	12.00	104.38	46.50
2010	77.00	107.50	8.70	104.38	46.50
2011	77.00	105.86	7.41	101.83	46.50

**CITY OF WALTERBORO, SOUTH CAROLINA
PRINCIPAL PROPERTY TAX PAYERS
CURRENT YEAR AND NINE YEARS AGO**

Schedule 7

TAXPAYER	2011			2002		
	TAXABLE ASSESSED	RANK	PERCENTAGE OF TOTAL CITY TAXABLE ASSESSED VALUE	TAXABLE ASSESSED	RANK	PERCENTAGE OF TOTAL CITY TAXABLE ASSESSED VALUE
	VALUE		VALUE	VALUE		VALUE
WAL-MART REAL ESTATE BUSINESS TRUST	\$ 673,860	1	3.71 %	n/a		n/a %
WALTERBORO COMMUNITY HOSPITAL	486,000	2	2.67	n/a		n/a
WALTERBORO/SAV LLC ETAL	354,900	3	1.95	n/a		n/a
PECK SLIP ASSOCIATES GROUP LLCC	339,120	4	1.87	n/a		n/a
HOSPITAL DEV PROPERTIES INCATTN TAX DEPT	271,200	5	1.49	n/a		n/a
LSF5 COMPANION LLCA DELAWARE LIMITED LIABILITY	254,580	6	1.40	n/a		n/a
ROBERTSON CORNERS CENTER LLCA DELAWARE LLC	201,300	7	1.11	n/a		n/a
MD-WALTERBORO LLCC/O WALGREEN COMPANY	200,880	8	1.11	n/a		n/a
USPG PORTFOLIO ONE LLC	187,080	9	1.03	n/a		n/a
NAMAN WALTERBORO LLC	157,920	10	0.87	n/a		n/a
Total	\$ 3,126,840		13.50	\$ -		- %

Source: Colleton County Auditor's Office

**CITY OF WALTERBORO, SOUTH CAROLINA
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS**

Schedule 8

FISCAL YEAR ENDED JUNE 30,	TAXES LEVIED FOR THE FISCAL YEAR	COLLECTED WITHIN THE FISCAL YEAR OF THE LEVY		COLLECTIONS IN SUBSEQUENT YEARS	TOTAL COLLECTIONS TO DATE	
		AMOUNT	PERCENTAGE		AMOUNT	PERCENTAGE
			OF LEVY			OF LEVY
2002	\$ 2,217,935	\$ 1,667,523	75.2 %	\$ 179,754	\$ 1,847,277	83.3 %
2003	2,388,915	1,713,802	71.7	117,219	1,831,021	76.6
2004	2,273,343	1,662,741	73.1	245,603	1,908,344	83.9
2005	2,262,883	1,781,059	78.7	236,576	2,017,635	89.2
2006*	2,111,441	1,851,746	87.7	250,908	2,102,654	99.6
2007	2,617,871	2,117,428	80.9	313,404	2,430,832	92.9
2008	2,799,442	2,206,583	78.8	313,710	2,520,293	90.0
2009	2,400,047	2,276,772	94.9	292,472	2,569,244	107.0
2010	2,508,730	2,165,797	86.3	459,082	2,624,879	104.6
2011	2,749,462	2,345,574	85.3	283,531	2,629,105	95.6

* Reassessment Year.

Source: Delinquent Tax Collector, Clty Finance Office, County Auditor, County Treasurer

**CITY OF WALTERBORO, SOUTH CAROLINA
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS**

Schedule 9

FISCAL YEAR ENDED JUNE 30,	GOVERNMENTAL ACTIVITIES			TOTAL PRIMARY GOVERNMENT	PERCENTAGE OF PERSONAL INCOME	PER CAPITA
	NOTES PAYABLE	LEASES PAYABLE	GENERAL OBLIGATION			
2002	\$ 50,776	\$ 325,574	\$ 142,000	\$ 518,350	n/a	\$ 100.59
2003	29,093	152,141	103,000	284,234	n/a	51.25
2004	-	320,819	1,000,000	1,320,819	n/a	234.98
2005	-	464,647	950,170	1,414,817	n/a	249.44
2006	-	334,840	898,332	1,233,172	n/a	216.76
2007	-	226,646	844,404	1,071,050	n/a	188.23
2008	-	167,163	788,305	955,468	n/a	165.31
2009	-	126,076	729,944	856,020	30.48 %	147.82
2010	-	97,507	669,231	766,738	21.34	142.04
2011	-	76,019	606,070	682,089	18.98	126.36

Source: City Audit Report, US Census Bureau

Note: Details of the City's outstanding debt can be found in the notes to the financial statements.

See schedule 14 for personal income and population.

These ratios are calculated using personal income and population for the prior calendar year.

N/A Information is not available.

**CITY OF WALTERBORO, SOUTH CAROLINA
RATIOS OF GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS**

FISCAL YEAR ENDED JUNE 30,	Amount	PERCENTAGE OF ACTUAL TAXABLE VALUE OF PROPERTY	PER CAPITA
2002	\$ 142,000	1.0%	\$ 28
2003	103,000	0.7%	19
2004	1,000,000	6.9%	178
2005	950,170	5.9%	168
2006	898,332	5.2%	158
2007	844,404	4.2%	148
2008	788,305	3.7%	136
2009	729,944	3.2%	126
2010	669,231	3.0%	124
2011	606,070	2.4%	112

Source: City Audit Report

**CITY OF WALTERBORO, SOUTH CAROLINA
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF JUNE 30, 2011**

<u>GOVERNMENTAL UNIT</u>	<u>DEBT OUTSTANDING</u>	<u>ESTIMATED PERCENTAGE APPLICABLE</u>	<u>ESTIMATED SHARE OF OVERLAPPING DEBT</u>
Debt repaid with property taxes			
Colleton County	\$ 15,013,029	0.61%	\$ 91,925
Colleton County School District	97,678,282	0.61%	598,086
Subtotal overlapping debt	<u>112,691,311</u>		<u>690,011</u>
City direct debt	<u>606,070</u>	100.00%	<u>606,070</u>
Total direct and overlapping debt	<u><u>\$ 113,297,381</u></u>		<u><u>\$ 1,296,081</u></u>

Sources: Colleton County Treasurer, Colleton County School District

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City. This process recognizes that, when considering the governments's ability to issue and repay long-term, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

**CITY OF WALTERBORO, SOUTH CAROLINA
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS**

Schedule 12

Legal Debt Margin Calculation for Fiscal Year 2011

Assessed Value	\$ 25,426,684
Debt limit (8% of assessed value)	2,034,134
Debt applicable to limit:	
General Obligation Bonds @ 4.03%	
Total net debt applicable to limit	<u>(606,070)</u>
Legal Debt Margin	<u><u>\$ 1,428,064</u></u>

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Debt Limit	\$ 1,321,430	\$ 1,373,811	\$ 1,324,735	\$ 1,391,390	\$ 1,549,436	\$ 938,791	\$ 1,025,962	\$ 3,740,711	\$ 2,088,699	\$ 2,034,134
Total net debt applicable to limit	<u>(142,000)</u>	<u>(112,200)</u>	<u>(1,000,000)</u>	<u>(950,130)</u>	<u>(898,332)</u>	<u>(844,404)</u>	<u>(788,305)</u>	<u>(729,944)</u>	<u>(669,231)</u>	<u>(606,070)</u>
Legal debt margin	<u><u>\$ 1,179,430</u></u>	<u><u>\$ 1,261,611</u></u>	<u><u>\$ 324,735</u></u>	<u><u>\$ 441,260</u></u>	<u><u>\$ 651,104</u></u>	<u><u>\$ 94,387</u></u>	<u><u>\$ 237,657</u></u>	<u><u>\$ 3,010,767</u></u>	<u><u>\$ 1,419,468</u></u>	<u><u>\$ 1,428,064</u></u>
 Total net debt applicable to the limit as a percentage of debt limit	<u>10.7%</u>	<u>8.2%</u>	<u>75.5%</u>	<u>68.3%</u>	<u>58.0%</u>	<u>89.9%</u>	<u>76.8%</u>	<u>19.5%</u>	<u>32.0%</u>	<u>29.8%</u>

Under state finance law, the City's outstanding general obligation debt should not exceed 8 percent of the total assessed property value.

Source: City Audit Report

**CITY OF WALTERBORO, SOUTH CAROLINA
 PLEDGED-REVENUE COVERAGE
 LAST TEN FISCAL YEARS**

FISCAL YEAR ENDED <u>JUNE 30,</u>	<u>REVENUE BONDS</u>			
	<u>COLLECTIONS</u>	<u>DEBT SERVICE</u>		<u>COVERAGE</u>
		<u>PRINCIPAL</u>	<u>INTEREST</u>	
2002	\$ 2,278,322	\$ 382,801	\$ 118,768	454.2 %
2003	2,217,205	514,028	165,816	326.1
2004	2,286,545	140,510	145,280	800.1
2005	2,373,024	147,467	139,575	826.7
2006	2,530,748	153,453	133,638	881.5
2007	2,613,200	159,684	126,105	914.4
2008	2,767,151	166,168	119,621	968.2
2009	3,212,722	172,915	112,874	1,124.2
2010	3,669,616	179,937	113,510	1,250.5
2011	3,167,316	211,972	133,366	917.2

Source: City Audit Report

**CITY OF WALTERBORO, SOUTH CAROLINA
DEMOGRAPHIC STATISTICS
LAST TEN FISCAL YEARS**

FISCAL YEAR ENDED JUNE 30,	POPULATION	PERSONAL INCOME (thousands of dollars)	PER CAPITA PERSONAL INCOME	MEDIAN AGE	SCHOOL ENROLLMENT**	UNEMPLOYMENT RATE	%
2002	5,153	n/a	n/a	n/a	6,518	6.10	
2003	5,546	n/a	n/a	n/a	6,280	7.20	
2004	5,621	n/a	n/a	n/a	6,158	7.30	
2005	5,672	n/a	n/a	n/a	6,023	7.20	
2006	5,689	n/a	n/a	n/a	5,997	6.40	
2007	5,690	n/a	n/a	n/a	5,919	n/a	
2008	5,780	n/a	n/a	n/a	5,829	n/a	
2009	5,791	\$ 28,085	\$ 17,014	39.6	5,846	12.20	
2010	5,398	35,935	17,784	36.1	5,808	12.40	
2011	5,398	35,935	17,784	36.1	5,772	14.10	

Data Source:

- (1) US Bureau of the Census
- (2) US Department of Commerce, Bureau of Economic Analysis
- (3) Lowcountry Council of Governments
- (4) South Carolina Department of Education
- (5) South Carolina Employment Security Commission

N/A Information is not available

**Includes county residents

**CITY OF WALTERBORO, SOUTH CAROLINA
PRINCIPAL EMPLOYERS
CURRENT YEAR AND TEN YEARS AGO**

Schedule 15

EMPLOYER	2011			2010		
	EMPLOYEES	RANK	PERCENTAGE OF TOTAL CITY EMPLOYMENT	EMPLOYEES	RANK	PERCENTAGE OF TOTAL CITY EMPLOYMENT
Colleton County School Board	1,180	1	n/a %	n/a	n/a	n/a %
Colleton Medical Center	479	2	n/a	n/a	n/a	n/a
WalMart	476	3	n/a	n/a	n/a	n/a
Colleton County	400	4	n/a	n/a	n/a	n/a
Cracker Barrel	110	5	n/a	n/a	n/a	n/a
City of Walterboro	106	6	n/a	n/a	n/a	n/a
BiLo	84	7	n/a	n/a	n/a	n/a
Reid's	70	8	n/a	n/a	n/a	n/a
DOT	60	9	n/a	n/a	n/a	n/a
Ruby Tuesday	57	10	n/a	n/a	n/a	n/a
Total	3,022		- %	-		- %

84

Source: City Economic Development Department
N/A Information is not available

CITY OF WALTERBORO, SOUTH CAROLINA
FULL-TIME EQUIVALENT COUNTY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS

Schedule 16

<u>FUNCTION/PROGRAM</u>	FISCAL YEAR									
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Mayor/Council/Attorney/Judge	8.5	7.5	8	9	9	9	9	9	9	9
City Manager/City Clerk	2	2	3	3	2	2	2	2	2	2
Finance	4.5	4.5	4.5	4.5	4.5	5	5	4	4	4
Public Works	16	16	16	14.5	16.5	16	16	16	16	16
Planning/Code Enforcement	3	3	2	2	3	2	2	4	4	4
Judicial	-	3.5	2.5	3	2.5	3	3	3.5	3.5	3.5
Public Safety	45.5	43.5	43.5	44.5	43.5	44	43	45	46	46
Sanitation	5	5	5	5	5	5	5	5	5	5
Parks	-	-	-	-	-	4	4	6	6	8
Tourism	-	-	-	-	-	-	1.0	2.5	2.5	2.5
Economic Development	-	-	-	-	-	-	-	1	1	1
Water	6.5	8.5	9.5	8	8	8	8	7	7	7
Utility Support	4	3	3	2	2	2	2	2	2	2
Sewer	4	5	5	5	5	5	5	5.5	5.5	5.5
Total	99.0	101.5	102.0	100.5	101.0	105.0	105.0	112.5	113.5	115.5

***Note: Figures are for Full Time Equivalents (FTE's)**

Source: City Human Resources

**CITY OF WALTERBORO, SOUTH CAROLINA
OPERATING INDICATORS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS**

Schedule 17

	FISCAL YEAR									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Business Licenses										
NUMBERS ISSUED	856	809	816	877	897	930	892	888	885	816
Sales Reported for Licenses*	\$ 319,141	\$ 337,894	\$ 350,711	\$ 387,180	\$ 439,230	\$ 532,511	\$ 521,746	\$ 534,373	\$ 545,401	\$ 542,750
Commercial Building Permits Issued										
NUMBERS ISSUED	n/a	119	84	91	111	113	143	156	209	261
Sales Reported for Permits Issued*	n/a	\$ 4,086	\$ 2,824	\$ 4,061	\$ 15,712	\$ 10,657	\$ 14,652	\$ 3,415	\$ 4,205	\$ 2,106
Residential Building Permits Issued										
NUMBER ISSUED	n/a	95	101	117	171	181	146	181	263	389
Sales Reported for Permits Issued*	n/a	\$ 1,199	\$ 502	\$ 1,610	\$ 3,557	\$ 3,362	\$ 3,114	\$ 1,744	\$ 1,241	\$ 1,141

N/A Information is not available.
 * Figures are per \$1,000 USD
 Source: Various City Departments

**CITY OF WALTERBORO, SOUTH CAROLINA
CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS**

Schedule 18

<u>FUNCTION/PROGRAM</u>	<u>FISCAL YEAR</u>									
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
EMERGENCY SERVICES:										
NUMBER OF FIRE STATIONS	1	1	1	1	1	2	2	3	3	3
NUMBER OF FIRE TRUCKS	3	3	4	4	4	2	2	3	3	3
NUMBER OF POLICE STATIONS	1	1	1	1	1	2	2	3	3	3
NUMBER OF POLICE VEHICLES	n/a	n/a	n/a	n/a	n/a	36	39	38	40	44
PUBLIC WORKS										
NUMBER OF GARBAGE TRUCKS	5	5	5	5	5	5	5	5	5	5
WATER/SEWER										
MILES OF PIPE IN GROUND										
WATER	n/a	n/a	n/a	n/a	n/a	284	286	290	291	291
SEWER	n/a	n/a	n/a	n/a	n/a	76	77	77	78	78

COMPLIANCE SECTION

**CITY OF WALTERBORO, SOUTH CAROLINA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011**

<u>Federal Grantor/Pass-Through Grantor Program Title</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>
<u><i>U.S. Environmental Protection Agency</i></u>		
Passed through the SC Budget & Control		
ARRA Loan #1-122-09-441-06	66.458	\$ 998,862
Regular Program Funds - Federal Grant #S1-122-09-441-06	66.458	75,048
<u><i>US Dept of Housing & Urban Development</i></u>		
Community Development Block Grant #4-A-10-002	14.228	404,225
Community Development Block Grant #4-CI-09-021	14.228	683
<u><i>US Dept of Justice</i></u>		
Recovery Program Grant #2009RKWX0748	16.710	47,150
BJA-Byrne JAG Grant #2009SBB92846	16.804	32,867
BJA-JAG Formula Grant #2009DJBX0210	16.738	11,397
Passed thru the SC Dept of Public Safety		
Drug Team Gran t#2010DJBX0088	16.738	100,668
Passed thru the US Dept of Energy		
#DE-EE0000952 Grant #ELC-05	81.128	<u>53,321</u>
Total Federal Financial Assistance		<u>\$1,724,220</u>

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of City of Walterboro, South Carolina and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principals contained in OMB Circular A-87, *Cost Principals for State, Local and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited to reimbursement.

NOTE 3 - NON-CASH AWARDS

City of Walterboro, South Carolina, did not receive any non-cash federal awards during the year ended June 30, 2011.

NOTE 4 - EPA LOAN

In August, 2009, the City entered into a bond agreement for \$3,062,830 of which \$1,531,415 was American Recovery and Reinvestment Act (ARRA) funds bearing an interest rate of 0% and \$1,531,415 was Regular funds bearing an interest rate of 1.84%, with the South Carolina Water Quality Revolving Fund Authority to fund wastewater system rehabilitation and pump station upgrade within the City. The City will make annual interest and principal payments beginning September 2010. Repayment shall be made in 80 equal installments of \$45,841 through December 2030. The balance outstanding at June 30, 2011 was \$2,965,046.

**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, 2011, which collectively comprise the City of Walterboro, South Carolina's basic financial statements and have issued our report thereon dated November 11, 2011. 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 *deficiency in internal control* 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 and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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*.

We noted certain matters that we reported to management of City of Walterboro, South Carolina, in a separate letter dated November 11, 2011.

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
November 11, 2011

**REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

City of Walterboro Council
City of Walterboro, South Carolina

Compliance

We have audited the compliance of City of Walterboro, South Carolina with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2011. City of Walterboro, South Carolina's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of City of Walterboro, South Carolina's management. Our responsibility is to express an opinion on City of Walterboro, South Carolina's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City of Walterboro, South Carolina's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of City of Walterboro, South Carolina's compliance with those requirements.

In our opinion, City of Walterboro, South Carolina, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

Management of City of Walterboro, South Carolina, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered City of Walterboro, South Carolina's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of the City of Walterboro, South Carolina's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

This report is intended solely for the information and use of management, City Council, others within the entity, 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
November 11, 2011

**CITY OF WALTERBORO, SOUTH CAROLINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011**

I. Summary of Auditors' Results

- A. The auditors' report expresses an unqualified opinion on the financial statements of the City of Walterboro, South Carolina.
- B. Our audit of the financial statements disclosed no significant deficiencies in internal control over financial reporting.
- C. No instances of noncompliance material to the financial statements of the City of Walterboro, South Carolina, which would be required to be reported in accordance with Government Auditing Standards, were disclosed during the audit.
- D. No significant deficiencies in internal controls over major federal award programs were disclosed during the audit.
- E. The auditors' report on compliance for the major federal award programs the City of Walterboro, South Carolina expresses an unqualified opinion on all major federal programs.
- F. Our audit disclosed no audit findings which relate to the federal awards which are required to be reported under section 510(a) of OMB Circular A-133.
- G. Major federal program for the City of Walterboro, South Carolina for the fiscal year ended June 30, 2010 are:

<u>Program Name</u>	<u>CFDA#</u>
Environmental Protection Agency	
Capitalization Grants for Clean Water State Revolving Funds	66.458
CDBG - State Administered Small Cities Program Cluster	14.228

- H. The threshold for determining Type A programs for the City of Walterboro, South Carolina is \$300,000.
- I. The City of Walterboro, South Carolina did not qualify as a low risk auditee.

II. Findings Related to the Audit of the Financial Statements of the City of Walterboro, South Carolina:

There were no findings noted for the year ended June 30, 2011 which are required to be reported in accordance with *Government Auditing Standards*.

III Findings and Questioned Costs Related to the Audit of Federal Awards

There were no findings noted for the year ended June 30, 2011, that are required to be reported in accordance with OMB Circular A-133 criteria.