

***CITY OF NEW ELLENTON***  
**NEW ELLENTON, SOUTH CAROLINA**

**FINANCIAL STATEMENTS**  
**June 30, 2009**

**CITY OF NEW ELLENTON**  
**SOUTH CAROLINA**  
**June 30, 2009**

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## FINANCIAL STATEMENTS

# TIMOTHY C. CORNELISON, CPA, LLC

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## INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members of City Council  
City of New Ellenton, South Carolina

I have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate presented component unit, each major fund and the aggregate remaining fund information of the City of New Ellenton ("*the City*") as of and for the year ended June 30, 2009, which collectively comprise of the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. My responsibility is to express an opinion on these financial statements based on my audit.

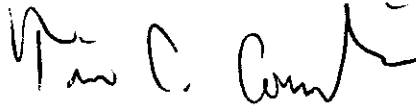
I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and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

In my 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 and the aggregate presented component unit, each major fund, and the aggregate remaining fund information of the City as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated November 17, 2009 on my consideration of the City's internal control over financial reporting and my 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 my 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 my audit.

The management's discussion and analysis is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. The City has not presented the Management's Discussion and Analysis that the Governmental Accounting Standard's Board requires to supplement, although not to be part of, the basic financial statements. However, the Statement of Revenues and Expenditures – Budget and Actual-General Fund has been presented on page 27 of the financial statements. I have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

Irmo, South Carolina  
November 17, 2009

A handwritten signature in black ink, appearing to read "Mark C. Cornick". The signature is written in a cursive, somewhat stylized font.

**CITY OF NEW ELLENTON, SOUTH CAROLINA**  
**STATEMENT OF NET ASSETS**  
**June 30, 2009**

	<b>Primary Government</b>		Total
	Governmental Activities	Businesss-type Activities	
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash-unrestricted	\$ 396,064	\$ 249,467	\$ 645,531
Cash-restricted		280,967	280,967
Accounts receivable, net of allowance	32,639	125,666	158,305
Inventory	-	66,166	66,166
<b>Total Current Assets</b>	<b>428,703</b>	<b>722,266</b>	<b>1,150,969</b>
<b>Noncurrent Assets</b>			
Bond issue costs, net of accumulated amortization		21,303	21,303
Property and equipment (net of accumulated depreciation)	1,585,303	4,897,751	6,483,054
<b>Total Noncurrent Assets</b>	<b>1,585,303</b>	<b>4,919,054</b>	<b>6,504,357</b>
<b>TOTAL ASSETS</b>	<b>\$ 2,014,006</b>	<b>\$ 5,641,320</b>	<b>\$ 7,655,326</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Accounts payable	50,444	26,014	76,458
Customer deposits		23,528	23,528
Long-term liabilities-current	34,706	169,257	203,963
<b>Total Current Liabilities</b>	<b>85,150</b>	<b>218,799</b>	<b>303,949</b>
<b>Noncurrent Liabilities</b>			
Long-term liabilities-noncurrent	268,720	2,805,044	3,073,764
<b>Total Noncurrent Liabilities</b>	<b>268,720</b>	<b>2,805,044</b>	<b>3,073,764</b>
<b>Total Liabilities</b>	<b>353,870</b>	<b>3,023,843</b>	<b>3,377,713</b>
<b>Net Assets</b>			
Invested in Capital Assets			
Net of Related Debt	1,281,877	1,923,450	3,205,327
Unrestricted	378,259	694,027	1,072,286
<b>Total Net Assets</b>	<b>1,660,136</b>	<b>2,617,477</b>	<b>4,277,613</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 2,014,006</b>	<b>\$ 5,641,320</b>	<b>\$ 7,655,326</b>

The accompanying notes are an integral part of this statement.

**CITY OF NEW ELLENTON, SOUTH CAROLINA**  
**STATEMENT OF ACTIVITIES**  
For the Year Ended June 30, 2009

Functions/Programs	PROGRAM				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Primary	Government		
					Governmental Activities	Business-Type Activities	Total
<b>PRIMARY GOVERNMENT:</b>							
Expenses:							
Civic Center	\$ 3,960	\$ 3,750	\$	\$ 210	\$	\$ 210	
Fire Department	238,345	278,849		(40,504)		(40,504)	
General Government	315,865	33,317	138,577	143,971		143,971	
Library	3,732			3,732		3,732	
Police Department	525,993	194,834		331,159		331,159	
Recreation	93,127	30,553		62,574		62,574	
Sanitation	133,750	124,889		8,861		8,861	
Streets and Grounds	203,201			203,201		203,201	
Technical Center	16,296			16,296		16,296	
Operating transfer	29,251			29,251		29,251	
Victims Assistance	1,115			1,115		1,115	
<b>Total Expenses</b>	<b>1,564,635</b>	<b>666,192</b>	<b>138,577</b>	<b>759,866</b>	<b>-</b>	<b>759,866</b>	<b>(18,562)</b>
Water and Sewer	1,178,355	1,159,793	-	-	(18,562)	-	
<b>General Revenues:</b>							
Municipal Association				122,623		122,623	
Homestead exemption				32,259		32,259	
Aid to Subdivision				70,092		70,092	
Franchise Fees				92,760		92,760	
Property Taxes				375,854		375,854	
Operating transfer					29,251	29,251	
Interest				213		213	
Debt forgiveness					38,832	38,832	
Other revenue				17,337		17,337	
<b>Total General Revenue</b>				<b>711,138</b>	<b>69,415</b>	<b>780,553</b>	
<b>Change in Net Assets</b>				<b>(48,728)</b>	<b>50,853</b>	<b>2,125</b>	
<b>Net Assets-Beginning</b>				<b>1,708,864</b>	<b>2,566,624</b>	<b>4,275,488</b>	
<b>Net Assets-Ending</b>				<b>1,660,136</b>	<b>2,617,477</b>	<b>4,277,613</b>	

The accompanying notes are an integral part of this statement.

**CITY OF NEW ELLENTON, SOUTH CAROLINA**  
**BALANCE SHEET-GOVERNMENTAL FUND**  
**June 30, 2009**

	<u>Primary Government</u>	
	<u>Governmental Fund Type</u>	<u>Totals Governmental Funds</u>
	<u>General</u>	
<b>ASSETS</b>		
Cash	\$ 396,064	\$ 396,064
Accounts receivable	32,639	32,639
<b>TOTAL ASSETS</b>	<u>428,703</u>	<u>428,703</u>
<b>LIABILITIES AND FUND BALANCES</b>		
Accounts payable and accrued liabilities	50,444	50,444
Accrued compensated absences	-	-
<b>Total Liabilities</b>	<u>50,444</u>	<u>50,444</u>
<b>Fund Balance</b>		
Unreserved	378,259	378,259
<b>Total Fund Balance</b>	<u>378,259</u>	<u>378,259</u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<u>\$ 428,703</u>	

Amounts reported for *governmental activities* in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

1,585,303

Long-term liabilities are not reported in the funds.

(303,426)

**Net Assets of Governmental Activities** \$ 1,660,136

The accompanying notes are an integral part of this statement.



**CITY OF NEW ELLENTON, SOUTH CAROLINA**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**For the Year Ended June 30, 2009**

<b>REVENUES</b>	<u><b>General</b></u>
Municipal Association	\$ 122,623
Homestead exemption	32,259
Aid to subdivisions	70,092
Business license	33,317
Franchise fees	92,760
Property taxes	375,854
Other revenue and taxes	17,337
Civic center rent	3,750
Fire department fees	278,849
Police fines	194,834
Sanitation fees	124,889
Operating grants and sales tax	138,577
Parks and recreation	30,553
Interest	213
<b>Total Revenues</b>	<u>1,515,907</u>
<b>EXPENDITURES</b>	
Civic center	3,960
Operating transfer	29,251
Fire department	159,907
General government	284,432
Library	3,732
Police department	501,251
Recreation department	93,127
Sanitation department	132,766
Streets and roads	199,031
Technical center expenses	16,296
Victims assistance	1,115
Debt Service	62,207
Capital purchases	100,554
<b>Total Expenditures</b>	<u>1,587,629</u>
Excess of revenues over expenditures	(71,722)
<b>Fund balance-beginning</b>	<u>449,981</u>
<b>Fund balance-ending</b>	<u><u>\$ 378,259</u></u>

The accompanying notes are an integral part of this statement.

**TOWN OF NEW ELLENTON, SOUTH CAROLINA**  
**Reconciliation of the Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances of Governmental Funds to the**  
**Statement of Activities**  
**For the Year Ended June 30, 2009**

Net change in fund balances-Total Governmental Funds	\$ (71,722)
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 as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period:	(39,213)
Repayment of the principal portion of notes payable are recorded as an expense in the governmental funds, but the repayment reduces the long-term liabilities in the statement of net assets: Debt repaid	<u>62,207</u>
Change in net assets of governmental activities	<u><u>\$ (48,728)</u></u>

The accompanying notes are an integral part of this statement.

**CITY OF NEW ELLENTON, SOUTH CAROLINA**  
**BALANCE SHEET**  
**Proprietary Funds**  
**June 30, 2009**

ASSETS	<b>Business-Type Activities</b>		
	Sewer	Water	Total
<b>Current Assets</b>			
Cash-unrestricted	\$ 9,276	\$ 240,191	\$ 249,467
Cash-restricted		280,967	280,967
Inventory		66,166	66,166
Accounts receivable, net of allowance	35,932	89,734	125,666
<b>Total Current Assets</b>	<b>45,208</b>	<b>677,058</b>	<b>722,266</b>
<b>Noncurrent Assets</b>			
Bond Issue Costs			
net of accumulated amortization	5,598	15,705	21,303
Property and Equipment			
Less accumulated depreciation	2,917,714	1,980,037	4,897,751
<b>Total Noncurrent Assets</b>	<b>2,923,312</b>	<b>1,995,742</b>	<b>4,919,054</b>
<b>TOTAL ASSETS</b>	<b>\$ 2,968,520</b>	<b>\$ 2,672,800</b>	<b>\$ 5,641,320</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable	9,196	16,818	26,014
Customer deposits		23,528	23,528
Notes/bonds payable-current	74,738	94,519	169,257
<b>Total Current Liabilities</b>	<b>83,934</b>	<b>134,865</b>	<b>218,799</b>
<b>Noncurrent liabilities</b>			
Notes/bonds payable-noncurrent	555,601	2,249,443	2,805,044
<b>Total Noncurrent Liabilities</b>	<b>555,601</b>	<b>2,249,443</b>	<b>2,805,044</b>
<b>TOTAL LIABILITIES</b>	<b>639,535</b>	<b>2,384,308</b>	<b>3,023,843</b>
<b>NET ASSETS</b>			
Invested in capital assets, net			
of related debt	2,287,375	(363,925)	1,923,450
Unrestricted	41,610	652,417	694,027
<b>Total Fund Balance</b>	<b>2,328,985</b>	<b>288,492</b>	<b>2,617,477</b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 2,968,520</b>	<b>\$ 2,672,800</b>	<b>\$ 5,641,320</b>

The accompanying notes are an integral part of this statement.

**CITY OF NEW ELLENTON, SOUTH CAROLINA**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS**  
**Proprietary Fund**  
**For the Year Ended June 30, 2009**

Operating Revenues	<u>Business-Type Activities</u>		
	<u>Sewer</u>	<u>Water</u>	<u>Total</u>
Charges for service	\$ 163,975	\$ 995,818	\$ 1,159,793
<b>Total Operating Revenues</b>	<b>163,975</b>	<b>995,818</b>	<b>1,159,793</b>
<b>Operating Expenses</b>			
Personnel	33,367	270,689	304,056
Payroll taxes	2,553	19,742	22,295
Retirement		24,348	24,348
Amortization	1,449	1,571	3,020
Bank service charges		3,507	3,507
Chemicals		16,268	16,268
Depreciation	100,893	127,333	228,226
Employee benefits		41,354	41,354
Insurance	2,465	17,185	19,650
Interest		138,174	138,174
Office supplies and postage	4,868	21,850	26,718
Professional fees	250	26,187	26,437
System repairs and maintenance	6,232	87,540	93,772
Testing	11,497		11,497
Miscellaneous	2,174	12,368	14,542
Bad debt	17,777		17,777
Utilities	33,402	78,500	111,902
<b>Total Operating Expenses</b>	<b>216,927</b>	<b>886,616</b>	<b>1,103,543</b>
<b>Operating Income (Loss)</b>	<b>(52,952)</b>	<b>109,202</b>	<b>56,250</b>
<b>Nonoperating Revenues (Expenses)</b>			
Operating transfer in	29,251		29,251
State payment	(74,812)		(74,812)
Debt forgiveness	38,832		38,832
Interest Revenue	-	1,332	1,332
<b>Total Nonoperating Revenues (Expenses)</b>	<b>(6,729)</b>	<b>1,332</b>	<b>(5,397)</b>
<b>Increase (Decrease) in Net Assets</b>	<b>(59,681)</b>	<b>110,534</b>	<b>50,853</b>
<b>Total Net Assets-Beginning</b>	<b>2,388,666</b>	<b>177,958</b>	<b>2,566,624</b>
<b>Total Net Assets-Ending</b>	<b>\$ 2,328,985</b>	<b>\$ 288,492</b>	<b>\$ 2,617,477</b>

The accompanying notes are an integral part of this statement.

**CITY OF NEW ELLENTON, SOUTH CAROLINA**  
**STATEMENT OF CASH FLOWS**  
**For the Year Ended June 30, 2009**

	<b>Business-type Activities</b>		
	Sewer	Water	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers	\$ 166,744	\$ 995,066	\$ 1,161,810
Payments to suppliers		(103,808)	(103,808)
Payments to employees	(33,367)	(290,431)	(323,798)
Other receipts (payments)	(78,986)	(427,830)	(506,816)
<b>Net cash provided (used) by operating activities</b>	<b>54,391</b>	<b>172,997</b>	<b>227,388</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Capital purchases	(17,000)		(17,000)
Principal paid on capital debt	(38,832)	(89,635)	(128,467)
<b>Net cash provided (used) by financing activities</b>	<b>(55,832)</b>	<b>(89,635)</b>	<b>(145,467)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest Income	-	1,332	1,332
<b>Net cash provided (used) by investing activities</b>	<b>-</b>	<b>1,332</b>	<b>1,332</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(1,441)</b>	<b>84,694</b>	<b>83,253</b>
<b>Balance - Beginning of Year-adjusted</b>	<b>10,717</b>	<b>436,464</b>	<b>447,181</b>
<b>Balance - End of Year</b>	<b>\$ 9,276</b>	<b>\$ 521,158</b>	<b>\$ 530,434</b>
<b>Reconciliation of operating Income (loss) to net cash provided (used) by operating activities:</b>			
Operating Income (loss)	\$ (52,952)	\$ 109,202	56,250
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense	100,893	127,333	228,226
Amortization expense	1,449	1,571	3,020
Change in assets and liabilities:			
Accounts receivable, net	2,769	(752)	2,017
Inventory		(2,154)	(2,154)
Customer deposits		(1,367)	(1,367)
Accrued expenses		(408)	(408)
Accounts payable	2,232	(60,428)	(58,196)
<b>Net cash provided (used) by operating activities</b>	<b>\$ 54,391</b>	<b>\$ 172,997</b>	<b>\$ 227,388</b>

The accompanying notes are an integral part of this statement.

**CITY OF NEW ELLENTON, SOUTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**Year Ended June 30, 2009**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***Description of Government and Operations***

The City of New Ellenton, South Carolina, (the City), an incorporated municipality, is located in Aiken county in southwestern South Carolina. The City possesses all powers granted to municipalities by the Constitution of general laws of the State of South Carolina. The City provides a wide range of governmental services including police and fire protection, recreation, garbage collection, and water and sewer service to its residents.

In evaluating how to determine the City for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in generally accepted accounting principles. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's financial accountability for the potential component unit. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the City and/or its citizens, or whether the activity is conducted within the geographic boundaries of the City and is generally available to its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to impose its will over management decision. Based upon the application of these criteria, the following is a brief review of each potential component unit addressed in defining the City's reporting entity:

**Blended Component Unit within the Reporting Entity:**

**Commission of Public Works**

The Commission of Public Works consists of a three-member Board of Commissioners elected by the Citizens of the City. The Commissioners have the authority to set policy and procedures. The Commissioners cannot incur debt without the approval of City Council.

**GASB 34 Implementation**

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement Number 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*. Certain of the significant changes in the Statement include the following:

1. For the first time the financial statements include:
  - A Management Discussion and Analysis (MD&A) section providing an analysis of the City's overall financial position and results of operations.
  - Financial statement prepared using full accrual accounting for all the City's activities, including infrastructure where applicable.
2. A change in the fund financial statements to focus on the major funds.

**CITY OF NEW ELLENTON, SOUTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**Year Ended June 30, 2009**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-continued**

***Basic Financial Statements-Government-Wide Statements***

The City's financial statements include both government-wide (reporting the City as a whole) and fund financial statements (reporting the City's major funds-General Fund and Proprietary fund). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type.

In the Government-Wide Statement of Net Assets, the governmental activities column is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The City's net assets are reported in two parts-invested in capital assets, net of related debt and unrestricted net assets.

The Government-Wide Statement of Activities reports the net cost of each of the City's functions. The Statement of Activities reduces gross expenses (including depreciation) by related function. This government-wide focus is more on the sustainability of the City as an entity and the change in the City's net assets resulting from the current year's activities.

***Fund Accounting:***

The accounts of the City are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

The various funds are grouped in the financial statements in this report into generic fund types and broad fund categories, as follows:

**Governmental Funds**

The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

**Proprietary Funds**

Enterprise Funds are used to account for operations:

- a. that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or
- b. where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

**CITY OF NEW ELLENTON, SOUTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**Year Ended June 30, 2009**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-continued**

Fiduciary Funds

Agency Funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. In the past the municipal money owed to the State Treasurer was accounted for in this fund. In the current and future periods, the amount owed to the State Treasurer will be accounted for as a liability in the Statement of Net Assets and the Balance Sheet-Governmental Funds.

***Basis of Accounting:***

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

Governmental funds are accounted for using the modified accrual basis of accounting. Revenues are recognized when they become measurable and available as net current assets. Net current assets include only receivables that are expected to be collected in time (generally, sixty days) to pay liabilities in existence at the end of the year. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for:

- a. accumulated unpaid vacation and sick pay due sixty days or later after the year-end is not recorded in the Governmental funds, (the long-term amounts due are recorded in the General Long-Term Debt Account Group);
- b. prepaid expenditures are not normally recorded;
- c. capital outlays are treated as expenditures when acquired and not capitalized and depreciated; and

All proprietary funds are accounted for on the accrual basis of accounting. Their revenues are recognized when they are earned and theft expenses are recognized when they are incurred. Under Governmental Accounting Standards Board Statement No. 20, the City's Proprietary Fund follows all Financial Accounting Standards Board statements issued after November 30, 1989 that do not conflict with or contradict Governmental Accounting Standards Board pronouncements and that are developed for business enterprises.

***Cash and Cash Equivalents:***

Cash and cash equivalents for the purposes of the cash flow statement consists of amounts in interest bearing demand deposits, certificates of deposit, and amounts on deposit with bond paying agents.

***Inventory:***

Inventory is valued at lower of the cost or market using the first in - first out method and consists of supplies used in the installation and maintenance of the water delivery system.

***Budgets:***

A budget is on the same basis of revenue and expense recognition as the General Fund.



**CITY OF NEW ELLENTON, SOUTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**Year Ended June 30, 2009**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-continued**

***Fixed Assets and Long-Term Liabilities:***

The accounting and reporting treatment applied to the fixed assets and long-term liabilities associated with a fund are determined by its measurement focus. All Governmental Funds are accounted for on a spending or "financial flow" measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. The reported fund balance (net current assets) is considered a measure of "available spending resources." Governmental Fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period. Depreciation expense has been estimated in the Statement of Activities by management.

All fixed assets are to be valued at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are to be valued at their estimated fair value on the date donated. In past years, the City has not maintained a complete record of its General Fixed Assets nor has estimated historical cost been determined. However, a running total has been carried forward from year to year.

Because of their spending measurement focus, expenditure recognition for Governmental Fund types is limited to exclude amounts represented by noncurrent liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as Governmental Fund type expenditures or fund liabilities.

All Proprietary Funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and all liabilities (whether current or noncurrent) associated with their activity are included on their balance sheets. Their reported fund equity (net total assets) is segregated into contributed capital and retained earnings components. Proprietary Fund type operating statements present increases (revenues) and decreases (expenses) in net total assets.

Depreciation of all exhaustible fixed assets purchased with local funds is charged as an expense against Proprietary Fund operations. Depreciation has been provided over the estimated useful lives of fixed assets using the straight-line method. The estimated useful lives are as follows:

Machinery and equipment	3-10 years
Sewer facility and buildings	30 years
Water delivery system	15-30 years

***Due from or to other funds:***

All "Due from or to other funds" represents transfers of a non-mandatory and nonpermanent nature and have been reclassified into operating transfers. These amounts transferred have no formal specified time for repayment and are not to be considered loans but permanent transfers to aid in operations. The majority of the amounts transferred from one fund to another is classified as "Operating transfers".

**CITY OF NEW ELLENTON, SOUTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**Year Ended June 30, 2009**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-continued**

***Deferred Bond Issue Costs Amortization:***

The Commission of Public Works and the Sewer Department have recorded deferred bond issue costs arising from the issuance of revenue bonds. Such costs are being amortized on a straightline basis over the term of the bond.

***Estimates:***

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

**NOTE B - RISK MANAGEMENT:**

The City pays insurance premiums to the State of South Carolina and other entities to cover risks that may occur in normal operations. These entities accumulate assets and these entities themselves assume risk for the following:

- Claims of City employees for unemployment compensation benefits.
- Claims of covered employees for workers' compensation benefits.
- Claims of covered employees for health, dental, long term health care and group life benefits.

The City's Workers' Compensation premium amounts are subject to audit by the State of South Carolina. Accordingly, additional premiums for Workers' Compensation may be assessed.

In addition, the City pays premiums to the State's Insurance Reserve Fund and independent insurance agencies, which accumulate assets to cover the following losses:

- Buildings and building contents
- Motor vehicles
- Equipment
- General tort claims

**NOTE C- COMPENSATED ABSENCES:**

City employees earn annual leave, based upon years of service. Also, maximum accumulations at any fiscal year-end cannot exceed one and one half (1-1/2) the employee's annual accrual rate. Further, under no circumstances will employees be paid in excess of their maximum authorized accumulation in the case of termination.

**CITY OF NEW ELLENTON, SOUTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**Year Ended June 30, 2009**

**NOTE C – COMPENSATED ABSENCES-continued**

The Commission of Public Works and Sewer Department, (Proprietary Funds), record vested or accumulated vacation leave as an expense of those funds as the benefits are paid to employees, rather than when earned by employees, because these amounts are considered immaterial in respect to operations. In accordance with the provisions of Statement of Financial Accounting Standards No. 43, "Accounting for Compensated Absences," no liability is recorded for non-vesting accumulation of rights to receive sick pay benefits.

**NOTE D- BUDGET POLICY:**

The City's various departments submit requests for appropriations to the City's administration so that a proposed budget may be formulated. The budget is prepared by fund, function, and activity. Before June 30 of each year, the proposed budget is presented to the City Council for review. The Council holds public hearings and may add to, subtract from, or change appropriations.

Budget amounts reflected in the accompanying financial statements represent the adopted budget and any revisions approved by Council during the fiscal year. Line item transfers within operating departments are approved by the Mayor; any additional appropriations or transfers between departments are approved by Council. Expenditures may not legally exceed budgeted appropriations at the departmental level. At year-end, all budget appropriations lapse.

**NOTE E - CASH AND INVESTMENTS:**

Under state law, the City is authorized to:

- A. Hold funds in deposit accounts with banking institutions.
- B. Invest money in the following:
  1. Obligations of the United States and agencies thereof
  2. General obligations of the State of South Carolina or any of its political units.
  3. Savings and loan associations to the extent insured by an agency of the federal government.
  4. Certificates of deposit, where the certificates are federally insured or collaterally secured by collateral of the types in 1 or 2, above.

At June 30, 2009, cash and investments consist of the following:

**Unrestricted:**

General Fund:

Cash in banks	\$ 396,064
Enterprise Fund	<u>530,434</u>
Total Unrestricted Funds	<u>\$ 926,498</u>

**CITY OF NEW ELLENTON, SOUTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**Year Ended June 30, 2009**

**NOTE E – CASH AND INVESTMENTS -continued**

**Restricted:**

Enterprise Fund \$ 280,967

**Deposits:**

The City's deposits are categorized to indicate the level of risk assumed by the City at year-end. Category 1 includes deposits insured or collateralized with securities held by the City or its agent in the City's name. Category 2 includes deposits collateralized with securities pledged by the pledging financial institutions trust department or agent in the City's name. Category 3 includes uninsured deposits, including any bank balance that is collateralized with securities held by the pledging financial institution or by its trust department or agent, but not in the City's name.

	<u>1</u>	<u>2</u>	<u>3</u>
City	\$ 250,000	\$ 155,340	
CPW	<u>250,000</u>	<u>271,158</u>	
	<u>\$ 500,000</u>	<u>\$ 426,498</u>	<u>\$</u>

**NOTE F- PROPERTY TAXES:**

Property taxes are levied on real and personal properties, except motor vehicles, owned on the preceding December 31, of each County fiscal year ended June 30. These taxes are due without penalty through January 15. Penalties are added to taxes on the following dates:

- January 16 through February 1
- February 2 through March 16
- March 17 through March 31

Current year real and personal taxes become delinquent on April 1.

***CITY OF NEW ELLENTON, SOUTH CAROLINA***  
**NOTES TO THE FINANCIAL STATEMENTS**  
**Year Ended June 30, 2009**

**NOTE F – PROPERTY TAXES -continued**

The levy date for motor vehicle taxes is the first day of the month in which the motor vehicle license expires. These taxes are due by the last day of the same month.

Property tax revenues are recognized when due or past due and collectible within the current period or soon enough thereafter (defined as sixty days) to pay liabilities of the current period. For governmental funds, deferred revenue (property taxes) represents that portion of delinquent property taxes which is deemed not available to pay current expenditures.

**NOTE G - RETIREMENT PLAN:**

The City contributes to the South Carolina Retirement System (SCRS). Title 9-1 -480 *Code of Laws of South Carolina 1976* (as amended), states that all eligible persons, except those specifically excluded, shall become members of the SCRS as a condition of their employment. The responsibility for administration of the system is assigned by law to the State Budget & Control Board. SCRS is maintained as a cost-sharing multiple employer PERS (Public Employees Retirement System). Generally, all full-time employees of the City are members of the SCRS.

**South Carolina Retirement System (SCRS)**

Plan Description and Provisions

Benefit provisions are established under the authority of Title 9 of the South Carolina Code of Laws. Under current statutes, member employees who retire at age 65 or after 30 years of credited service are entitled to an annual full service retirement benefit, payable monthly for life, equal to 1.82 percent of the employee's highest twelve consecutive quarters of compensation.

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. Benefit payments increase 4 percent each year following an increase in the Consumer Price Index of at least 3 percent Full service or early retirees may elect other optional methods of benefit distributions, including lump sum distributions to name beneficiary. Benefits are fully vested on reaching five years of service. The retirement system also provides death and disability benefits to all member employees.

Contributions

State statutes also determine the levels of contributions required. Employee members are required to contribute 6.5 percent of their compensation. The City contributes 9.06 percent of the employee's compensation for retirement benefits and .15 percent of the employee's compensation for group life insurance benefits.

**CITY OF NEW ELLENTON, SOUTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**Year Ended June 30, 2009**

**NOTE G - RETIREMENT PLAN (CONTINUED)**

Covered payroll for the years ending June 30, 2009, 2008, and 2007 are \$182,032, \$139,740, and \$95,602 respectively.

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Employer Contribution	\$ 16,820	\$ 12,660	\$ 6,214
Group Life	<u>331</u>	<u>209</u>	<u>117</u>
Total	<u>\$ 17,151</u>	<u>\$ 12,869</u>	<u>\$ 6,331</u>

**Police Officers Retirement System (PORS)**

Plan Description and Provisions

Membership in the South Carolina Police Officers Retirement System is offered to all City police officers and firefighters. The PORS provides both retirement and death benefits on an employee and employer contribution basis. Member employees contribute 6.5% of their annual compensation. The employer contribution is 10.3% of the total membership's annual compensation; included is the entire cost of group life insurance for covered employees at the rate of .2%.

As a member of the POPS an employee can elect to retire after reaching age 55 with at least five years of credited service, or 25 years of service credits regardless of age.

Another option available is when an employee has completed five years of credited service prior to age 55, they can retire, yet defer their retirement allowance until they reach age 55. Other benefits include disability coverage after five years membership (immediate coverage if job related), group life insurance coverage after one year of credited service (immediate coverage if job related), and vesting rights after five years membership. Benefit provisions are established under the authority of Title 9 of the SC Code of Laws.

Contributions

State statutes also determine the levels of contributions required. Employee members are required to contribute 6.5 percent of their compensation. The City contributes 10.3 percent of the employee's compensation for retirement benefits and .2 percent of the employee's compensation for group life insurance benefits and .2 percent of the employee's compensation for accidental death benefits.

Covered payroll for the years ending June 30, 2009, 2008, and 2007 are \$205,730, \$205,960, and \$219,001 respectively.

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Employer Contribution	\$ 21,910	\$ 21,214	\$ 22,600
Group Life	<u>420</u>	<u>412</u>	<u>402</u>
Total	<u>\$ 22,330</u>	<u>\$ 21,626</u>	<u>\$ 23,062</u>

**CITY OF NEW ELLENTON, SOUTH CAROLINA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**Year Ended June 30, 2009**

**NOTE H- NOTES AND OTHER OBLIGATIONS PAYABLE:**

The City is indebted to the following institutions at year-end:

Note payable to Hometrust Bank due in semiannual installments of \$26,757 with an interest rate of 7.053% collateralized by a 1999 KME Aerial Truck. \$ 303,426

Total Notes payable to banks \$ 303,426

The debt service requirements for the City's notes payable to banks for the next five years is as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	
2010	\$ 34,706	\$ 18,809	\$	53,515
2011	37,197	16,318		53,515
2012	39,866	13,648		53,514
2013	42,727	10,787		53,514
2014	45,794	7,721		53,515
2015-2019	<u>103,136</u>	<u>5,345</u>		<u>108,481</u>
	<u>\$ 303,426</u>	<u>\$ 72,628</u>		<u>\$ 376,054</u>

	<u>Beginning</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending</u>
Chrysler	\$ 6,956		\$ 6,956	
Hometrust Bank	339,127		35,701	303,426
Kansas State Bank	<u>19,550</u>		<u>19,550</u>	<u>0</u>
Total	<u>\$ 365,633</u>	<u>\$ _____</u>	<u>\$ 62,207</u>	<u>\$ 303,426</u>

**NOTE I- BONDS PAYABLE:**

The City of New Ellenton and the Commission of Public Works had two and one series, respectively, of Revenue Bonds outstanding as of June 30, 2009. These bonds were issued pursuant to bond ordinances, which set forth the terms of payment and various accounting and stewardship requirements to insure payment of the bonds. The provisions of these bond ordinances are summarized below.

**CITY OF NEW ELLENTON, SOUTH CAROLINA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEAR ENDED JUNE 30, 2009**

**NOTE I- BONDS PAYABLE – continued**

The Commission issued a \$1,663,000 Waterworks System Revenue Bond on March 14, 1988. Interest is payable monthly at the rate of 7.75% for a period of 30 years. The outstanding bonds are subject to redemption at the option of the City of New Ellenton. The bonds are to be redeemed in reverse chronological order.

On June 28, 1990, the City of New Ellenton issued a \$5,025,000 Sewer System Revenue Bond, Series 1990. Interest is payable semiannually on June 1 and December 1 and principal is payable on June 1 of each year through 2020. Interest rates vary from 6.15% to 7.25% with the maturity of the bonds.

The Sewer Department had the following bond payable at year-end:

South Carolina Resources Authority	\$ 630,339
------------------------------------	------------

The Sewer Department’s obligation to the State of South Carolina consists of amounts paid by the State of South Carolina to South Carolina Resources Authority on behalf of the City. These payments on behalf of the City were for principal and interest due on the \$5,025,000 Sewer System Revenue Bond, Series 1990. The City does not have an established schedule for repaying the \$669,171. The City is required to submit 60% of their sewer revenue as a monthly payment.

The following is a summary of debt of transactions for the year ended June 30, 2009.

	<u>CPW USDA</u>	<u>CPW BB&amp;T</u>	<u>CPW USDA</u>	<u>Total</u>
Balance at July 1, 2008	\$ 1,065,713	\$ 966,380	\$ 401,504	\$ 2,433,597
Additions				
Retirements	<u>(9,517)</u>	<u>(75,325)</u>	<u>(4,793)</u>	<u>(89,635)</u>
Balance at June 30, 2009	1,056,196	891,055	396,711	2,343,962
Less, current portion				<u>94,519</u>
Long-term portion				<u>\$ 2,249,443</u>

Amortization for deferred bond issue costs amounted to \$ 1,571 for the Commission of Public Works and \$ 725 for the Sewer Department.



**CITY OF NEW ELLENTON, SOUTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED JUNE 30, 2009**

**NOTE I- BONDS PAYABLE - continued**

The annual requirements to amortize the City of New Ellenton's and the Commission's Revenue Bonds as of June 30, 2009, including interest are as follows:

	CPW <u>1988 Issue</u>	CPW <u>1990 Issue</u>	CPW <u>BB&amp;T</u>	Total <u>Principal</u>	<u>Total Interest</u>
2009	\$ 5,181	\$ 8,570	\$ 80,768	\$ 94,519	\$ 109,120
2010	5,440	8,998	84,613	99,051	104,589
2011	5,713	9,446	88,614	103,773	99,841
2012	5,998	9,917	92,861	108,776	94,863
2013	6,297	10,411	97,282	113,990	89,649
2014-2018	36,517	60,378	446,917	543,812	364,950
2019-2023	46,574	77,009		123,583	300,798
2024-2028	59,400	98,217		157,617	266,763
2029-2033	75,758	125,265		201,023	223,357
2034-2038	96,622	159,763		256,385	197,966
2039-2043	53,211	203,760		256,971	98,894
2044-2048	0	284,462		284,462	43,094
June 30, 2009	<u>396,711</u>	<u>1,056,196</u>	<u>891,055</u>	<u>2,343,962</u>	<u>\$ 1,993,914</u>
Current portion	<u>5,181</u>	<u>8,570</u>	<u>80,768</u>	<u>94,519</u>	
Long-term portion	<u>\$ 391,530</u>	<u>\$ 1,047,626</u>	<u>\$ 810,287</u>	<u>\$2,249,443</u>	

The United States Department of Agriculture, Farmers Home Administration, purchased the Waterworks System Revenue Bond of 1988. The bond is a special obligation of the issuer and is payable solely from the revenues derived from the operation of the waterworks system. The bond indenture provides that the revenue of the system, on a monthly basis, is to be used in the following order:

1. To the Operation and Maintenance Fund the sum determined to be needed as the cost of operating and maintaining the system for the next month.
2. To the Bond and Interest Funds and Cushion Fund as established by the ordinances.
3. To the Depreciation Fund and Contingency Fund the amounts required.
4. Any remaining revenues at the end of the fiscal year may be disposed of as the Board of Commissioners determines for lawful purposes.

As of June 30, 2009, the Commission was in compliance with this bond indenture.

***CITY OF NEW ELLENTON, SOUTH CAROLINA***  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED JUNE 30, 2009**

**NOTE I- BONDS PAYABLE - continued**

The 1990 Sewer System Revenue Bond Resolution provides that if the City is adjudged to be in default, after proper written notification and the sixty-day grace period to correct any such default as to the performance of any covenant, then holders of not less than 25% of the bonds may give written notice to the City and declare the principal of all bonds then outstanding and the interest accrued thereon immediately due and payable. A court-ordered agreement has been reached concerning the City's default on the bond, which is discussed in Note M.

**CITY OF NEW ELLENTON, SOUTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED JUNE 30, 2009**

**NOTE J-FIXED ASSETS:**

A summary of proprietary fund type (Commission of Public Works and Sewer Department) assets follows:

**Commission of Public Works:**

	Balance <u>July 1, 2008</u>	Additions <u>(Deletions)</u>	Balance <u>June 30, 2009</u>
Water system	\$ 4,342,040	145,863	\$ 4,487,903
Building and improvements	144,693		144,693
Land	2,500		2,500
Machinery and equipment	184,103		184,103
Furniture and fixtures	19,819		19,819
Vehicles	<u>63,882</u>		<u>63,882</u>
	4,757,037	145,863	4,902,900
Accumulated Depreciation	<u>2,795,530</u>	<u>127,333</u>	<u>2,922,863</u>
	<u>\$ 1,961,507</u>	<u>\$ 18,530</u>	<u>\$ 1,980,037</u>

**Sewer Department:**

	Balance <u>July 1, 2008</u>	Additions <u>(Deletions)</u>	Balance <u>June 30, 2009</u>
Sewer system	\$ 4,013,933	17,000	\$ 4,030,933
Buildings	38,653		38,653
Equipment	<u>73,835</u>		<u>73,835</u>
	4,126,421	17,000	4,143,421
Accumulated Depreciation	<u>1,124,814</u>	<u>100,893</u>	<u>1,225,707</u>
	<u>\$ 3,001,607</u>	<u>\$ (83,893)</u>	<u>\$ 2,917,714</u>

Depreciation expense aggregated \$127,333 for the Commission of Public Works and \$100,893 for the Sewer Department for the year ended June 30, 2009.

**General Fixed Assets:**

	Balance <u>July 1, 2008</u>	Additions <u>(Deletions)</u>	Balance <u>June 30, 2009</u>
Automobiles/trucks	\$ 797,425	\$ 37,659	\$ 835,084
Construction in progress	257,108		257,108
Buildings & improvements	953,562	7,500	961,062
Equipment	278,803	17,247	296,050
Capital leases	126,667		126,667
Land improvements	<u>8,499</u>	<u>38,148</u>	<u>46,647</u>
	2,422,064	100,554	2,522,618
Accumulated Depreciation	<u>817,002</u>	<u>120,313</u>	<u>937,315</u>
	<u>\$ 1,605,062</u>	<u>\$ (19,759)</u>	<u>\$ 1,585,303</u>

**CITY OF NEW ELLENTON, SOUTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED JUNE 30, 2009**

**NOTE J - FIXED ASSETS:**

Depreciation expense for the general fixed assets was \$120,313 for the year ended June 30, 2009. Also, depreciation expense were charged to each department as follows:

Fire Department	\$ 78,438
Police Department	24,742
Sanitation Department	984
Streets and Roads	4,170
General	<u>11,979</u>
Total Depreciation Expense	<u>\$ 120,313</u>

**NOTE K - FINES, ASSESSMENTS, SURCHARGES AND VICTIMS SERVICES**

	<u>Gross Collections</u>	<u>State Portion</u>	<u>City Portion</u>	<u>Victims/ Witness</u>
Municipal Court	\$ 194,834	\$ 105,718	\$ 79,200	\$ 9,916
Balance Forward				64,227
Expenditures				<u>(1,115)</u>
Balance June 30, 2009				<u>\$ 73,028</u>

The cost of the audit is \$500. Actual cash balance in Victim's Rights bank account is \$23,014.

**NOTE L- GOING CONCERN:**

On February 20, 1997, the City and the custodian of its 1990 Sewer System Revenue Bond entered into a court-ordered agreement whereby the City is to remit sixty (60%) of the monthly sewer system revenues, except tap fees, to the bond custodian for application to debt service. Additionally, five percent (5%) of the monthly sewer system revenues are to be deposited into the Contingency Fund and thirty-five (35%) will be available to the City for operation and maintenance of the sewer system. Under the agreement, the City has agreed to the above terms until the earlier of

1. the bond maturity date, unless it is earlier retired, at which time the City's obligations under the bond will be deemed satisfied, or
2. the principal and interest payments by the City, including past payments, are brought current, or
3. default by the City in its performance under the terms of the agreement, or
4. the parties otherwise agree.

**CITY OF NEW ELLENTON, SOUTH CAROLINA**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED JUNE 30, 2009**

**NOTE L- GOING CONCERN (CONTINUED)**

The effect of this agreement is to provide a settlement between the bond custodian and the City of New Ellenton in that the bond custodian has agreed not to seek the appointment of a receiver so long as the City of New Ellenton performs the obligations and responsibilities under the bond and bond ordinance as modified by the court-ordered settlement. As of June 30, 2009, the City was in compliance with the provisions of this agreement.

The City's Sewer Department has continued to generate only marginally sufficient cash flows to cover normal operating expenses exclusive of debt service and depreciation. Under the court-ordered agreement discussed above, only thirty-five percent (35%) of the revenues are available to the City to pay operating expenses of the sewer system. Additionally, the City's general fund has not provided any excess cash flows. These conditions lead to substantial doubt about the City's ability to continue as a going concern.

The City's management considers the aforementioned factors significant and has, therefore, committed themselves to improving the financial situation of the City and its Sewer Department. The City's management believes operating efficiencies and cost reductions can be achieved as well as increasing revenues through growth and increased sewer service sales.

**NOTE M – FIRE DEPARTMENT REPAYMENT TO GENERAL FUND**

The Town received Local Options Sales Tax ("LOST") funds for capital improvements. Some of the money was budgeted for the construction of a new fire station. The amount required by the Fire Department to complete the new fire station was less than the amount of LOST money budgeted for construction. The Town's general fund loaned the Fire Department \$350,000 to complete the construction of the new fire department. The Fire Department will repay the general fund \$50,000 annually beginning in October 2008 until the debt has been repaid.

**REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF NEW ELLENTON, SOUTH CAROLINA**  
**STATEMENT OF REVENUES AND EXPENSES - BUDGET AND ACTUAL - GENERAL FUND**  
**For the Year Ended June 30, 2009**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>INCOME</b>			
Municipal Association	\$ 150,000	\$ 122,623	\$ (27,377)
Homestead exemption	31,000	32,259	1,259
Aid to subdivisions	77,511	70,092	(7,419)
Business license	36,000	33,317	(2,683)
Franchise fees	90,400	92,760	2,360
Property taxes	380,804	375,854	(4,950)
Other revenue and taxes	20,700	17,337	(3,363)
Civic center rent	3,500	3,750	250
Fire department fees	210,000	278,849	68,849
Police fines	230,000	194,834	(35,166)
Sanitation fees	120,000	124,889	4,889
Operating grants and sales tax		138,577	138,577
Computer sales	80,000		(80,000)
Parks and recreation	29,400	30,553	1,153
Interest	-	213	213
<b>TOTAL INCOME</b>	<u>1,459,315</u>	<u>1,515,907</u>	<u>56,592</u>
<b>EXPENSES</b>			
Civic center	4,800	3,960	840
Operating transfer		29,251	(29,251)
Fire department	201,852	159,907	41,945
General government	324,102	284,432	39,670
Library	3,184	3,732	(548)
Police department	554,404	501,251	53,153
Recreation department	61,400	93,127	(31,727)
Sanitation department	82,500	132,766	(50,266)
Streets and grounds	178,493	199,031	(20,538)
Technical Center expenses	48,580	16,296	32,284
Victims assistance		1,115	(1,115)
Debt Service		62,207	(62,207)
Capital purchases	-	100,554	(100,554)
	<u>1,459,315</u>	<u>1,587,629</u>	<u>(128,314)</u>
	-	(71,722)	(71,722)
<b>Fund balance-beginning</b>	<u>449,981</u>	<u>449,981</u>	<u>-</u>
<b>Fund balance-end</b>	<u>\$ 449,981</u>	<u>\$ 378,259</u>	<u>\$ 71,722</u>

GOVERNMENTAL AUDIT REPORT



# TIMOTHY C. CORNELISON, CPA, LLC

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## **Independent Auditor's 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**

Honorable Mayor and members of City Council  
City of New Ellenton, South Carolina

I have audited the financial statements of the City of New Ellenton, South Carolina, as of and for the year ended June 30, 2009 and have issued my report thereon dated November 17, 2009. I conducted my 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 my audit, I considered the City of New Ellenton's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Organization's financial statements that is more than inconsequential will not be prevented or detected by the Organization's internal control. I consider the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting. They are items 9-1 and 9-2 on page 30.

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

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

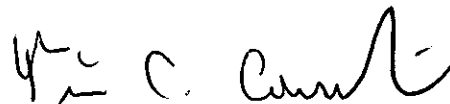
**Compliance**

As part of obtaining reasonable assurance about whether the City of New Ellenton's financial statements are free of material misstatement, I 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

The Organization's response to the findings identified in my audit is described in the accompanying schedule of findings and responses. I did not audit the Organization's response and, accordingly, I express no opinion on it.

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

November 17, 2009  
Irmo, South Carolina



**CITY OF NEW ELLENTON**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**June 30, 2009**

**INTERNAL CONTROL FINDINGS**

**09-01: Fixed Assets**

**Criteria**

Generally accepted accounting principles require the presentation of general fixed assets at cost or estimated historical cost if actual cost has not been maintained.

**Condition**

Complete records have not been established by the City for its general fixed assets. Only a running total of current additions have been maintained.

**Effect**

The City is unaware of all fixed assets which subjects it to balance sheet misstatement.

**Recommendations**

The City should make every effort to establish a fixed asset list with historical cost and include an estimated cost basis for items that an actual cost cannot be established.

**Management's Response**

The City is currently taking inventory of their fixed assets and should have a completed list by the following audit year.

**Internal Control Findings noted in the Commission of Public Works' June 30, 2009:**  
**09-02: Segregation of Duties in Accounting Department**

**Criteria**

Good internal controls require that certain functions be segregated among different employees. Incompatible duties exist when any one employee performs more than one of the following functions:

1. Maintaining custody of an asset.
2. Maintaining records of accounting for the asset.
3. Approving transactions related to the asset.

**Condition**

When incompatible duties exist, the opportunity is provided for errors or irregularities to occur and not be detected by management on a timely basis. During my audit, we found the following incompatible duties to exist:

1. The bookkeeper collects payments, issues adjustments to amounts billed, and maintains all records related to accounts receivable.

2. The bookkeeper has access to all blank checks, has responsibility for recording transactions in Quickbooks, and reconciles the bank accounts. Offsetting controls are in place in that the signatures of two commissioners are required on all checks, and I also understand that a commissioner reviews the bank statements and reviews the canceled checks before forwarding the statement to the bookkeeper.
3. Some of the inventory records related to supplies and materials are maintained by the superintendent, who is also responsible for the custody of this asset.

Due to a limited number of personnel employed by the Commission, an ideal segregation of duties is not possible.

### **Effect**

Deficiencies in internal control subject the Commission of Public Works of New Ellenton to increased audit risks.

### **Management's Response**

1. Two signatures are required for every disbursement. In addition, a Commissioner will open the bank statements on a monthly basis and review all transactions that go through the bank accounts before forwarding them to the accounting department.
2. The same controls apply in this condition.
3. Physical inventory is maintained by someone separate from the inventory records. Also, a physical inventory is taken annually and reconciled to the perpetual inventory system.