

CITY OF NEW ELLENTON
NEW ELLENTON, SOUTH CAROLINA

FINANCIAL STATEMENTS
June 30, 2012

CITY OF NEW ELLENTON
SOUTH CAROLINA
June 30, 2012

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GOVERNMENTAL AUDIT REPORT:

Report on Compliance and on Internal Control Over Financial Reporting Based on an
Audit of Financial Statements Performed in Accordance With *Government Auditing*
Standards 29

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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, 2012, 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 opinions.

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, 2012, 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 January 16, 2013 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.

Management has not presented the management's discussion and analysis that governmental accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. However the budget to actual has been presented on page 27. My opinion on the basic financial statements is not affected by this missing information.

Irmo, South Carolina
January 16, 2013

A handwritten signature in black ink, appearing to read "Tim C. Combs". The signature is written in a cursive style with a large initial "T" and a distinct "C".

FINANCIAL STATEMENTS

CITY OF NEW ELLENTON, SOUTH CAROLINA
 STATEMENT OF NET ASSETS
 June 30, 2012

	<u>Primary Government</u>		<u>Total</u>
	<u>Governmental Activities</u>	<u>Businesss-type Activities</u>	
ASSETS			
Current Assets			
Cash-unrestricted	\$ 338,295	\$ 120,172	\$ 458,467
Cash-restricted	28,333	653,192	681,525
Accounts receivable, net of allowance	18,311	109,389	127,700
Prepays		10,388	10,388
Inventory	-	<u>68,371</u>	<u>68,371</u>
Total Current Assets	<u>384,939</u>	<u>961,512</u>	<u>1,346,451</u>
Noncurrent Assets			
Bond issue costs, net of accumulated amortization		34,199	34,199
Property and equipment (net of accumulated depreciation)	<u>1,912,328</u>	<u>5,137,673</u>	<u>7,050,001</u>
Total Noncurrent Assets	<u>1,912,328</u>	<u>5,171,872</u>	<u>7,084,200</u>
TOTAL ASSETS	<u>\$ 2,297,267</u>	<u>\$ 6,133,384</u>	<u>\$ 8,430,651</u>
LIABILITIES			
Current Liabilities			
Accounts payable	129,475	30,114	159,589
Customer deposits		37,168	37,168
Long-term liabilities-current	<u>64,607</u>	<u>202,986</u>	<u>267,593</u>
Total Current Liabilities	<u>194,082</u>	<u>270,268</u>	<u>464,350</u>
Noncurrent Liabilities			
Long-term liabilities-noncurrent	<u>500,319</u>	<u>3,238,406</u>	<u>3,738,725</u>
Total Noncurrent Liabilities	<u>500,319</u>	<u>3,238,406</u>	<u>3,738,725</u>
Total Liabilities	<u>694,401</u>	<u>3,508,674</u>	<u>4,203,075</u>
Net Assets			
Invested in Capital Assets			
Net of Related Debt	1,347,402	1,696,281	3,043,683
Unrestricted	<u>255,464</u>	<u>928,429</u>	<u>1,183,893</u>
Total Net Assets	<u>1,602,866</u>	<u>2,624,710</u>	<u>4,227,576</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,297,267</u>	<u>\$ 6,133,384</u>	<u>\$ 8,430,651</u>

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, 2012

Functions/Programs PRIMARY GOVERNMENT:	PROGRAM REVENUE		Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Primary		Total
			Governmental Activities	Business-Type Activities	
Expenses:					
Civic Center	\$ 3,382	\$ 3,725	\$ (343)	\$	\$ (343)
Fire Department	261,462	336,682	(75,220)		(75,220)
General Government	265,438	33,541	231,897		231,897
Library	17,114		17,114		17,114
Police Department	491,682	140,053	351,629		351,629
Recreation	25,558	17,395	8,163		8,163
Sanitation	88,309	136,047	(47,738)		(47,738)
Streets and Grounds	199,671	7,738	191,933		191,933
Operating Transfer	53,228		53,228		53,228
Victims Assistance	8,121	7,682	439		439
Total Expenses	1,413,965	682,863	731,102	-	731,102
Water and Sewer	1,258,126	1,151,932	-	(106,194)	(106,194)
General Revenues:					
Municipal Association			107,751		107,751
Homesite Exemption			32,537		32,537
Aid to Subdivision			27,944		27,944
Franchise Fees			93,504		93,504
Property Taxes			354,981		354,981
Local Options Sales Tax			147,977	8,109	156,086
Operating transfer				53,228	53,228
Interest			8	95	103
Debt forgiveness			4,202		4,202
Other revenue			13,219		13,219
Total General Revenue			782,123	61,432	843,555
Change in Net Assets			51,021	(44,762)	6,259
Net Assets-Beginning			1,551,845	2,669,472	4,221,317
Net Assets-Ending			\$ 1,602,866	\$ 2,624,710	\$ 4,227,576

The accompanying notes are an integral part of this statement.

CITY OF NEW ELLENTON, SOUTH CAROLINA
BALANCE SHEET-GOVERNMENTAL FUND
June 30, 2012

	<u>Primary Government</u>	
	<u>Governmental Fund Type</u>	<u>Totals</u>
	<u>General</u>	<u>Governmental Funds</u>
ASSETS		
Cash	\$ 366,628	\$ 366,628
Accounts receivable	18,311	18,311
TOTAL ASSETS	<u>384,939</u>	<u>384,939</u>
 LIABILITIES AND FUND BALANCES		
Accounts payable and accrued liabilities	129,475	129,475
Total Liabilities	<u>129,475</u>	<u>129,475</u>
 Fund Balance		
Unassigned	255,464	255,464
Total Fund Balance	<u>255,464</u>	<u>255,464</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 384,939</u>	
 Amounts reported for <i>governmental activities</i> 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.		1,912,328
Long-term liabilities are not reported in the funds.		<u>(564,926)</u>
	Net Assets of Governmental Activities	<u>\$ 1,602,866</u>

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, 2012

REVENUES	<u>General</u>
Municipal Association	\$ 107,751
Homestead exemption	32,537
Aid to subdivisions	27,944
Business license	33,541
Franchise fees	93,504
Property taxes	354,981
Other revenue and taxes	13,219
Civic center rent	3,725
Fire department fees	336,682
Police fines	140,053
Sanitation fees	136,047
Local Options Sales Tax	147,977
Parks and recreation	17,395
Streets and grounds	7,738
Debt forgiveness	4,202
Victims Assistance	7,682
Interest	8
Total Revenues	<u>1,464,986</u>
 EXPENDITURES	
Civic center	3,063
Operating transfer	53,228
Fire department	154,945
General government	251,443
Library	5,529
Police department	458,212
Recreation department	25,229
Sanitation department	86,814
Streets and roads	195,186
Victims assistance	8,121
Debt Service	60,974
Capital purchases	215,107
Total Expenditures	<u>1,517,851</u>
Excess of revenues over expenditures	(52,865)
 Fund balance-beginning	 <u>308,329</u>
 Fund balance-ending	 <u>\$ 255,464</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, 2012

Net change in fund balances-Total Governmental Funds	\$ (52,865)
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:	42,912
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:	<u>60,974</u>
Change in net assets of governmental activities	<u>\$ 51,021</u>

The accompanying notes are an integral part of this statement.

CITY OF NEW ELLENTON, SOUTH CAROLINA
BALANCE SHEET
Proprietary Funds
June 30, 2012

ASSETS	<u>Business-Type Activities</u>		
	<u>Sewer</u>	<u>Water</u>	<u>Total</u>
Current Assets			
Cash-unrestricted	\$ 4,437	\$ 115,735	\$ 120,172
Cash-restricted	1,056	652,136	653,192
Inventory		68,371	68,371
Prepaid expenses		10,388	10,388
Accounts receivable, net of allowance net of allowance of \$13,071 and \$0.	28,250	81,139	109,389
Total Current Assets	33,743	927,769	961,512
Noncurrent Assets			
Bond Issue Costs net of accumulated amortization	2,149	32,050	34,199
Property and Equipment Less accumulated depreciation	2,715,819	2,421,854	5,137,673
Total Noncurrent Assets	2,717,968	2,453,904	5,171,872
TOTAL ASSETS	\$ 2,751,711	\$ 3,381,673	\$ 6,133,384
LIABILITIES			
Current liabilities			
Accounts payable	3,024	27,090	30,114
Customer deposits		37,168	37,168
Notes/bonds payable-current	82,000	120,986	202,986
Total Current Liabilities	85,024	185,244	270,268
Noncurrent liabilities			
Notes/bonds payable-noncurrent	461,874	2,776,532	3,238,406
Total Noncurrent Liabilities	461,874	2,776,532	3,238,406
TOTAL LIABILITIES	546,898	2,961,776	3,508,674
NET ASSETS			
Invested in capital assets, net of related debt	2,171,945	(475,664)	1,696,281
Unrestricted	32,868	895,561	928,429
Total Fund Balance	2,204,813	419,897	2,624,710
TOTAL LIABILITIES AND FUND BALANCE	\$ 2,751,711	\$ 3,381,673	\$ 6,133,384

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, 2012

Operating Revenues	Business-Type Activities		
	Sewer	Water	Total
Charges for service	\$ 161,605	\$ 990,327	\$ 1,151,932
Total Operating Revenues	161,605	990,327	1,151,932
Operating Expenses			
Personnel	40,560	272,147	312,707
Payroll taxes	3,103	24,257	27,360
Retirement		25,389	25,389
Training		2,132	2,132
Amortization	1,000	2,641	3,641
Bank service charges		7,745	7,745
Depreciation	101,566	183,351	284,917
Employee benefits		54,727	54,727
Insurance	5,395	10,721	16,116
Office supplies and postage	2,497	15,300	17,797
Professional fees	5,076	16,143	21,219
System repairs and maintenance	12,111	123,884	135,995
Fuel		13,259	13,259
Testing	12,715		12,715
Rent and other	902		902
Sewer Bond Payment	80,198		80,198
Utilities	26,504	85,073	111,577
Total Operating Expenses	291,627	836,769	1,128,396
Operating Income (Loss)	(130,022)	153,558	23,536
Nonoperating Revenues (Expenses)			
Operating transfer in	53,228		53,228
Interest income		95	95
Interest expense		(165,288)	(165,288)
Debt forgiveness-Bond	35,558		35,558
Local option sales tax	8,109	-	8,109
Total Nonoperating Revenues (Expenses)	96,895	(165,193)	(68,298)
Increase (Decrease) in Net Assets	(33,127)	(11,635)	(44,762)
Total Net Assets-Beginning	2,237,940	431,532	2,669,472
Total Net Assets-Ending	\$ 2,204,813	\$ 419,897	\$ 2,624,710

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, 2012

	Business-type Activities		
	Sewer	Water	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 146,795	\$ 997,882	\$ 1,144,677
Payments to suppliers	(12,111)	(122,608)	(134,719)
Payments to employees	(43,663)	(272,147)	(315,810)
Other receipts (payments)	(141,564)	(266,528)	(408,092)
Net cash provided (used) by operating activities	(50,543)	336,599	286,056
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Capital purchases		(65,401)	(65,401)
Other financing sources		57,245	57,245
Transfer in	53,228		53,228
Principal paid on capital debt	-	(116,854)	(116,854)
Net cash provided (used) by financing activities	53,228	(125,010)	(71,782)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest Expense		(165,288)	(165,288)
Interest Income	-	95	95
Net cash provided (used) by investing activities	-	(165,193)	(165,193)
Net increase (decrease) in cash and cash equivalents	2,685	46,396	49,081
Balance - Beginning of Year-adjusted	2,808	721,475	724,283
Balance - End of Year	\$ 5,493	\$ 767,871	\$ 773,364
Reconciliation of operating Income (loss) to net cash provided (used) by operating activities:			
Operating Income (loss)	\$ (130,022)	\$ 153,558	23,536
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense	101,566	183,351	284,917
Amortization expense	1,000	2,641	3,641
Change in assets and liabilities:			
Accounts receivable, net	(18,828)	7,555	(11,273)
Prepaid expenses		257	257
Inventory		(2,205)	(2,205)
Customer deposits		3,910	3,910
Accounts payable	(4,259)	(12,468)	(16,727)
Net cash provided (used) by operating activities	\$ (50,543)	\$ 336,599	\$ 286,056

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, 2012

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, 2012

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 the 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, 2012**

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, 2012

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. Theft 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, 2012

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.

Program revenues:

Program revenues derive directly from the program itself or from parties other than the Municipality's taxpayers or citizenry, as a whole. Program revenues are classified into three categories, as follows:

1. Charges for services-these arise from charges to customers, applicants, or others who purchase, use, or directly benefit from the goods, services, or privileges provided, or are otherwise directly affected by the services.
2. Program-specific operating grants and contributions-these arise from mandatory and voluntary non-exchange transactions with other governments, organizations, or individuals that are restricted for the acquisition of capital assets for use in a particular program.
3. Program-specific capital grants and contributions-these arise from mandatory and voluntary non-exchange transactions with other governments, organizations, or individuals that are restricted for acquisition of capital assets for use in a particular program.

Operating Revenues

Operating revenues and expenses generally result from providing service and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise fund are charges to customers for sales and services. The fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. In addition there are no discounts or allowances that reduce the revenue amounts.

Policy regarding restricted and unrestricted resources

It is the Town's policy to apply available resources that meet all criteria of the fund classifications in the following order: 1) restricted funds, 2) committed funds, 3) assigned funds and 4) Unassigned.

Intangible Assets

Intangible assets are amortized over a period of not less than sixty months.

CITY OF NEW ELLENTON, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2012

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-continued

Inventories

Inventory of the town is stated at cost. However, the Town had no inventory at the end of the year.

Classification of Fund Balances

Nonspendable-these are amounts that cannot be spent because (1) not in spendable form (e.g., inventories, prepaids, long-term loans/ notes receivable, property acquired for resale) or (2) legally or contractually required to be maintained intact (e.g., corpus of a permanent fund).

Restricted-these are resources that are constrained either by (a) external impositions by creditors, grantors, contributor, or laws or regulations of other governments or (b) impositions by law through constitutional provisions or enabling legislation.

Committed-these are amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority; same high level must be used to remove or change the specified used.

Assigned-these are amounts constrained by government's intent to be used for specific purposes-intent to be expressed by the governing body itself or a body or official to which the governing body has delegated the authority to assign amounts.

Unassigned – this classification is the residual classification for the general fund.

Stabilization Arrangements

The Town has not made stabilization arrangements for the fund balances nor have they adopted a minimum fund balance policy.

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.

CITY OF NEW ELLENTON, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2012

NOTE B - RISK MANAGEMENT - continued

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.

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.

CITY OF NEW ELLENTON, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2012

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, 2012, cash and investments consist of the following:

Unrestricted:

General Fund:

Cash in banks \$ 338,295

Enterprise Funds 120,172

Total Unrestricted Funds \$ 458,467

Restricted:

General Fund \$ 28,333

Enterprise Fund 653,192

Total Restricted Funds \$ 681,525

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	\$ 122,121	
CPW	<u>250,000</u>	<u>517,871</u>	\$
	<u>\$ 500,000</u>	<u>\$ 639,992</u>	<u>\$</u>

CITY OF NEW ELLENTON, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2012

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.

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.

CITY OF NEW ELLENTON, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2012

NOTE G - RETIREMENT PLAN - continued

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 9.24 percent of the employee's compensation for retirement benefits and .15 percent of the employee's compensation for group life insurance benefits.

Covered payroll for the years ending June 30, 2012, 2011, and 2010 are \$169,261, \$168,417, and \$177,649 respectively.

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Employer Contribution	\$ 15,885	\$ 15,562	\$ 16,415
Group Life	<u>311</u>	<u>307</u>	<u>319</u>
Total	<u>\$ 16,196</u>	<u>\$ 15,869</u>	<u>\$ 16,734</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 11.3% 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, 2012, 2011, and 2010 are \$197,973, \$231,001, and \$192,348 respectively.

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Employer Contribution	\$ 25,710	\$ 20,485	\$ 21,910
Group Life	<u>506</u>	<u>405</u>	<u>420</u>
Total	<u>\$ 26,216</u>	<u>\$ 20,890</u>	<u>\$ 22,330</u>

CITY OF NEW ELLENTON, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2012

NOTE H- NOTES AND OTHER OBLIGATIONS PAYABLE:

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

Note payable to United Financial due in semiannual installments of \$46,587 with an interest rate of 2.62% collateralized by a 1999 KME Aerial Truck. \$ 564,926

Total Notes Payable \$ 564,926

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>
2013	\$ 64,607	\$ 28,567	\$ 93,174
2014	68,209	24,965	93,174
2015	72,012	21,161	93,173
2016	76,027	17,147	93,174
2017	80,267	12,907	93,174
2018-2022	<u>203,804</u>	<u>12,139</u>	<u>215,943</u>
	<u>\$ 564,926</u>	<u>\$ 116,886</u>	<u>\$ 681,812</u>

	<u>Beginning</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending</u>
United Financial	<u>\$ 625,900</u>	_____	<u>\$ 60,974</u>	<u>\$ 564,926</u>
Total	<u>\$ 625,900</u>	<u>\$ _____</u>	<u>\$ 60,974</u>	<u>\$ 564,926</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, 2012. 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.

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.

CITY OF NEW ELLENTON, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2012

NOTE I- BONDS PAYABLE - continued

The Sewer Department had the following bond payable at year-end:
 South Carolina Resources Authority \$ 543,874

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 \$543,874. 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 Commission for the year ended June 30, 2012.

	<u>June 30, 2011</u>	<u>Additional Debt</u>	<u>Debt Retired</u>	<u>June 30, 2012</u>
USDA #2	\$ 1,031,400		\$ 17,476	\$ 1,013,924
USDA #3	387,262		7,060	380,202
USDA #4	459,324		4,976	454,348
BB&T	349,665	\$ 57,245		406,910
USDA #5	<u>729,476</u>		<u>87,342</u>	<u>642,134</u>
Total	<u>\$ 2,957,127</u>	<u>\$ 57,245</u>	<u>\$ 116,854</u>	<u>\$ 2,897,518</u>

Amortization for deferred bond issue costs amounted to \$ 2,641 for the Commission of Public Works and \$ 1,000 for the Sewer Department.

CITY OF NEW ELLENTON, SOUTH CAROLINA
NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2012

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, 2012, including interest are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 185,593	\$ 159,712	\$ 345,305
2014	194,945	150,360	345,305
2015	204,772	140,532	345,304
2016	215,098	130,207	345,305
2017	225,949	119,356	345,305
2018-2022	557,324	473,912	1,031,236
2023-2027	264,201	402,639	666,840
2028-2032	333,158	333,682	666,840
2033-2037	420,234	246,606	666,840
2038-2042	518,432	136,728	655,160
2043-2047	247,604	42,606	290,210
2048-2052	95,135	6,672	101,807
Total	<u>\$ 3,462,445</u>	<u>\$ 2,343,012</u>	<u>\$ 5,805,457</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, 2012, the Commission was in compliance with this bond indenture.

CITY OF NEW ELLENTON, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2012

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.

NOTE J-FIXED ASSETS:

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

Commission of Public Works:

	<u>Balance</u> <u>July 1, 2011</u>	<u>Additions</u> <u>(Deletions)</u>	<u>Balance</u> <u>June 30, 2012</u>
Assets not depreciated			
Land	2,500		2,500
Assets being depreciated			
Water system	\$ 5,307,170	\$ 65,401	\$ 5,372,571
Building and improvements	144,693		144,693
Machinery and equipment	187,573		187,573
Furniture and fixtures	19,819		19,819
Vehicles	<u>113,741</u>		<u>113,741</u>
	5,775,496	<u>65,401</u>	5,840,897
Accumulated Depreciation	<u>3,235,692</u>	<u>183,351</u>	<u>3,419,043</u>
	<u>\$ 2,539,804</u>	<u>\$ (117,950)</u>	<u>\$ 2,421,854</u>

Sewer Department:

	<u>Balance</u> <u>July 1, 2011</u>	<u>Additions</u> <u>(Deletions)</u>	<u>Balance</u> <u>June 30, 2012</u>
Assets being depreciated			
Sewer system	\$ 4,120,933		\$ 4,120,933
Chemical Room		\$ 8,168	8,168
Buildings	38,653		38,653
Equipment	<u>73,835</u>	<u>3,959</u>	<u>77,794</u>
	4,233,421	12,127	4,245,548
Accumulated Depreciation	<u>1,327,163</u>	<u>101,566</u>	<u>1,529,729</u>
	<u>\$ 2,906,258</u>	<u>\$ (89,439)</u>	<u>\$ 2,715,819</u>

**CITY OF NEW ELLENTON, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2012**

NOTE J-FIXED ASSETS - continued

General Fixed Assets:	Balance July 1, 2011	Additions (Deletions)	Balance June 30, 2012
Automobiles/trucks	\$ 1,310,448		\$ 1,310,448
Buildings & improvements	1,224,746	\$ 76,977	1,301,723
Equipment	376,129	138,130	514,259
Capital leases	126,667		126,667
Land improvements	<u>71,947</u>		<u>71,947</u>
	3,109,937	215,107	3,325,044
Accumulated Depreciation	<u>1,239,567</u>	<u>173,149</u>	<u>1,412,716</u>
	<u>\$ 1,870,370</u>	<u>\$ 41,958</u>	<u>\$ 1,912,328</u>

Depreciation expense for the general fixed assets was \$173,149 for the year ended June 30, 2012. Also, depreciation expense was charged to each department as follows:

Fire Department	\$ 106,518
Civic Center	319
Library	11,585
Parks and Recreation	329
Police Department	33,470
Sanitation Department	1,495
Streets and Roads	4,485
General	<u>14,948</u>
Total Depreciation Expense	<u>\$ 173,149</u>

NOTE K - FINES, ASSESSMENTS, SURCHARGES AND VICTIMS SERVICES

State Collections

Assessments:

DUI Assessments	\$ 19
Court Assessment	55,372

Surcharges:

Municipal Court DUI	1,717
Law Enforcement	19,454
Drug surcharges	400
Criminal Justice Academy	3,871

Other:

DUI/DUS Pullout	1,194
DUS/DPS Pullout	159
Breathalyzer Fee	<u>40</u>

Total State Collections 82,226

CITY OF NEW ELLENTON, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2012

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

Town Collections:	
Fines and Surcharges	57,808
Victims Assistance Collections:	
Assessments	6,905
Surcharges	<u>777</u>
Total State and Town Collections	7,682
Beginning Victims Assistance-adjusted	32,865
Additions	7,682
Deletions	<u>(8,121)</u>
Ending Victims Assistance	<u>\$ 32,426</u>

The beginning victim's assistance was adjusted due to a 2005 correction. This correction consisted of changing the 2005 amount collected for victim's assistance from \$25,913 to \$9,461 which is a difference of \$16,452. This changed the beginning balance from \$46,234 to \$32,865.

The cost of the audit is \$1,000. The actual amount in the Victim's assistance bank account is \$28,333.

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.

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, 2012, the City was in compliance with the provisions of this agreement.

CITY OF NEW ELLENTON, SOUTH CAROLINA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2012

NOTE L- GOING CONCERN - continued

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 – MANAGEMENT'S REVIEW

The date through which management evaluated subsequent events is the same date of the audit report. This is the same date that the financial statements were available to be issued.

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, 2012

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
INCOME			
Municipal Association	\$ 135,000	\$ 107,751	\$ (27,249)
Homestead exemption	32,600	32,537	(63)
Aid to subdivisions	66,500	27,944	(38,556)
Business license	31,000	33,541	2,541
Franchise fees	90,800	93,504	2,704
Property taxes	375,000	354,981	(20,019)
Other revenue and taxes	24,050	13,219	(10,831)
Civic center rent	5,000	3,725	(1,275)
Fire department fees	315,000	336,682	21,682
Police fines	175,000	140,053	(34,947)
Sanitation fees	120,000	136,047	16,047
Local Options Sales Tax	37,500	147,977	110,477
Parks and recreation	33,500	17,395	(16,105)
Merchants Inventory	7,220	-	(7,220)
Debt forgiveness	-	4,202	4,202
Victims assistance	7,200	7,682	482
Miscellaneous	-	7,738	7,738
Interest	-	8	8
TOTAL INCOME	<u>1,455,370</u>	<u>1,464,986</u>	<u>9,616</u>
EXPENSES			
Civic center	12,500	3,063	9,437
Operating transfer	-	53,228	(53,228)
Fire department	332,559	154,945	177,614
General government	237,010	251,443	(14,433)
Library	3,684	5,529	(1,845)
Police department	525,305	458,212	67,093
Recreation department	21,950	25,229	(3,279)
Sanitation department	84,310	86,814	(2,504)
Streets and roads	181,417	195,186	(13,769)
Victims assistance	8,884	8,121	763
Debt Service	-	60,974	(60,974)
Capital purchases	-	215,107	(215,107)
	<u>1,407,619</u>	<u>1,517,851</u>	<u>(110,232)</u>
	47,751	(52,865)	100,616
Fund balance-beginning	<u>308,329</u>	<u>308,329</u>	<u>-</u>
			-
Fund balance-end	<u>\$ 356,080</u>	<u>\$ 255,464</u>	<u>\$ 100,616</u>

GOVERNMENTAL AUDIT REPORT

TIMOTHY C. CORNELISON, CPA, LLC

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Memberships
American Institute of
Certified Public Accountants
South Carolina Association of
Certified Public Accountants

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 governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of New Ellenton, South Carolina, as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements and have issued my report thereon dated January 16, 2016. 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

Management of the City is responsible for establishing and maintaining effective 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 opinions 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.

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.

My 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. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

Compliance and Other Matters

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 or other matters that are required to be reported under *Government Auditing Standards*.

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.

January 16, 2013
Irmo, South Carolina

A handwritten signature in black ink, appearing to read "Tim C. Conner". The signature is written in a cursive style with a large initial "T" and a long horizontal stroke at the end.