

CITY of CAMDEN  
Camden, South Carolina

FINANCIAL STATEMENTS and  
REQUIRED SUPPLEMENTAL INFORMATION  
For the Year Ended June 30, 2011

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**INDEPENDENT AUDITOR'S REPORT**

To the City Council  
City of Camden  
Camden, South Carolina

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Camden, South Carolina, as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Camden, South Carolina's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Camden, South Carolina, as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2011, on our consideration of the City of Camden, South Carolina's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and the schedule of funding progress for retiree health plan on pages 3 through 8 and 37 through 38 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Camden, South Carolina's financial statements as a whole. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

Cantey, Tiller, Pierce and Green, LLP  
Camden, South Carolina

October 26, 2011

**CITY OF CAMDEN, SOUTH CAROLINA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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**MANAGEMENT'S DISCUSSION AND ANALYSIS**

Our discussion and analysis of the City of Camden's financial performance and statistics summarizes the City's annual report for the fiscal year ended June 30, 2011.

**Please read this document in conjunction with the City's basic audited financial statements. References to relevant pages are included in the following narrative.**

**City Highlights**

The City of Camden is the county seat of Kershaw County, South Carolina. The current population, as stated in the 2010 census, is approximately 6,830. The City is located approximately 30 miles east of Columbia, SC. Kershaw County's population growth from 1990 to 2000 was the seventh fastest in the State (out of 46 counties). This growth is moving in a northeast direction toward Camden.

The addition of several new retail outlets, restaurants, two hotels and the ongoing renovation of the downtown district have increased gross business activity sales by approximately 15% per year from 1998 to 2009. The business activity in 2010 and 2011 has been flat in a recessed general economy. The retail sales portion of this increase in private sector business has strengthened the effect of the local option sales tax. In 1997 the City adopted an ordinance establishing a 1% local sales tax. The ordinance requires all revenue generated from this local option sales tax be used as a credit to property tax. In the tax year 2011, the local option sales tax credit reduced the primary residential property tax by approximately 60%.

In 2009, the City enacted a hospitality tax in order to enhance tourism, recreational and cultural activities. The tax will be applied to the sale of prepared food and beverage. Collections began on December 1, 2009 and planned projects include a \$1,300,000 investment into the "Town Green Project", paid for and funded primarily by the hospitality tax. The Town Green is a renovated parking lot with a park/venue for festival and performance events. The Town Green project was completed as planned soon after the 2011 year end.

The property tax base was re-appraised for the 2006-tax year. The five year re-appraisal will occur again during the 2011 year and will affect the taxes collected for the fiscal year ending in June of 2012. The estimated appraisal values have changed over the past five years as follows:

2007	\$609,000,000
2008	\$620,000,000
2009	\$620,000,000
2010	\$633,000,000
2011	\$633,400,000

The proprietary fund comprises the electric system, water system and sewer system. The customer base has been very stable over the past few years. The number of customers for water (6000) and sewer (4000) are at levels similar to the 1996 numbers. The electric system has approximately 9300 customers.

On January 1, 2009, a new variable rate wholesale purchased power contract went into effect through the year 2013. The new rate is on the Progress Energy Inc. average generation cost plus \$10 per MWh. The cost of purchased power for resale to the utility customers has increased by 29%. The retail rate charged to City customers has increased by 25%.

A third electrical substation was completed in May 2008. The electrical system substations are connected via fiber optic cable. Also, during 2010, the City installed a new software system to manage the demand load for the three substations and help troubleshoot maintenance issues.

During 2011, the City completed water line and sewer line rehabilitation projects. The funds, \$1,000,000, were obtained through Community Development Block Grants provided by the Department of Commerce.

A new permit for wastewater discharge has been issued from the South Carolina Department of Health and Environmental Control to the City. The discharge permit requires the construction of a new waste water treatment plant. During 2010 a \$3,000,000 bond for engineering, infrastructure and planning expense related to the wastewater system was issued. The design phase of building a new wastewater treatment plant is completed. The total estimated project cost is \$33,000,000. The new treatment plant will be operational by January 2014. Funds for the new plant have been committed to the City of Camden from the South Carolina Revolving Fund. The South Carolina State Budget and Control Board manage the Clean Water funds. The loan is for a 20 year term at 2.5% interest. Combined utility usage fees have been increased in order to service the debt.

**Using This Annual Report**

This annual report comprises a series of financial statements pertaining to both the City as a whole (government-wide) and the major individual funds. Information concerning the City as a whole is found in the Statement of Net Assets and the Statement of Activities on pages 9 and 10 of the audited financial statements. The major individual funds are the governmental fund and the proprietary fund.

The financial statements for governmental activities are pages 11 through 14 of the audited financial statements. These statements tell how services were financed in the short term as well as what is reserved for future spending.

The proprietary fund statements are pages 15 through 17 of the audited financial statements. The proprietary fund statements report the business like operations in more detail than the government-wide statements. A detail cash flow statement is provided about the City's proprietary fund, the most financially significant fund, on page 17.

These new government wide financial statements will allow the user to broaden the basis of year to year comparison and enhance the City's accountability.

## Government-Wide Financial Statements

Our analysis of the City as a whole begins on this page of the report. The government-wide financial statements are designed to be corporate-like in that all governmental and business-type activities are consolidated into columns and are added for a total Primary Government. The Statement of Net Assets and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer the following question. Is the City better off or worse off as a result of the current year's activities? The statements include all assets and all liabilities using the accrual basis of accounting, which is similar to the accounting used by most private sector companies. Accruals of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

Over time, increases or decreases in the City's net assets indicate whether its financial health is improving or deteriorating. We must also consider other nonfinancial factors, such as changes in the City's property tax base and the condition of the City's capital assets, to assess the overall health of the City.

## Fund Financial Statements

**Governmental funds:** Most of the City's basic services are reported in the governmental fund statements, which focus on how money flows in and out of the governmental fund. The financial plan or budget is typically developed on the basis of sources and uses of liquid resources. The flow and availability of liquid resources is a clear and appropriate focus of any analysis of a government. The supplemental governmental fund financial statements on pages 39, 40 and 41 allow a detail review of budgetary compliance associated with current year sources and uses.

**Proprietary funds:** When the City charges customers for the services it provides, whether to outside customers or to customers within the City, these services are reported in a proprietary fund. Proprietary funds are consolidated in the City-wide Statement of Net Assets and the Statement of Activities. In addition, the City's proprietary fund (business type fund) is reported in more detail with a cash flow statement on page 17 and a supplemental statement of revenues and expenses on page 50 of the audited financial statements. Page 50 presents a budget versus actual comparison for this fund.

## Net Assets of the City as a Whole

The following information is a condensed Statement of Net Assets with discussion about the current year changes from last year's total net assets.

The City's combined net assets changed from a year ago, increasing from \$46,966,582 at the end of fiscal year 2010 to \$51,164,483 at year-end 2011. This \$4,197,901 or 8.9% improvement in net assets is a result of current year activities. This City-wide improvement has enhanced the unrestricted fund allocation, cash position and the capital assets for both major individual funds. The following discussion and analysis illustrates solid improvement in the government fund and the proprietary fund.

	<b><u>NET ASSETS As of 6/30/11</u></b>					
	Governmental Activities		Proprietary Fund Activities		Total Primary Government	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Current and other assets	\$ 6,195,088	\$ 6,841,360	\$ 5,112,969	\$ 3,449,363	\$ 11,308,057	\$ 10,290,723
Receivables	691,101	510,515	2,055,689	2,284,504	2,746,790	2,795,019
Non-Current assets	122,748	335,339	1,556,890	4,158,044	1,679,638	4,493,383
Other assets	68,147	49,449	3,596,955	1,080,473	3,665,102	1,129,922
Capital assets	<u>8,944,211</u>	<u>7,766,497</u>	<u>53,970,569</u>	<u>52,378,981</u>	<u>62,914,780</u>	<u>60,145,478</u>
Total assets	<u>\$ 16,021,295</u>	<u>\$ 15,503,160</u>	<u>\$ 66,293,072</u>	<u>\$ 63,351,365</u>	<u>\$ 82,314,367</u>	<u>\$ 78,854,525</u>
Current liabilities	2,575,138	3,586,155	3,937,943	3,599,163	6,513,081	7,185,318
Long term liabilities	<u>1,699,721</u>	<u>851,241</u>	<u>22,937,082</u>	<u>23,851,384</u>	<u>24,636,803</u>	<u>24,702,625</u>
Total liabilities	4,274,859	4,437,396	26,875,025	27,450,547	31,149,884	31,887,943
Net assets:						
Invested in capital assets, net of related debt	\$ 8,183,175	\$ 6,934,171	\$ 30,994,207	\$ 27,836,658	\$ 39,177,382	\$ 34,770,829
Restricted for debt service	-	-	1,108,431	924,771	1,108,431	924,771
Restricted for capital projects	-	-	1,846,288	2,597,001	1,846,288	2,597,001
Restricted for special purposes	93,089	123,042	-	-	93,089	123,042
Unrestricted	<u>3,470,172</u>	<u>4,008,551</u>	<u>5,469,121</u>	<u>4,542,388</u>	<u>8,939,293</u>	<u>8,550,939</u>
Total net assets	<u>\$ 11,746,436</u>	<u>\$ 11,065,764</u>	<u>\$ 39,418,047</u>	<u>\$ 35,900,818</u>	<u>\$ 51,164,483</u>	<u>\$ 46,966,582</u>

**Governmental Fund Budgetary Highlights**

The General Fund budget for the fiscal year 2011 was \$9,559,400. This was an increase of \$534,500 from the previous year. During the year certain variances developed as follows: Property tax collections were \$1,206 less than budgeted. Business licenses fees exceeded budget by \$26,339. Franchise fees were \$57,593 less than budget. Grants in the amount of \$437,658 were received from Federal and SC State agencies.

Building maintenance expense was \$159,583 greater than budget due the expenditure of energy efficiency grant funds. Streets and parks expenditures were over budget by \$362,317. The parks' expenditure overage is a result of a land purchase. The land purchase was funded by restricted cash from a prior sale of land. The total expenditures, including all other account variances were \$564,384 more than the cash-operating budget. This was partially offset by a total revenue gain of \$369,934.

**Discussion of Changes in Governmental Fund Net Assets**

The net assets of the City governmental fund increased by 6.2%, to a balance of \$11,746,436 in 2011 from \$11,065,764. The \$680,672 increase is the result of the following:

A \$464,578 decrease in the fund balance. This fund balance decrease can be analyzed in greater detail upon review of the Statements of Revenues, Expenditures and Changes in Fund Balance on page 13, 14, 44 and 48 of the audited financial statements.

The City purchased \$1,755,530 in capital assets, and recorded \$536,503 as depreciation expense and deletions of \$41,313. The difference is an increase to net assets in the amount of \$1,177,714. The primary additions to capital assets were property improvements \$822,833, vehicles and other capital \$96,154, parking lot paving \$435,523 and land purchases of \$363,967. (see page 23)

The purchase of new vehicles and other capital items increased the City's debt by \$98,500. The repayment of debt principal for prior debt was \$269,790. The annual difference in new debt and payment of principal increased net assets by \$171,290.

The net amount in compensated absences increased by \$27,725 from \$156,137 to \$183,862. This change decreased net assets by \$27,725. Also, the increase in OPEB liability reduced the net assets in the amount of \$176,029.

**Summary:**

	<b>Contribution to Net Assets</b>	
	<u>2011</u>	<u>2010</u>
Fund Balance Improvement	\$ (464,578)	\$ 166,083
Net Capital Asset Investment	1,177,714	477,805
Reduction in Debt	171,290	112,227
OPEB Obligations (GASB 45)	(176,029)	(374,354)
Decrease/(Increase) in Compensated Absences	<u>(27,725)</u>	<u>12,845</u>
Net Change	<u>\$ 680,672</u>	<u>\$ 394,606</u>

**Discussion of Changes in Proprietary Fund Net Assets**

The net assets of the City proprietary fund increased by 9.8% from \$35,900,818 in 2010 to \$39,418,047 in 2011. The \$3,517,229 increase is illustrated in more detail on the Statement of Revenues, Expenses and Comparison of Actual to Budget on pages 16, 50 and 51 of the audited financial statements.

A \$3,978,019 contribution to operating income was recorded by the electric division. This gain was \$2,359,913 more than the business plan had anticipated. Electric revenues exceeded budget by \$786,180. Operating costs of the electric division were \$1,573,733 less than budgeted. The capital expenditures in the amount of \$1,418,780 and depreciation in the amount of \$928,197 resulted in a net asset gain of \$490,583. Purchased power was \$741,343 less than budget and other operating and maintenance costs were \$341,807 less than the budgeted amount.

A \$1,453,010 contribution to operating income was recorded by the water division. This was \$406,514 less than budgeted. The water division revenue showed a gain of \$40,040. Capital expenditures in the amount of \$60,989 and depreciation in the amount of \$786,901 resulted in a net increase of direct cost in the amount of \$725,912. Other operating and system maintenance costs were \$279,358 less than the planned budget.

A \$391,228 contribution to operating income was recorded by the sewer division. This was \$405,122 less than budgeted. Sewer division revenue exceeded budget by \$7,688. Capital expenditures in the amount of \$72,620 and depreciation in the amount of \$612,345 resulted in a net increase of direct cost in the amount of \$539,725. Other operating costs and system maintenance were \$126,915 less than the planned budget.

Other operating income totaled \$547,559. This was \$84,559 greater than the budgeted plan. The primary reason for higher other operating income was due to the collection of utility nonpayment penalties. The penalties totaled \$51,182 more than budget.

The combined non-operating revenue and expense effect was a net \$449,247 reduction to income. The single largest impact on non-operating expenses was the \$1,015,255 interest expense from debt service. The interest expense was reduced by the combined effect of \$18,449 interest income earned on investments and \$547,559 other revenue.

The City policy to transfer funds annually to the governmental fund reduced the proprietary fund retained earnings by \$2,066,000.

Summary:	Division	Contribution to Net Assets	
		2011	2010
	Electric Department	\$ 3,978,019	\$ 3,839,468
	Water Department	1,453,010	688,817
	Sewer Department	391,228	229,950
	Other Operating Income	566,008	568,091
	Non-operating Rev. (Exp.)	(1,015,255)	(1,079,243)
	Capital Contribution	210,219	204,567
	Transfers Out	(2,066,000)	(2,066,000)
	Net Change	\$ 3,517,229	\$ 2,385,650

City-wide Summary:	Change in net Assets \$		% of Change from Prior Yr	
	2011	2010	2011	2010
Governmental Fund	\$ 680,673	\$ 394,606	6.2%	3.7%
Proprietary Fund	\$ 3,517,229	\$ 2,385,650	9.8%	7.1%
Total City of Camden	\$ 4,197,902	\$ 2,780,256	8.9%	6.3%

**Summary of Revenues and Expenses  
Changes in Net Assets As of 6/30**

	Governmental Activity		Proprietary Activity		Total	
	2011	2010	2011	2010	2011	2010
<b>Revenues:</b>						
Taxes	\$ 3,636,904	\$ 3,120,859	\$ -	\$ -	\$ 3,636,904	\$ 3,120,859
Licenses and Permits	1,840,146	1,874,331	-	-	1,840,146	1,874,331
Intergovernmental	1,057,395	1,303,303	-	-	1,057,395	1,303,303
Charge for Services	1,548,635	1,536,170	-	-	1,548,635	1,536,170
Fines	250,804	277,147	-	-	250,804	277,147
Miscellaneous	169,928	282,633	-	-	169,928	282,633
Electric Revenue	-	-	20,528,030	20,175,395	20,528,030	20,175,395
Water Revenue	-	-	3,920,040	3,574,228	3,920,040	3,574,228
Sewer Revenue	-	-	1,764,188	1,542,673	1,764,188	1,542,673
Other Operating	-	-	547,559	533,562	547,559	533,562
Interest Income	-	-	18,449	34,529	18,449	34,529
<b>Total Revenue</b>	<b>8,503,812</b>	<b>8,394,443</b>	<b>26,778,266</b>	<b>25,860,387</b>	<b>35,282,078</b>	<b>34,254,830</b>
<b>Expenses:</b>						
General Government	2,306,456	2,157,738	-	-	2,306,456	2,157,738
Public Safety	3,769,367	3,838,215	-	-	3,769,367	3,838,215
Highways and Streets	1,628,967	1,267,646	-	-	1,628,967	1,267,646
Sanitation	1,115,954	1,086,534	-	-	1,115,954	1,086,534
Culture and Recreation	1,359,001	446,556	-	-	1,359,001	446,556
Non-Departmental	953,145	1,674,471	-	-	953,145	1,674,471
Electric Cost	-	-	16,550,011	16,335,927	16,550,011	16,335,927
Water Cost	-	-	2,467,030	2,885,411	2,467,030	2,885,411
Sewer Cost	-	-	1,372,960	1,312,723	1,372,960	1,312,723
Interest Expense	-	-	1,015,255	1,079,243	1,015,255	1,079,243
<b>Total Expense</b>	<b>11,132,890</b>	<b>10,471,160</b>	<b>21,405,256</b>	<b>21,613,304</b>	<b>32,538,146</b>	<b>32,084,464</b>
<b>Income before Transfers</b>	<b>(2,629,078)</b>	<b>(2,076,717)</b>	<b>5,373,010</b>	<b>4,247,083</b>	<b>2,743,932</b>	<b>2,170,366</b>
Transfers In/(Out)	2,066,000	2,066,000	(2,066,000)	(2,066,000)	-	-
Capital Contributions	-	-	210,219	204,567	210,219	204,567
Fund Bal Changes pg 14	1,145,250	228,523	-	-	1,145,250	228,523
Capital Financing	98,500	176,800	-	-	98,500	176,800
Change in Net Assets	680,672	394,606	3,517,229	2,385,650	4,197,901	2,780,256
Beginning Net Assets	11,065,764	10,671,158	35,900,818	33,515,168	46,966,582	44,186,326
Ending Net Assets	\$ 11,746,436	\$ 11,065,764	\$ 39,418,047	\$ 35,900,818	\$ 51,164,483	\$ 46,966,582



**Restricted Assets and Other Reserves**

As a result of providing utility service to approximately 10,000 customers the City maintains a reserve to cover un-collectable debt. The reserve fund for bad debts was \$266,737 as of June 30, 2011.

Additionally, the utility fund customer deposits are maintained as a restricted reserve. This amount was \$642,236 as of June 30, 2011.

The City Council passed an ordinance for a tax millage increase beginning in 2002. A portion of the tax increase is specifically restricted for road paving. As of June 30, 2011, the road paving reserve balance was \$356,593. City Council also restricted funds for capital projects. The capital projects fund balance was \$287,480 as of June 30, 2011.

The City sold a watershed property during the year 2001. The principal balance amount of the sale, \$925,500, could not be spent without an authorizing resolution. In March 2010 City Council approved the reduction of the watershed account by the amount of \$375,000 to be used for the purchase of property from the Kershaw County School District. In May 2010 City Council approved the sale of a portion of the property purchased in the amount of \$113,631 and resolved that the sale proceeds be placed into the watershed restricted account. This purchase and sale of property resulted in a net balance of \$664,131 in the restricted watershed property account. In March 2011 City Council approved the reduction of the watershed account amount by \$363,967 to be used for the purchase of property on Campbell Street. The purchase of this property resulted in a balance of \$300,164 in the restricted watershed property account.

A local hospitality tax in the amount of 2% went into effect December 2009. City Council resolved to restrict the hospitality tax to tourism related expenditures. The balance in the hospitality tax fund was \$(49,354) as of June 30, 2011.

Local option sales tax (1.0%) must be used to offset property taxes levied on the citizens of the City. Each year the balance of local option tax receipts less tax credits given to the taxpayers is reserved for the next year tax credits. The reserve was \$122,748 as of June 30, 2011.

**Capital Assets.**

	<b>Summary of Capital Assets</b>					
	As of 6/30/11					
	Governmental Activities		Proprietary Activities		Total	
	2011	2010	2011	2010	2011	2010
Land and Improvements	\$ 1,184,235	\$ 820,268	\$ 191,355	\$ 181,845	\$ 1,375,590	\$ 1,002,113
Buildings and Improvements	3,340,225	2,667,094	89,035	82,946	3,429,260	2,750,040
Equipment	161,349	213,128	-	-	161,349	213,128
Streets, Sidewalks, Etc.	3,561,666	3,201,096	-	-	3,561,666	3,201,096
Automotive Equipment	560,081	765,309	523,520	470,023	1,083,601	1,235,332
Electric System	-	-	16,319,246	15,598,846	16,319,246	15,598,846
Water System	-	-	19,058,533	19,777,162	19,058,533	19,777,162
Sewer System	-	-	12,764,305	13,237,575	12,764,305	13,237,575
Electric Instruments	-	-	452,970	497,758	452,970	497,758
Water Instruments	-	-	20,033	27,315	20,033	27,315
Sewer Instruments	-	-	18,195	33,906	18,195	33,906
Office Machines	-	-	14,230	4,393	14,230	4,393
Wastewater Treatment Plant	-	-	1,596,060	1,646,804	1,596,060	1,646,804
Total	<u>8,807,556</u>	<u>7,666,895</u>	<u>51,047,482</u>	<u>51,558,573</u>	<u>59,855,038</u>	<u>59,225,468</u>
Construction in Progress	136,655	99,602	2,923,087	820,408	3,059,742	920,010
Total	<u>\$ 8,944,211</u>	<u>\$ 7,766,497</u>	<u>\$ 53,970,569</u>	<u>\$ 52,378,981</u>	<u>\$ 62,914,780</u>	<u>\$ 60,145,478</u>

The City is compliant with GASB # 34 capital depreciation requirements for the fiscal year ending June 30, 2011. Please refer to page 23 paragraph I of the following audited financial statements for a review of capital asset transactions.

**Operating Cash**

The City maintains one consolidated checking account for the combined governmental fund and proprietary fund. The City's general ledger accounting system separates all transactions and applies cash transactions to the appropriate individual fund. The general fund cash balance was \$887,827 as of June 30, 2011. Other general fund liquid investments totaled \$4,502,350 at year-end. As of June 30, 2011, the general fund unrestricted operating cash amount was \$2,960,378. The excess unrestricted cash excludes the deferred revenue already received for the upcoming fiscal year. Based on cash needs for the fiscal year 2011/2012 this balance will support the City for 127 days. The proprietary fund operating cash balance was \$5,196,528 or 67 days of excess working cash.

**City-wide Debt**

The City has an excellent payment record. The City has never defaulted on the payment of debt principal or interest. The 8.9% increase in City-wide net assets for the current year activities reflects a strong financial position net of debt for future capital expenditures and street paving. Restricted funds totaling \$644,073 are funds reserved in lieu of debt in order to provide services. City staff and council face the needs of a community with very old infrastructure and very high service expectations.

### Governmental Fund Debt

The total debt of the City is relatively low in proportion to the taxable property in relation to other South Carolina municipalities. The governmental fund has no outstanding general obligation bond debt. No general obligation bonds are planned at this time for the fund. At June 30, 2011, the governmental fund had a \$694,369 balance of capital lease debt. A lease balance of \$538,430 is obligated for 5 remaining years to purchase a fire truck. The balance of governmental debt consists of fixed installment payments within three-year or five-year terms. The annual amount of principle to be paid for all general fund debt is \$204,836 for fiscal year 2012.

### Proprietary Fund Long Term Debt

The proprietary fund currently has a balance, as of June 30, 2011, of \$24,422,891 committed to long term debt. This debt is comprised of five issues of combined public utility revenue bonds. The largest bond issue during 1997 was used to build a 6.0 MGD state of the art water treatment plant near Lake Wateree. The 1997 bond was refunded with a 2004 issue. A series 2002 revenue bond was issued for major repairs to the electric system, water lines and sewer system in the amount of \$4,200,000. A bond issue for \$6,000,000 was issued during fiscal year 2004. In November 2007, a revenue bond for continued infrastructure repairs was issued in the amount of \$1,273,000. A revenue bond 2010A, in the amount of \$475,000 was issued to refund a portion of the 1997 Bond during the 2010 fiscal year.

The debt amount estimated for the construction of a new wastewater treatment plant will be approximately \$33,000,000. A revenue bond was issued during fiscal year 2010 in the amount of \$3,000,000 for engineering, planning, design and infrastructure related to the new wastewater treatment plant. The debt will be serviced as needed by rate increases for combined utility services. The amount needed to service the combined utility system debt, including a new wastewater treatment plant, annually for the next five years is approximately \$4,800,000. The debt coverage ratio for the proprietary fund has been steady for the past four years (see the following chart).

#### **Long Term Debt Service Coverage**

##### **Proprietary Fund**

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Net Income	\$ 3,866,412	\$ 3,402,803	\$ 4,247,083	\$ 5,373,010
Depreciation	2,047,691	2,175,387	2,252,795	2,327,443
Interest Expense on Bonds	<u>1,095,664</u>	<u>1,126,793</u>	<u>1,079,243</u>	<u>1,015,255</u>
Net Available for Debt From Operations	<u>\$ 7,009,767</u>	<u>\$ 6,704,983</u>	<u>\$ 7,579,121</u>	<u>\$ 8,715,708</u>
Transfers	\$ (2,066,000)	\$ (2,066,000)	\$ (2,066,000)	\$ (2,066,000)
Net Available After Transfers	<u>\$ 4,943,767</u>	<u>\$ 4,638,983</u>	<u>\$ 5,513,121</u>	<u>\$ 6,649,708</u>
Total Debt Service Requirement	<u>\$ 2,737,160</u>	<u>\$ 2,730,501</u>	<u>\$ 2,850,977</u>	<u>\$ 2,882,586</u>
Coverage Ratio	1.81	1.70	1.93	2.31

### Proprietary Fund Short Term Debt

Capital lease obligations for the proprietary fund had a principal balance of \$145,562. The capital lease commitments are structured within five-year and seven-year terms. The amount needed to service the short-term debt will be approximately \$145,562 during the 2012 fiscal year.

#### **Summary of Outstanding Debt**

	Governmental Activity		Proprietary Activity		Total City	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Revenue Bonds	\$ -	\$ -	\$ 24,277,329	\$ 25,809,539	\$ 24,277,329	\$ 25,809,539
Short Term Obligations	<u>761,036</u>	<u>932,326</u>	<u>145,562</u>	<u>286,354</u>	<u>906,598</u>	<u>1,218,680</u>
Total	<u>\$ 761,036</u>	<u>\$ 932,326</u>	<u>\$ 24,422,891</u>	<u>\$ 26,095,893</u>	<u>\$ 25,183,927</u>	<u>\$ 27,028,219</u>

**Please refer to pages 30 through 32 (Note # 2 and # 3) of the audited financial statements for a detail presentation of the City-wide debt.**

#### **Financial Contact**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you need additional financial information, contact the Director of Finance, City of Camden, 1000 Lyttleton Street, P.O. Box 7002, Camden, South Carolina 29021.

CITY of CAMDEN, SOUTH CAROLINA

STATEMENT of NET ASSETS  
June 30, 2011

	Primary Government		Total
	Governmental Activities	Business-Type Activites	
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and Cash Equivalents	\$ 1,692,738	\$ 2,867,903	\$ 4,560,641
Investments	4,502,350	2,245,066	6,747,416
Receivable:			
Accounts Receivable, Net	-	2,037,636	2,037,636
Taxes, Net	289,214	-	289,214
Miscellaneous	401,887	18,053	419,940
Inventory	68,147	1,089,824	1,157,971
Total Current Assets	<u>6,954,336</u>	<u>8,258,482</u>	<u>15,212,818</u>
<b>NON-CURRENT ASSETS</b>			
<b>RESTRICTED ASSETS</b>			
Cash and Cash Equivalents	122,748	-	122,748
Investments	-	3,596,955	3,596,955
Total Restricted Assets	<u>122,748</u>	<u>3,596,955</u>	<u>3,719,703</u>
<b>OTHER ASSETS</b>			
Deferred Charges	-	467,066	467,066
Total Other Assets	<u>-</u>	<u>467,066</u>	<u>467,066</u>
<b>CAPITAL ASSETS</b>			
Land and Construction in Progress	1,320,890	3,114,442	4,435,332
Other Capital Assets, Net of Accumulated Depreciation	7,623,321	50,856,127	58,479,448
Total Capital Assets	<u>8,944,211</u>	<u>53,970,569</u>	<u>62,914,780</u>
Total Non-Current Assets	<u>9,066,959</u>	<u>58,034,590</u>	<u>67,101,549</u>
Total Assets	<u>\$ 16,021,295</u>	<u>\$ 66,293,072</u>	<u>\$ 82,314,367</u>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Accounts Payable	\$ 224,613	\$ 2,118,882	\$ 2,343,495
Accrued Liabilities	152,233	58,216	210,449
Notes and Lease Obligations Payable, Current	204,836	145,562	350,398
Bonds Payable, Current	-	1,615,283	1,615,283
Deferred Revenue	1,993,456	-	1,993,456
Total Current Liabilities	<u>2,575,138</u>	<u>3,937,943</u>	<u>6,513,081</u>
<b>NON-CURRENT LIABILITIES</b>			
Liabilities Payable from Restricted Assets			
Customer Deposits	-	574,215	574,215
Accrued Interest Payable	-	324,475	324,475
Compensated Absences, Non-Current	183,862	82,473	266,335
OPEB Obligation	959,659	273,336	1,232,995
Notes and Lease Obligations Payable, Non-Current	556,200	-	556,200
Bonds Payable, Non-Current	-	21,682,583	21,682,583
Total Non-Current Liabilities	<u>1,699,721</u>	<u>22,937,082</u>	<u>24,636,803</u>
Total Liabilities	<u>4,274,859</u>	<u>26,875,025</u>	<u>31,149,884</u>
<b>NET ASSETS</b>			
Invested in Capital Assets, Net of Related Debt	8,183,175	30,994,207	39,177,382
Restricted for:			
Law Enforcement	29,019	-	29,019
Special Purposes	64,070	-	64,070
Debt Service	-	1,108,431	1,108,431
Capital Projects	-	1,846,288	1,846,288
Unrestricted	3,470,172	5,469,121	8,939,293
Total Net Assets	<u>11,746,436</u>	<u>39,418,047</u>	<u>51,164,483</u>
Total Liabilities and Net Assets	<u>\$ 16,021,295</u>	<u>\$ 66,293,072</u>	<u>\$ 82,314,367</u>

The Accompanying Notes are an Integral Part of These Financial Statements

CITY of CAMDEN, SOUTH CAROLINA

STATEMENT of ACTIVITIES  
For the Year Ended June 30, 2011

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>FUNCTIONS/PROGRAMS</b>							
Primary Government:							
General Government	\$ 3,459,855	\$ 1,598,639	\$ -	\$ 375,783	\$ (1,485,433)	\$ -	\$ (1,485,433)
Public Safety							
Police	2,227,847	231,939	82,686	12,860	(1,900,362)	-	(1,900,362)
Fire	1,551,151	470,430	57,375	26,032	(997,314)	-	(997,314)
Highways and Streets	890,278	-	144,757		(745,521)	-	(745,521)
Sanitation	1,084,159	1,078,205	-		(5,954)	-	(5,954)
Culture and Recreation	639,822	-	47,185	133,105	(459,532)	-	(459,532)
Interest on Long-Term Debt	36,028	-	-		(36,028)	-	(36,028)
Total Governmental Activities	<u>9,889,140</u>	<u>3,379,213</u>	<u>332,003</u>	<u>547,780</u>	<u>(5,630,144)</u>	<u>-</u>	<u>(5,630,144)</u>
Business-Type Activities:							
Electric Charges	16,563,521	20,934,586	-	-	-	4,371,065	4,371,065
Water Charges	2,852,179	3,920,040	-	-	-	1,067,861	1,067,861
Sewer Charges	1,989,556	1,807,113	-	210,219	-	27,776	27,776
Total Business-Type Activities	<u>21,405,256</u>	<u>26,661,739</u>	<u>-</u>	<u>210,219</u>	<u>-</u>	<u>5,466,702</u>	<u>5,466,702</u>
Total Primary Government	<u>\$ 31,294,396</u>	<u>\$ 30,040,952</u>	<u>\$ 332,003</u>	<u>\$ 757,999</u>	<u>(5,630,144)</u>	<u>5,466,702</u>	<u>(163,442)</u>
					<u>Primary Government</u>		
General Revenues:							
Taxes:							
Property Taxes, Levied for General Purposes					3,004,607	-	3,004,607
Franchise Taxes					241,507	-	241,507
Public Service Taxes					851,387	-	851,387
Unrestricted Investment Earnings					22,931	18,449	41,380
Transfers - Internal Activities					2,066,000	(2,066,000)	-
Miscellaneous					124,384	98,078	222,462
Total General Revenues, Special Items and Transfers					<u>6,310,816</u>	<u>(1,949,473)</u>	<u>4,361,343</u>
Change in Net Assets					680,672	3,517,229	4,197,901
Net Assets, Beginning of Year					<u>11,065,764</u>	<u>35,900,818</u>	<u>46,966,582</u>
Net Assets, End of Year					<u>\$ 11,746,436</u>	<u>\$ 39,418,047</u>	<u>\$ 51,164,483</u>

The Accompanying Notes are an Integral Part of These Financial Statements

CITY of CAMDEN, SOUTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2011

	General	Special Revenue	Capital Project Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash	\$ 887,827	\$ 160,243	\$ 644,668	\$ 1,692,738
Restricted Cash	122,748	-	-	122,748
Investments	4,502,350	-	-	4,502,350
Receivables (Net)				
Taxes	285,683	3,531	-	289,214
Miscellaneous	401,887	-	-	401,887
Inventory	68,147	-	-	68,147
Total Assets	<u>\$ 6,268,642</u>	<u>\$ 163,774</u>	<u>\$ 644,668</u>	<u>\$ 7,077,084</u>
<b>LIABILITIES and FUND BALANCE</b>				
Liabilities				
Accounts Payable	\$ 162,447	\$ 61,571	\$ 595	\$ 224,613
Accrued Liabilities	152,233	-	-	152,233
Deferred Revenues	1,937,703	55,753	-	1,993,456
Total Liabilities	<u>2,252,383</u>	<u>117,324</u>	<u>595</u>	<u>2,370,302</u>
<b>FUND BALANCE</b>				
Fund Balance				
Nonspendable	68,147	-	-	68,147
Restricted	-	93,089	-	93,089
Committed	300,164	-	644,073	944,237
Assigned	-	2,715	-	2,715
Unassigned	3,647,948	(49,354)	-	3,598,594
Total Fund Balance	<u>4,016,259</u>	<u>46,450</u>	<u>644,073</u>	<u>4,706,782</u>
Total Liabilities and Fund Balance	<u>\$ 6,268,642</u>	<u>\$ 163,774</u>	<u>\$ 644,668</u>	<u>\$ 7,077,084</u>

The Accompanying Notes are an Integral Part of These Financial Statements

CITY of CAMDEN, SOUTH CAROLINA

RECONCILIATION of the GOVERNMENTAL FUNDS BALANCE SHEET  
to the STATEMENT of NET ASSETS  
June 30, 2011

Total Fund Balance for Governmental Funds		\$ 4,706,782
Total Net Assets reported for governmental activities in the statement of net assets is different because:		
Capital assets of \$21,576,934, net of accumulated depreciation of \$12,632,560, are not financial resources and, therefore, are not reported in the funds. (See Note 1 for additional detail).		8,944,211
OPEB Obligation (See Note 4 for additional detail).		(959,659)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
Compensated Absences	\$ (183,862)	
Governmental Leases and Notes Payable	<u>(761,036)</u>	<u>(944,898)</u>
Total net assets of governmental activities		<u>\$ 11,746,436</u>

CITY of CAMDEN, SOUTH CAROLINA

STATEMENT of REVENUES, EXPENDITURES and CHANGES in FUND BALANCE  
GOVERNMENTAL FUNDS  
For the Year Ended June 30, 2011

	General	Special Revenue	Capital Project Funds	Total Governmental Funds
<b>REVENUES</b>				
Taxes	\$ 2,323,794	\$ 707,614	\$ 605,496	\$ 3,636,904
Licenses and Permits	1,840,146	-	-	1,840,146
Intergovernmental Revenues	801,505	255,890	-	1,057,395
Charges for Services	1,548,635	-	-	1,548,635
Fines and Forfeits	231,939	18,865	-	250,804
Miscellaneous Revenues	147,315	22,613	-	169,928
Total Revenues	<u>6,893,334</u>	<u>1,004,982</u>	<u>605,496</u>	<u>8,503,812</u>
<b>EXPENDITURES</b>				
Current:				
General Government	2,306,456	-	-	2,306,456
Public Safety	3,724,389	44,978	-	3,769,367
Highways and Streets	1,193,444	-	435,523	1,628,967
Sanitation	1,115,954	-	-	1,115,954
Culture and Recreation	324,573	1,034,428	-	1,359,001
Non-Departmental	488,968	307,664	156,513	953,145
Total Expenditures	<u>9,153,784</u>	<u>1,387,070</u>	<u>592,036</u>	<u>11,132,890</u>
EXCESS (DEFICIENCY) of REVENUES OVER (UNDER) EXPENDITURES	<u>(2,260,450)</u>	<u>(382,088)</u>	<u>13,460</u>	<u>(2,629,078)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfer In	2,066,000	-	-	2,066,000
Capital Financing	98,500	-	-	98,500
Total Other Financing Sources (Uses)	<u>2,164,500</u>	<u>-</u>	<u>-</u>	<u>2,164,500</u>
Excess (Deficiency) of Revenues and Other Sources over Expenditures and Other Uses	(95,950)	(382,088)	13,460	(464,578)
FUND BALANCE, Beginning of Year	<u>4,112,209</u>	<u>428,538</u>	<u>630,613</u>	<u>5,171,360</u>
FUND BALANCE, End of Year	<u><u>\$ 4,016,259</u></u>	<u><u>\$ 46,450</u></u>	<u><u>\$ 644,073</u></u>	<u><u>\$ 4,706,782</u></u>

The Accompanying Notes are an Integral Part of These Financial Statements

CITY of CAMDEN, SOUTH CAROLINA

RECONCILIATION of the GOVERNMENTAL FUNDS STATEMENT of REVENUES,  
EXPENDITURES, and CHANGES in FUND BALANCES to the STATEMENT of ACTIVITIES  
For the Year Ended June 30, 2011

Net Changes in Fund Balances - Total Governmental Funds	\$ (464,578)
The change in net assets reported for governmental activities in the statement of activities is different because:	
Governmental funds report capital as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays of \$1,755,530 exceeded depreciation expense of \$536,503 and deletions of \$41,313 in the current period.	1,177,714
The proceeds of debt issuances provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which repayments of \$269,790 exceeded debt proceeds of \$98,500. Also see Note 3 for additional detail.	171,290
Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in governmental funds. These include the net increase in compensated absences.	(27,725)
These also include the net increase in OPEB Obligation.	<u>(176,029)</u>
Changes in net assets of governmental activities	<u>\$ 680,672</u>



CITY of CAMDEN, SOUTH CAROLINA

STATEMENT of NET ASSETS - PROPRIETARY FUND  
June 30, 2011

ASSETS	
CURRENT ASSETS	
Cash	\$ 2,867,903
Investments	2,245,066
Water and Lights Accounts Receivable, Net	2,037,636
Miscellaneous Receivables	18,053
Inventories	1,089,824
Total Current Assets	<u>8,258,482</u>
NON-CURRENT ASSETS	
RESTRICTED ASSETS	
Investments - Customer Deposits	642,236
Investments - Reserve Bond Funds	1,846,288
Investments - Reserve Bond Investment	1,108,431
Total Restricted Assets	<u>3,596,955</u>
CAPITAL ASSETS	
Construction in Process	2,923,087
Buildings and Land	492,444
Furniture, Fixtures and Equipment	2,368,019
Electric System	30,887,076
Water System	28,048,392
Sewer and Wastewater System	21,684,805
Sub-Total	<u>86,403,823</u>
Less Accumulated Depreciation	<u>(32,433,254)</u>
Total Capital Assets	<u>53,970,569</u>
OTHER ASSETS	
Deferred Charges	467,066
Total Other Assets	<u>467,066</u>
Total Non-Current Assets	<u>58,034,590</u>
TOTAL ASSETS	<u>\$ 66,293,072</u>
LIABILITIES	
CURRENT LIABILITIES	
Accounts Payable	\$ 2,118,882
Other Current Liabilities	58,216
Lease Obligations Payable, Current	145,562
Bonds Payable, Current	1,615,283
Total Current Liabilities	<u>3,937,943</u>
NON-CURRENT LIABILITIES	
Accrued Vacation Pay	82,473
OPEB Obligation	273,336
Payable from Restricted Assets	
Customer Deposits	574,215
Accrued Interest Payable	324,475
Bonds Payable, Non-Current	22,662,046
Unamortized Bond Discount/Premium	361,807
Deferred Amount on Refunding	<u>(1,341,270)</u>
Bonds Payable, Net of Unamortized Discount/Premium and Deferred Amount on Refunding	<u>21,682,583</u>
Total Non-Current Liabilities	<u>22,937,082</u>
Total Liabilities	<u>26,875,025</u>
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	30,994,207
Restricted for Debt Service	1,108,431
Restricted for Capital Projects	1,846,288
Unrestricted	5,469,121
Total Net Assets	<u>39,418,047</u>
TOTAL LIABILITIES and NET ASSETS	<u>\$ 66,293,072</u>

The Accompanying Notes are an Integral Part of These Financial Statements

CITY of CAMDEN, SOUTH CAROLINA

STATEMENT of REVENUES, EXPENSES and CHANGES in NET ASSETS -  
 PROPRIETARY FUND

For the Year Ended June 30, 2011

OPERATING REVENUES

Charges for Services:

Electric Charges	\$ 20,528,030
Water Charges	3,920,040
Sewer Charges	1,764,188
Total Operating Revenues	<u>26,212,258</u>

OPERATING EXPENSES

Personnel Services	2,602,020
Maintenance, Operations, and Contractual Services	15,245,360
Materials and Supplies	215,178
Depreciation	2,327,443
Total Operating Expenses	<u>20,390,001</u>
Operating Income	<u>5,822,257</u>

NON-OPERATING REVENUE (EXPENSE)

Interest Income	18,449
Interest Expense	(1,015,255)
Other Revenue (Expenses)	547,559
Total Non-Operating Revenue (Expense)	<u>(449,247)</u>

Income (Loss) before Transfers Contributions and Transfers	5,373,010
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OPERATING TRANSFERS

Capital Contributions	210,219
Transfers to Other Funds	(2,066,000)
Change in Net Assets	<u>3,517,229</u>

NET ASSETS, Beginning of Year	<u>35,900,818</u>
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NET ASSETS, End of Year	<u><u>\$ 39,418,047</u></u>
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CITY of CAMDEN, SOUTH CAROLINA

STATEMENT of CASH FLOWS - PROPRIETARY FUND  
For the Year Ended June 30, 2011

CASH FLOWS from OPERATING ACTIVITIES:	
Cash Received from Customers	\$ 26,397,281
Cash Payments to Suppliers for Goods and Services	(14,720,913)
Cash Payments to Employees for Services	(2,676,788)
Net Cash Provided by Operating Activities	<u>8,999,580</u>
CASH FLOWS from NON-CAPITAL FINANCING ACTIVITIES:	
Other Non-Operating Revenue	547,559
Reclassification of Restricted Cash	550,608
Operating Transfers Out	(2,066,000)
Net Cash Used in Non-capital Financing Activities	<u>(967,833)</u>
CASH FLOWS from CAPITAL and RELATED FINANCING ACTIVITIES:	
Purchase of Assets	(3,919,033)
Principal Paid on Revenue Bond Maturities	(1,532,210)
Principal Paid on Lease Obligations	(140,792)
Interest Paid on Debt Service	(1,015,255)
Capital Contributions	210,219
Net Cash Used in Capital and Related Financing Activities	<u>(6,397,071)</u>
CASH FLOWS from INVESTING ACTIVITIES:	
Interest and Dividends on Investments	18,449
Net Cash Provided by Investing Activities	<u>18,449</u>
Net Increase in Cash and Cash Equivalents	1,653,125
Cash and Cash Equivalents at Beginning of Year	1,214,778
Cash and Cash Equivalents at End of Year	<u>\$ 2,867,903</u>
RECONCILIATION of OPERATING INCOME to NET CASH PROVIDED by OPERATING ACTIVITIES:	
Operating Income	\$ 5,822,257
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Amortization	107,038
Depreciation	2,327,443
Bad Debt Expense	75,253
Changes in Assets and Liabilities:	
Accounts Receivable	112,532
Miscellaneous Accounts Receivable	41,035
Inventory	(34,941)
Accounts Payable	460,612
Interest Payable	(18,872)
Other Liabilities	63,661
Customer Deposits	31,456
Accrued Vacation Payable	12,106
Net Cash Provided by Operating Activities	<u>\$ 8,999,580</u>

The Accompanying Notes are an Integral Part of These Financial Statements

CITY of CAMDEN, SOUTH CAROLINA

NOTES to FINANCIAL STATEMENTS

June 30, 2011

NOTE 1 SUMMARY of SIGNIFICANT ACCOUNTING POLICIES

The City of Camden, South Carolina (the "City") operates under the council-city manager form of government and provides the following services: public safety (police, fire and code enforcement), utilities (water, sewer and electric), sanitation, maintenance, culture-recreation, public improvements and general administrative services.

The City's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. Although the City has the option to apply FASB pronouncements issued after that date to its business-type activities, the City has chosen not to do so. The more significant accounting policies established in GAAP and used by the City are discussed below.

A. Principles Determining Scope of Reporting Entity

The financial statements of the City consist only of the funds of the City. The City has no oversight responsibility for any other governmental entity since no other entities are considered to be controlled by or dependent on the City. Control or dependence is determined on the basis of budget adoption, taxing authority, funding and appointment of the respective governing board.

B. Basic Financial Statements - Government-Wide Statements

The City's basic financial statements include both government-wide (reporting the City as a whole) and fund financial statements (reporting the City's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. The City's public safety, sanitation, maintenance, culture-recreation, public improvements and general administrative services are classified as governmental activities. The City's utility services are classified as business-type activities.

In the government-wide Statement of Net Assets, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, (b) and are 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 three parts—invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The City first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the City's functions and business-type activities. The functions are also supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function or a business-type activity. Operating grants include operating-specific and discretionary grants while the capital grants column reflects capital-specific grants.

The net costs (by function or business-type activity) are normally covered by general revenue (property, sales taxes, intergovernmental revenues, interest income, etc.).

The City does not allocate indirect costs.

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.

NOTE 1 SUMMARY of SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basic Financial Statements - Fund Financial Statements

The financial transactions of the City are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The following fund types are used by the City:

1. Governmental Funds:

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the City.

- a. 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.
- b. Special revenue funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes.
- c. Capital project funds are used to account for the construction, rehabilitation, and acquisition of capital assets, such as buildings, equipment, and roads.

2. Proprietary Funds

The focus of proprietary fund measurement is upon determination of operating income, changes in net assets, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The following is a description of the proprietary funds of the City:

- a. Enterprise funds are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity (a) is financed with debt that is solely secured by a pledge of the net revenues, (b) has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges or (c) establishes fees and charges based on a pricing policy designed to recover similar costs.

D. Basis of Accounting

The government-wide statement reports using the economic resources measurement focus and the accrual basis of accounting generally including the reclassification or elimination of internal activity (between or within funds). Proprietary fund financial statements also report using this same focus and basis of accounting although internal activity is not eliminated in these statements. Revenues are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax revenues are recognized in the year for which they are levied while grants are recognized when grantor eligibility requirements are met.

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The City considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported as expenditures in the year due.

## NOTE 1 SUMMARY of SIGNIFICANT ACCOUNTING POLICIES

### D. Basis of Accounting (Continued)

Major revenue sources susceptible to accrual include: sales and use taxes, motel taxes, property taxes, franchise taxes (fees), intergovernmental revenues, and investment income. In general, other revenues are recognized when cash is received.

Operating income reported in proprietary fund financial statements include revenues and expenses related to the primary, continuing operations of the fund. Principal operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

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

### E. Budgets and Budgetary Accounting

The annual budget for the general fund and capital project fund is prepared in accordance with the basis of accounting utilized by that fund. The budget for the Enterprise Fund is adopted under a basis consistent with GAAP, except that depreciation, certain capital expenses, nonoperating income and certain nonoperating expense items are not considered.

The City follows these procedures in establishing budgetary data reflected in the financial statements:

1. The City Manager submits a proposed operating budget for the fiscal year to the City Council. The operating budget includes proposed expenditures and the means of financing them.
2. Prior to July 1, the budget is legally enacted through passage of an ordinance.
3. The City Manager is authorized to transfer budgeted amounts within and between departments as necessary to achieve the goals of the budget. Any revisions that alter the total expenditures of any fund must be approved by the City Council.
4. Budgeted amounts reflected in the accompanying financial statements are as amended by Council.

### E.(i) Budget - Special Revenue

The City has not presented budget information for the combined special funds, since budgetary control is maintained on an individual grant basis. Since grant periods may differ from the City's fiscal year, a comparison of budgetary information for the total special revenue fund would not be meaningful and has not been presented in the accompanying financial statements.

### F. Deposits and Investments

The City considers highly liquid investments (including restricted assets) with an original maturity of three months or less when purchased to be cash equivalents.

NOTE 1 SUMMARY of SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Deposits and Investments (Continued)

Investment Credit Risk - The City has no investment policy that limits its investment choices other than the limitation of state law. The State of South Carolina General Statutes permit the City to invest in the following types of instruments:

1. Obligations of the United States, and its agencies, the principal and interest of which is fully guaranteed by the United States.
2. Obligations issued by the Federal Financing Bank, Federal Farm Credit Bank, the Bank of Cooperatives, the Federal Intermediate Credit Bank, the Federal Land Banks, the Federal Home Loan Banks, the Federal Home Loan Mortgage Corporation, the Federal National Mortgage Association, the Government National Mortgage Association, the Federal Housing Administration, and the Farmers Home Administration, if, at the time of investment, the obligor has a long-term unenhanced, unsecured debt rating in one of the top two ratings categories, without regard to the refinement or graduation of rating category by numerical modifier or otherwise, issued by at least two nationally recognized credit rating organizations.
3. (i) General obligations of the State of South Carolina or any of its political units; or (ii) revenue obligations of the State of South Carolina or its political units, if at the time of investment, the obligor has a long-term, unenhanced, unsecured debt rating in one of the top two ratings categories, without regard to a refinement or graduation of rating category by numerical modifier or otherwise, issued by at least two nationally recognized credit rating organizations.
4. Savings and Loan Associations to the extent that the same are insured by an agency of the federal government.
5. Certificates of deposit where the certificates are collaterally secured by securities of the type described in (1) and (2) above held by a third party as escrow agent or custodian, of a market value not less than the amount of the certificate of deposit so secured, including interest; provided, however, such collateral shall not be required to the extent the same are insured by an agency of the federal government.
6. Repurchase agreements when collateralized by securities as set forth in this section.
7. No load open-end or closed-end management type investment companies or investment trusts registered under the Investment Company Act of 1940, as amended, where the investment is made by a bank or trust company or savings and loan association or other financial institution when acting as trustee or agent for a bond or other debt issue of that local government unit, political subdivision, or county treasurer if the particular portfolio of the investment company or investment trust in which the investment is made (i) is limited to obligations described in items (1), (2), (3), and (6) of this subsection, and (ii) has among its objectives the attempt to maintain a constant net asset value of one dollar a share and to that end, value its assets by the amortized cost method.

Deposits are shown at carrying value at June 30, 2011 as follows:

<u>Description</u>	<u>Category</u>			<u>Bank Balance</u>	<u>Total Carrying Amount</u>
	<u>1</u>	<u>2</u>	<u>3</u>		
Checking Accounts	\$ 347,365	\$ 4,919,783	\$ -	\$ 5,267,148	\$ 4,628,695
Savings Accounts	52,596	-	-	52,596	53,245
Certificates of Deposit	397,872	2,216,380	-	2,614,252	2,614,253
	<u>\$ 797,833</u>	<u>\$ 7,136,163</u>	<u>\$ -0-</u>	<u>\$ 7,933,996</u>	<u>\$ 7,296,193</u>

Custodial Risk-Deposits - Deposits in financial institutions, reported as components of cash, cash equivalents and investments, had a bank balance of \$7,933,996 at June 30, 2011, that was fully insured by depository insurance or secured with collateral held by the City's agent in its name.

NOTE 1 SUMMARY of SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Deposits and Investments (Continued)

The City's deposits are categorized to indicate the level of risk assumed by the City at year end. Category 1 includes deposits that are insured or collateralized with securities held by the government or its agent in the government's name. Category 2 includes deposits that are collateralized with securities held by pledging financial institution's trust department or agent in the government's name. Category 3 includes uncollateralized deposits or deposits collateralized with securities held by the pledging financial institution or its trust department or agent but not in the City's name.

Investments are carried at fair value at June 30, 2011 as follows:

	Category			Fair Value
	1	2	3	
U.S. Government Securities	\$ -	\$ 1,108,430	\$ -	\$ 1,108,430
	\$ -0-	\$ 1,108,430	\$ -0-	
S.C. Local Government Investment Pool (Fair value substantially equivalent to the value of the pool shares)				6,621,687
Total				\$ 7,730,117

The City's investments are categorized to indicate the level of risk assumed by the City at June 30, 2011. Category 1 includes investments that are insured or registered for which the securities are held by the City or its agent in the City's name. Category 2 includes investments that are uninsured and unregistered, with the securities held by the counterparty's trust department or agent in the City's name. Category 3 includes investments that are uninsured and unregistered with securities held by the counterparty or by its trust department or agent but not in the City's name. The South Carolina Local Government Investment Pool is run by the State Treasurer's Office and can invest only in the same type of instruments allowed by the City.

The City entered into an agreement with a third party financial institution (third party) whereby the City's trustee for its utility revenue bonds (bonds) is required to transfer the City's monthly debt service payments on the bonds to the third party for investment and the third party for its own benefit. Simultaneous to the transfer of the debt service payments, and as security for bondholders, the third party is required to deposit with the trustee an equivalent amount of direct, full faith and credit non-callable obligations of the United States of America or other securities which the trustee is permitted to invest in by the relevant bond ordinances.

A reconciliation of cash, cash equivalents and investments as shown in the combined balance sheet for the primary government follows:

Petty Cash	\$ 1,450
Carrying Amount of Deposits	7,296,193
Carrying Amount of Investments	7,730,117
Total	\$ 15,027,760
Cash and Cash Equivalents	\$ 4,560,641
Cash and Cash Equivalents - Local Option Sales Tax	122,748
Investments	6,747,416
Investment - Restricted for Capital Project	1,846,288
Investment - Restricted for Debt Service and Customer Deposits	1,750,667
Total	\$ 15,027,760



NOTE 1 SUMMARY of SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Inventories and Prepaids

Inventories in governmental funds consist of expendable supplies held for consumption stated on a first-in, first-out basis. They are reported at cost which is recorded as an expenditure at the time individual inventory items are used. Proprietary fund inventories are recorded at cost on a first-in, first-out basis.

Prepaids record payments to vendors that benefit future reporting periods and are also reported on the consumption basis. Both inventories and prepaids are similarly reported in government-wide and fund financial statements.

H. Allowance for Uncollectible Accounts

Allowance for uncollectible accounts receivable in the proprietary fund at June 30, 2011 is \$266,737.

I. Capital Assets, Depreciation, and Amortization

Capital assets purchased or acquired with an original cost of \$5,000 or more are stated at historical cost or estimated historical cost. Donated capital assets are stated at their fair value on the date donated. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings and Grounds	5 - 40
Improvements	2 - 40
Mobile Equipment	3 - 20
Furniture, Fixtures and Equipment	3 - 20

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

	Primary Government				Ending Balance
	Beginning Balance	Increases	Decreases	Transfers	
GOVERNMENTAL ACTIVITIES:					
Capital Assets not Being Depreciated:					
Land	\$ 820,268	\$ 363,967	\$ -	\$ -	\$ 1,184,235
Construction in Progress	99,602	37,053	-	-	136,655
Total Capital Assets not Being Depreciated	<u>919,870</u>	<u>401,020</u>	<u>-0-</u>	<u>-0-</u>	<u>1,320,890</u>
Other Capital Assets:					
Buildings and Improvements	9,089,786	822,833	(41,313)	-	9,871,306
Equipment	1,189,808	-	-	-	1,189,808
Automotive Equipment	4,049,777	96,154	(44,300)	-	4,101,631
Streets, Sidewalks, Etc.	4,657,611	435,523	-	-	5,093,134
Total Other Capital Assets at Historical Cost	<u>18,986,982</u>	<u>1,354,510</u>	<u>(85,613)</u>	<u>-</u>	<u>20,255,879</u>
Less Accumulated Depreciation for:					
Buildings and Improvements	(6,422,690)	(108,391)	-	-	(6,531,081)
Equipment	(976,681)	(51,778)	-	-	(1,028,459)
Automotive Equipment	(3,284,467)	(301,383)	44,300	-	(3,541,550)
Streets, Sidewalks, Etc.	(1,456,517)	(74,951)	-	-	(1,531,468)
Total Accumulated Depreciation	<u>(12,140,355)</u>	<u>(536,503)</u>	<u>44,300</u>	<u>-0-</u>	<u>(12,632,558)</u>
Other Capital Assets, Net	<u>6,846,627</u>	<u>818,007</u>	<u>(41,313)</u>	<u>-</u>	<u>7,623,321</u>
Governmental Activities Capital Assets, Net	<u>\$ 7,766,497</u>	<u>\$ 1,219,026</u>	<u>\$ (41,313)</u>	<u>\$ -0-</u>	<u>\$ 8,944,211</u>

NOTE 1 SUMMARY of SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Capital Assets, Depreciation, and Amortization (Continued)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balance</u>
<b>BUSINESS-TYPE ACTIVITIES:</b>					
Capital Assets not Being Depreciated:					
Land and Improvements	\$ 181,845	\$ 9,510	\$ -	\$ -	\$ 191,355
Construction in Progress	<u>820,408</u>	<u>2,102,679</u>	<u>-</u>	<u>-</u>	<u>2,923,087</u>
Total Capital Assets not Being Depreciated	<u>1,002,253</u>	<u>2,112,189</u>	<u>-0-</u>	<u>-0-</u>	<u>3,114,442</u>
Other Capital Assets:					
Electric System	28,548,772	1,418,780	-	-	29,967,552
Water System	27,692,249	60,989	-	-	27,753,238
Sewer System	17,358,795	-	-	-	17,358,795
Electric Instruments	919,525	-	-	-	919,525
Water Instruments	295,154	-	-	-	295,154
Sewer Instruments	214,039	-	-	-	214,039
Automotive Equipment	2,131,681	232,390	(48,656)	-	2,315,415
Office Machines	41,110	11,494	-	-	52,604
Buildings	290,520	10,569	-	-	301,089
Wastewater Treatment Plant	<u>4,039,350</u>	<u>72,620</u>	<u>-</u>	<u>-</u>	<u>4,111,970</u>
Total Other Capital Assets at Historical Cost	<u>81,531,195</u>	<u>1,806,842</u>	<u>(48,656)</u>	<u>-0-</u>	<u>83,289,381</u>
Less Accumulated Depreciation	<u>(30,154,467)</u>	<u>(2,327,443)</u>	<u>48,656</u>	<u>-</u>	<u>(32,433,254)</u>
Other Capital Assets, Net	<u>51,376,728</u>	<u>(520,601)</u>	<u>-</u>	<u>-</u>	<u>50,856,127</u>
Business-Type Activities Capital Assets, Net	<u>\$ 52,378,981</u>	<u>\$ 1,591,588</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 53,970,569</u>

Depreciation expense was charged to functions as follows:

GOVERNMENT ACTIVITIES:

General Government	\$ 61,941
Public Safety	292,336
Highways and Streets	80,306
Sanitation	22,013
Culture and Recreation	<u>79,907</u>
Total Governmental Activities Depreciation Expense	<u>\$ 536,503</u>

BUSINESS-TYPE ACTIVITIES:

Electric Department	\$ 928,197
Water Department	786,901
Sewer Department	<u>612,345</u>
Total Business-Type Activities Depreciation Expense	<u>\$2,327,443</u>

Insurance recoveries for the year ended June 30, 2011, amounted to \$22,735 for the general fund and \$9,680 for the proprietary fund. The recoveries are classified as "Other Income" in the financial statements.

NOTE 1 SUMMARY of SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Long-Term Debt, Deferred Debt Expense and Bond Discount/Premiums

In the government-wide and proprietary financial statements, outstanding debt is reported as liabilities. Bond issuance costs, bond discounts or premiums, and the difference between the reacquisition price and the net carrying value of refunded debt are capitalized and amortized over the terms of the respective bonds using a method that approximates the effective interest method.

The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Issuance costs are reported as expenditures.

Amortization for the year ended June 30, 2011 was \$107,038 in the proprietary fund.

K. Components of Restricted Assets

General Fund

Restricted Assets at June 30, 2011, were as follows:

Cash	Local Option Sales Tax <u>\$ 122,748</u>
------	--

Proprietary Fund

Restricted Assets at June 30, 2011 were as follows:

	Capital Project Bond Proceeds	Revenue Bond Sinking and Reserve Fund	Customer Deposits	Total
Cash and Certificates of Deposit	\$ -	\$ -	\$ 642,236	\$ 642,236
U.S. Government Securities	-	1,108,431	-	1,108,431
S.C. Local Government	1,846,288	-	-	1,846,288
Total	<u>\$ 1,846,288</u>	<u>\$ 1,108,431</u>	<u>\$ 642,236</u>	<u>\$ 3,596,955</u>

The ordinance authorizing the Electric, Water and Sewer System revenue bonds requires that the City establish a sinking fund (Revenue Bond Sinking Fund) in an amount not less than the maximum annual requirement for the payment of principal and interest on all the revenue bonds. At June 30, 2011, the sinking fund balance is being funded to satisfy such bond ordinance requirements.

L. Fund Equity

During the current fiscal year, the City implemented GASB Statement 54 "Fund Balance Reporting and Governmental Fund Type Definitions". This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on government's fund balance more transparent. The following classification describes the relative strength of the spending constraints placed on the purpose for which resources can be used:

- Nonspendable fund balance—amounts that are not in a spendable form (such as inventory and prepaid) or are required to be maintained intact;
- Restricted fund balance—amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provision or by enabling legislation.

NOTE 1 SUMMARY of SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Fund Equity(Continued)

- Committed fund balance—amounts constrained to specific purpose by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes same highest level action to remove or change the constraint;
- Assigned fund balance—amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority;
- Unassigned fund balance—amounts that are available for any purpose; positive amounts are reported only in the general fund.

Committed Fund Balance

City Council increased its tax millage specifically for road paving. The balance unspent at June 30, 2011, was \$356,593. City Council increased its tax millage specifically for capital. The balance unspent at June 30, 2011, was \$287,480. City Council passed a 2% hospitality tax effective December 1, 2009. The fund balance at June 30, 2011 was a deficit of \$(49,354). City Council passed an ordinance restricting \$300,164 of proceeds from the sale of its Watershed property. This money cannot be spent without an ordinance authorizing it by City Council.

Net Assets - Proprietary Fund

City Council has passed an ordinance restricting the amount that can be transferred to other funds to twenty percent (20%) of capital assets, net of related debt.

Capital Assets, Net of Related Debt at June 30, 2010	<u>\$ 27,836,658</u>
Maximum Amount that can be Transferred during the Year Ended June 30, 2011	<u>\$ 5,567,332</u>
Amount Transferred during the Year Ended June 30, 2011	<u>\$ 2,066,000</u>

M. Revenue Recognition - Property Taxes

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on October 1 and are due and payable on or before January 15 of the following year. All unpaid taxes become delinquent January 15 of the following year. City property tax revenues are recognized when levied. An allowance is established for delinquent taxes to the extent that their collectibility is improbable.

Penalty Dates and Amounts

January 15, 15%

March 15, 5% execution cost of all unpaid taxes and Penalties.

September 1, 5% additional costs to amount of delinquent taxes, penalties and costs then due.

Property tax revenues are recognized when they become available. Available includes those property tax receivables expected to be collected within sixty days after year end.

NOTE 1 SUMMARY of SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. Retirement Plan

Plan Description

The City is a member of the South Carolina Retirement System (SCRS) and the South Carolina Police Officers Retirement System (PORS), two of the defined benefit retirement systems maintained by the Retirement Division of the State Budget and Control Board of South Carolina. The system publishes its own component unit financial statement report. The plans are cost-sharing multiple-employer defined benefit pension plans.

The system provides retirement, death, and disability benefits to State employees, public school employees, and employees of counties, municipalities, and certain other State political subdivisions. Each system is independent. Assets may not be transferred from one system to another or used for any purpose other than to benefit each system's participants.

A comprehensive annual financial report (CAFR) containing financial statements and required supplementary information for the South Carolina Retirement System and the South Carolina Police Officers Retirement System (PORS) is issued and publicly available by visiting [www.retirement.sc.gov](http://www.retirement.sc.gov) or by writing the South Carolina Retirement Systems, P.O. Box 11960, Columbia, SC 29211-1960.

Funding and Benefit Policies

Furthermore, the Division and the pension plans are included in the CAFR of the State of South Carolina. Under the SCRS, employees are eligible for a full service retirement annuity upon reaching age 65 or completion of 28 years credited service regardless of age. The benefit formula for full benefits effective since July 1, 1989, for the SCRS is 1.82 percent of an employee's average final compensation multiplied by the number of years of credited service.

Under the PORS, employees are eligible for a full service retirement annuity upon reaching age 55 or completion of 25 years credited service regardless of age. The benefit formula for full benefits for the PORS is 2.14 percent of an employee's average final compensation multiplied by the number of years of credited service.

Early retirement options with reduced benefits are available in the SCRS as early as age 55. There is not an early retirement option in the PORS. Employees are vested for a deferred annuity after five years service. Disability annuity benefits are payable to employees totally and permanently disabled provided they have a minimum of five years credited service (this requirement does not apply if the disability is the result of a job related injury). A group-life insurance benefit equal to an employee's annual rate of compensation is payable upon the death of an active employee with a minimum of one year of credited service.

Effective January 1, 2001, Section 9-1-2210 of the South Carolina Code of Laws allows SCRS employees eligible for service retirement to participate in the Teacher and Employee Retention Incentive (TERI) Program. TERI participants may retire and begin accumulating retirement benefits on a deferred basis without terminating employment for up to five years. Upon termination of employment or at the end of the TERI period, whichever is earlier, participants will begin receiving monthly service retirement benefits that will include any cost of living adjustments granted during the TERI period.

Member contributions cease for participants who entered TERI prior to July 1, 2005. Participants who enter TERI on or after July 1, 2005 must continue to make member contributions. Employer contributions continue during TERI participation for all participants.

NOTE 1 SUMMARY of SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. Retirement Plan (Continued)

Article X, Section 16 of the South Carolina Constitution requires that all State-operated retirement systems be funded on a sound actuarial basis. Title 9 of the South Carolina Code of Laws of 1976, as amended, prescribes requirements relating to membership, benefit and employee/employer contributions for each retirement system. Employee and employer contribution rates to SCRS and PORS are actuarially determined. The surcharges to fund retiree health and dental insurance are not part of the actuarially established rates. Annual benefits, payable monthly for life, are based on length of service and on average final compensation (an annualized average of the employee's highest 12 consecutive quarters of compensation).

The Systems do not make separate measurements of assets and pension benefit obligations for individual employers. Under Title 9 of the South Carolina Code of Laws, the City's liability under the plans is limited to the amount of contributions (stated as a percentage of covered payroll) established by the State Budget and Control Board. Therefore, the City's liability under the pension plans is limited to the amounts required to be contributed as a percentage of eligible compensation. Accordingly, the City recognizes no contingent liability for unfunded costs associated with participation in the plans.

Funding Status and Progress

The pension benefit obligation is a standardized disclosure measure of the present value of pension benefits (adjusted for the effects of projected salary increases and step-rate benefits) estimated to be payable in the future as a result of employee service to date. The State discloses this measure to help users of these financial statements to (1) assess the systems' funding status on a going-concern basis, and (2) assess ability to pay actuarial present value of credited projected benefits. This method is independent of the funding methods the State's consulting actuary uses to determine contributions to the system.

The South Carolina Retirement System (SCRS) and Police Officers Retirement System (PORS) do not separately measure assets and pension benefit obligations for individual employers. The total unfunded accrued liability obligation at July 1, 2010 is:

	<u>SCRS</u>	<u>PORS</u>
Unfunded accrued liability obligation (in millions)	<u>\$ 13,374</u>	<u>\$ 1,238</u>

Contributions Required and Contributions Made

The State's consulting actuary determines employer contributions for all systems. The systems use the projected benefit method with entry age, normal cost, and benefits and allocates pension cost to each year as a level percentage of salary. In determining funding requirements, the actuary uses the same actuarial assumptions as those used to calculate the pension benefit obligation, with the following assumptions: (1) post-retirement benefit increases were projected for retired members and members eligible to retire, and (2) net assets attributable to group life insurance were excluded. At July 1, 2010, the unfunded liability liquidation period in years for SCRS and PORS was 30 years.

Both employees and employers are required to contribute to the Plan at rates established under the authority of Title 9 Code of Laws.

NOTE 1 SUMMARY of SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. Retirement Plan (Continued)

The following provides a summary of the City of Camden, South Carolina's retirement plan contributions at June 30 (includes .15% group life insurance):

<u>Year Ended June 30,</u>	<u>Covered Salaries</u>	<u>South Carolina Retirement System</u>		
		<u>Employee Contributions</u>	<u>Employer Contributions</u>	<u>Total Contributions</u>
2011	\$ 3,795,484	\$ 246,707	\$ 356,396	\$ 603,103
2010	3,709,184	241,097	348,292	589,389
2009	3,696,221	240,254	347,075	587,329

<u>Year Ended June 30,</u>	<u>Contribution Rate</u>		
	<u>Employee</u>	<u>Employer</u>	<u>Total</u>
2011	6.50%	9.39%	15.89%
2010	6.50%	9.39%	15.89%
2009	6.50%	9.39%	15.89%

<u>Year Ended June 30,</u>	<u>Covered Salaries</u>	<u>Police Officers Retirement System</u>		
		<u>Employee Contributions</u>	<u>Employer Contributions</u>	<u>Total Contributions</u>
2011	\$ 2,012,829	\$ 130,834	\$ 232,079	\$ 362,913
2010	1,977,553	128,542	218,520	347,062
2009	1,936,113	125,847	210,068	335,915

<u>Year Ended June 30,</u>	<u>Contribution Rate</u>		
	<u>Employee</u>	<u>Employer</u>	<u>Total</u>
2011	6.50%	11.33%	17.83%
2010	6.50%	11.33%	17.83%
2009	6.50%	11.33%	17.83%

O. Compensated Absences

All full-time, permanent employees of the City shall be entitled to two (2) weeks annual leave per year. All employees who have been in the employment of the City for ten (10) years or more shall be entitled to three (3) weeks annual leave per year. Two (2) weeks leave is considered twice the number of hours and three (3) weeks leave thrice the number of hours an employee is normally required to work per week. The maximum amount that may be accrued is 360 hours for regular employees, 396 hours for police officers and 477 hours for firemen hired before May 12, 1993. The maximum for employees hired after May 12, 1993 is 120 hours, 132 hours and 159 hours. Each employee earns 80, 88 and 106 hours, respectively, of sick leave per year. The maximum amount of sick leave an employee may accumulate is 720 hours, 792 hours and 954 hours respectively for 40 hours 44 hours and 53 hours per week employees hired after May 12, 1993, and for those employees who have waived the right to payment of one-half of their sick leave balances at retirement or upon death. Employees are not paid for the accumulated sick leave upon retirement or other termination. The City accrues a liability for compensated absences which meet the following criteria:

1. The City's obligation relating to employees' rights to receive compensation for future absences is attributable to employees' services already rendered.
2. The obligation related to rights that vest or accumulate.
3. Payment of the compensation is probable.
4. The amount can be reasonably estimated.

NOTE 1 SUMMARY of SIGNIFICANT ACCOUNTING POLICIES (Continued)

O. Compensated Absences (Continued)

As of June 30, 2011, the liability for accrued vacation is \$266,335. The amount applicable to the Propriety Fund is \$82,473 and the amount applicable to the general fund is \$183,862. Compensated absences are reported as accrued in the government-wide and proprietary financial statements. Governmental funds report only matured compensated absences payable to currently terminating employees and are included in wages and benefits payable.

P. Statement of Cash Flows

For the purposes of the statement of cash flows, the Enterprise Fund considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Q. Accounting Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires the City's management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

R. Grants

In the normal course of operations, the City receives grant funds from various federal and state agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement which may arise as the result of these audits is not believed to be material.

NOTE 2 CHANGES in LONG-TERM DEBT-PROPRIETARY FUND <sup>(1)</sup>

Long-term liability activity for the year ended June 30, 2011 was as follows:

	Payable 6/30/10	Issued	Retired	Balance 6/30/11	Due Within One Year
Combined Public Utility Revenue Bonds of 2002	\$ 2,995,000	\$ -	\$ 190,000	\$ 2,805,000	\$ 200,000
Combined Public Utility Revenue Bonds of 2004	18,285,000	-	985,000	17,300,000	1,040,000
Lease Obligation Payable - Water Meters	286,354	-	140,792	145,562	145,562
Combined Public Utility Revenue Bond 2007	1,054,539	-	115,429	939,110	119,769
Combined Public Utility System Refunding Revenue Bond Series 2010A	475,000	-	150,000	325,000	160,000
Combined Public Utility System Improvement Revenue Bond Series 2010	<u>3,000,000</u>	<u>-</u>	<u>91,781</u>	<u>2,908,219</u>	<u>95,514</u>
Total Revenue and Lease Obligations Payable (1)	<u>26,095,893</u>	<u>-</u>	<u>1,673,002</u>	<u>24,422,891</u>	<u>1,760,845</u>
Compensated Absences	<u>70,367</u>	<u>12,106</u>	<u>-</u>	<u>82,473</u>	<u>-</u>
Total Proprietary Fund Long-Term Debt	<u>\$ 26,166,260</u>	<u>\$ 12,106</u>	<u>\$ 1,673,002</u>	<u>\$ 24,505,364</u>	<u>\$ 1,760,845</u>

(1) To reconcile amounts in this schedule to the government-wide statement of net assets, note that the balances shown for bonds do not include unamortized premiums/discounts or deferred amounts on refundings.



NOTE 2 CHANGES in LONG-TERM DEBT-PROPRIETARY FUND <sup>(1)</sup> (Continued)

Long-Term Debt at June 30, 2011 consisted of the following:

Refunding Revenue Bond, Series 2010A dated February 26, 2010, payable \$150,000 to \$165,000 each March 1, 2011 through 2013. Interest at 1.82%, payable each March 1 and September 1.	\$ 325,000
Improvement Revenue Bonds, Series 2010 dated February 3, 2010, payable in annual installments of \$240,052 through 2030 Interest at 4.97%.	2,908,219
Revenue Bond, Series 2007 dated November 20, 2007, payable in annual installments of \$155,000 each, November 20, 2008 through November 20, 2017. Interest at 3.76%.	939,110
Revenue Bond, Series 2002 dated January 30, 2002, payable \$140,000 to \$320,000 each March 1, 2003 through 2022. Interest at 3.5% to 5.125% payable March 1.	2,805,000
Revenue Bond, Series 2004 dated December 8, 2004, payable \$320,000 to \$1,715,000 each March 1, 2006 through 2024. Interest at 3.0% to 4.38% payable March and September 1.	17,300,000
Lease Obligation for Water Meters payable August 30 annually at 3.39% interest.	<u>145,562</u>
Total	<u>\$ 24,422,891</u>

The annual requirements to amortize all bonds outstanding as of June 30, 2011 follows:

COMBINED PUBLIC UTILITY SYSTEM IMPROVEMENT REVENUE BONDS

Year Ending	Series 2010A		Series 2002		Series 2004	
	Principal	Interest	Principal	Interest	Principal	Interest
2012	\$ 160,000	\$ 5,914	\$ 200,000	\$ 138,965	\$ 1,040,000	\$ 792,081
2013	165,000	3,002	210,000	129,790	1,075,000	755,681
2014	-	-	220,000	120,100	1,110,000	718,056
2015	-	-	230,000	109,650	1,130,000	662,556
2016-2020	-	-	1,320,000	367,295	6,505,000	2,475,730
2021-2025	-	-	625,000	48,431	6,440,000	742,999
2026-2030	-	-	-	-	-	-
Totals	<u>\$ 325,000</u>	<u>\$ 8,916</u>	<u>\$ 2,805,000</u>	<u>\$ 914,231</u>	<u>\$ 17,300,000</u>	<u>\$ 6,147,103</u>

Year Ending	Series 2007		2010 Improvement		Water	
	Principal	Interest	Principal	Interest	Principal	Interest
2012	\$ 119,769	\$ 35,311	\$ 95,514	\$ 144,538	\$ 145,562	\$ 4,932
2013	124,273	30,807	100,261	139,791	-	-
2014	128,945	26,134	105,244	134,808	-	-
2015	133,794	21,286	110,475	129,578	-	-
2016-2020	432,329	32,912	640,398	559,865	-	-
2021-2025	-	-	816,162	384,101	-	-
2026-2030	-	-	1,040,165	160,100	-	-
Totals	<u>\$ 939,110</u>	<u>\$ 146,450</u>	<u>\$ 2,908,219</u>	<u>\$ 1,652,781</u>	<u>\$ 145,562</u>	<u>\$ 4,932</u>

Year Ending	Total	
	Principal	Interest
2012	\$ 1,760,845	\$ 1,121,741
2013	1,674,534	1,059,071
2014	1,564,189	999,098
2015	1,604,269	923,070
2016-2020	8,897,727	3,435,802
2021-2025	7,881,162	1,175,531
2026-2030	1,040,165	160,100
Totals	<u>\$ 24,422,891</u>	<u>\$ 8,874,413</u>

The City has complied with all significant bond covenants.

A portion of the Series 1997 Bond was advance refunded through the issuance of the Series 2004 Bond. The advance refunding extinguished \$15,100,000 of the 1997 Bond. Because of this advance refunding, the City incurred a loss on retirement of debt of \$1,916,000. The City is amortizing this loss over twenty years.

NOTE 3 CHANGES in GOVERNMENTAL FUND DEBT

A summary of the General Fund Debt at June 30, 2011 is as follows:

Lease Obligation Payable, September 1, Annually at 3.87% Interest	\$ 538,430
Lease Obligation Payable, May 1, Annually at 3.82% Interest	25,893
Lease Obligation Payable, June 1, Annually at 2.99% Interest	64,114
Lease Obligation Payable, May 15, Annually at 2.34% Interest	65,932
Note Payable, Quarterly at 6.50% Interest	<u>66,667</u>
Total Lease and Note Obligations	<u>761,036</u>
Liability for Compensated Absences	<u>183,862</u>
Total Long-Term Debt	<u>\$ 944,898</u>

The following is a summary of the changes in General Fund Debt:

	Payable 6/30/10	Additions	Reductions	Balance 6/30/11	Due Within One Year
Note payable	\$ 100,000	\$ -	\$ 33,333	\$ 66,667	\$ 33,333
Capital Leases	<u>832,326</u>	<u>98,500</u>	<u>236,457</u>	<u>694,369</u>	<u>171,503</u>
Total Lease Obligations	<u>932,326</u>	<u>98,500</u>	<u>269,790</u>	<u>761,036</u>	<u>204,836</u>
Compensated Absences	<u>156,137</u>	<u>27,725</u>	<u>-</u>	<u>183,862</u>	<u>-</u>
Total Governmental Activities Long-Term Debt	<u>\$1,088,463</u>	<u>\$ 126,225</u>	<u>\$ 269,790</u>	<u>\$ 944,898</u>	<u>\$ 204,836</u>

The annual Debt Service Retirements to maturity, including principal and interest are:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>
2012	\$ 204,836	\$ 28,367
2013	183,802	20,531
2014	87,866	14,412
2015	91,266	11,011
2016	94,798	7,479
2017	<u>98,468</u>	<u>3,811</u>
Totals	<u>\$ 761,036</u>	<u>\$ 85,611</u>

NOTE 4 POST-EMPLOYMENT EMPLOYEE BENEFITS

In 2009, the City implemented Governmental Accounting Standards Board (GASB) Statement No, 45, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This standard required the City to recognize post-employment benefits, mainly health insurance, when earned rather than on a pay-as-you go basis. The effect is the recognition of an actuarially required contribution as an expense on the government-wide and proprietary fund statement of activities when a future retiree earns their post-employment benefit, rather than when they use their post-employment benefit. To the extent that an entity does not fund their actuarially required contribution, a post-employment benefit liability is recognized on the governmental-wide and proprietary fund statement of net assets over time.

NOTE 4 POST-EMPLOYMENT EMPLOYEE BENEFITS (Continued)

*Plan Description:* In accordance with the South Carolina Code of Laws and the annual Appropriation Act, the City has autonomy in establishing retiree and post-employment benefits. The City provides certain health insurance benefits to certain active and retired City employees and certain surviving dependents or retirees. The City provides post-retirement healthcare insurance to all employees who retire from the City with fifteen or more years of service regardless of age and who were employed as of May, 1992. The City pays 100% for medical and hospitalization insurance for pre-Medicare retirees and their dependents. As of July 1, 2010, the valuation date, one hundred nine (109) retirees and one hundred twenty-three (123) active members met the eligibility requirement for the plan.

*Funding Policy:* Employer and employee contribution rates are established by the State of South Carolina Employee Insurance Plan. The City currently funds the plan on a pay-as-you go basis. As of July 1, 2010, the valuation date, the City pays 100% of the premium cost.

*Annual OPEB Cost and Net OPEB Obligations:* The City's annual OPEB expense is calculated based on the annual required contribution (ARC) of the employer. The ARC is an amount that is actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liability over a period of thirty years. The following table shows the components of the City's annual OPEB cost for the year ending June 30, 2011, the amount actually contributed to the plan, and the change in the City's net OPEB obligation based on an actuarial valuation as of July 1, 2010.

Annual Required Contribution (ARC)	\$ 737,500
Interest on Net OPEB Obligation	44,700
Adjustment to ARC	<u>(39,600)</u>
Annual OPEB cost	742,600
Contributions Made	<u>503,609</u>
Change in Net OPEB Obligation	<u>238,991</u>
Net OPEB Obligation, Beginning of Year	<u>994,304</u>
Net OPEB Obligation, End of Year	<u>\$ 1,233,295</u>

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

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2009	\$ 1,005,280	50.95%	\$ 493,108
2010	1,004,306	50.09%	994,304
2011	742,600	67.83%	1,233,295

*Funded Status and Funding Progress:* The funding status of the plan as of June 30, 2011, based on an actuarial valuation as of July 1, 2010, was as follows:

Actuarially Accrued Liability (AAL)	\$ 14,631,700
Actuarial Value of Plan Assets	<u>-</u>
Unfunded Actuarial Accrued Liability (UAAL)	<u>\$ 14,631,700</u>
Funded Ratio (Actuarial Value of Plan Assets/AAL)	-0-%
Covered Payroll (Active Plan Members)	\$ 4,335,900
UAAL as a Percentage of Covered Payroll	337%

NOTE 4 POST-EMPLOYMENT EMPLOYEE BENEFITS (Continued)

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

In the July 1, 2010, actuarial valuation, the projected unit credit method was used. The actuarial assumptions included a 4.50% investment rate of return and an annual health care cost trend rate of 8.20% initially, reduced by decrements to an ultimate rate of 4.70% over 80 years. The City's unfunded actuarial accrued liability is being amortized as a level percentage of payroll. The remaining amortization period at July 1, 2010 was twenty eight years.

There are no other post-employment benefits offered by the City other than that is required under the Consolidated Omnibus Budget and Reconciliation Act (COBRA). As required, the City provides health insurance benefits to eligible former employees and eligible dependents based upon requirements outlined by the federal government for this coverage. The premium plus a 2% administration fee is paid in full by the insured on or before the tenth day of the month for the actual month covered. There is no associated cost to the City under this program and there were no participants in the program as of June 30, 2011.

NOTE 5 INTERFUND TRANSACTION

Operating Transfers

During the course of normal operations, the City has numerous transactions between funds including expenditures and transfers of resources primarily to provide services. The governmental and proprietary type funds financial statements generally reflect such transactions as transfers. Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Individual fund operating transfers for fiscal year 2011 were as follows:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
General	\$ 2,066,000	\$ -
Utility Fund	-	2,066,000
Totals	<u>\$ 2,066,000</u>	<u>\$ 2,066,000</u>

#### NOTE 6 CAPITALIZED INTEREST

The City capitalizes net interest costs as part of the cost of constructing various water and sewer projects when material. Interest earned on proceeds of the revenue bonds used for construction are offset against interest costs in determining the amount to be capitalized. Interest costs expensed in the proprietary fund for the year ended June 30, 2011 were \$1,015,255 and \$141,995 was capitalized. The capitalized interest was recorded net of interest income of \$6,277.

#### NOTE 7 COMMITMENTS and CONTINGENCIES

The City is a defendant in various lawsuits and asserted claims. Although the outcome of these lawsuits and asserted claims is not presently determinable, in the opinion of the City's attorney, the resolution of these matters will not have a material adverse effect on the financial condition of the City.

The City receives state and federal grants for specific purposes that are subject to review and audit by state and federal agencies. Such audits could result in a request for reimbursement by the state and federal agencies for expenditures disallowed under the terms and conditions of the appropriate agency. In the opinion of City management, such disallowances, if any, will not be significant.

#### NOTE 8 RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Because of the high cost of worker's compensation insurance purchased from commercial insurers, the City has chosen to participate with other municipalities in the state in the South Carolina Municipal Insurance Trust Fund, a public entity risk pool currently operating as a common risk management and insurance program. The City pays an annual premium to the reserve for its worker's compensation insurance coverage based upon the total payroll of the City for each plan year. The Agreement for Formation of the Reserve Fund provides that it will be self-sustaining through member premiums and any deficiencies can be charged back to the ninety eight members in the event that a fund deficit arises.

The City continues to participate in the South Carolina Municipal Insurance Trust Fund for all other risks of loss.

#### NOTE 9 RELATED PARTY TRANSACTIONS

The City purchased property located on Campbell Street in March, 2011. As a result of this purchase, Graham Realty, Inc. was paid \$18,125 in commission. The mayor, Jeffery Graham, is a realtor with Graham Realty, Inc.

#### NOTE 10 EXCESS of EXPENDITURES over APPROPRIATIONS

The expenditures for the general fund of \$9,153,784 exceeded appropriations of \$8,589,400 by \$564,384 for the year ended June 30, 2011.

#### NOTE 11 NEW GASB STANDARDS

GASB Statement No, 54, "*Fund Balance Reporting and Governmental Fund Type Definitions.*" The objective of this statement is to enhance the usefulness of fund balance information by providing clearer fund balance classification that can be more consistently applied and by clarifying the existing governmental fund type definitions. The categories of fund balance presented in the City's financial statements have changed as a result of implementing this statement.

## NOTE 12 SUBSEQUENT EVENTS

In May 2009, the FASB issued ASC 855-10, *Subsequent Events*. The guidance establishes general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued. The City adopted the provisions of ASC 855-10 during the year ended June 30, 2011, which did not impact its financial statements. The City evaluated all events or transactions that occurred after June 30, 2011, through the date the City issued these financial statements. During this period, the City did not have any material subsequent events that required recognition in the City's disclosures to the June 30, 2011, financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

CITY of CAMDEN, SOUTH CAROLINA  
GENERAL FUND

STATEMENT of REVENUES, EXPENDITURES and CHANGES in  
FUND BALANCE - BUDGET (GAAP BASIS) and ACTUAL  
For the Year Ended June 30, 2011

	Original Budget	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Taxes	\$ 2,325,000	\$ 2,325,000	\$ 2,323,794	\$ (1,206)
Licenses and Permits	1,871,400	1,871,400	1,840,146	(31,254)
Intergovernmental Revenues	349,600	349,600	801,505	451,905
Charge for Services	1,560,000	1,560,000	1,548,635	(11,365)
Fines and Forfeits	280,000	280,000	231,939	(48,061)
Miscellaneous	137,400	137,400	147,315	9,915
Total Revenues	6,523,400	6,523,400	6,893,334	369,934
<b>EXPENDITURES</b>				
General Government	2,193,867	2,193,867	2,306,456	(112,589)
Public Safety	3,709,632	3,709,632	3,724,389	(14,757)
Highways and Streets	831,127	831,127	1,193,444	(362,317)
Sanitation	1,127,307	1,127,307	1,115,954	11,353
Culture and Recreation	219,818	219,818	324,573	(104,755)
Non-Departmental	507,649	507,649	488,968	18,681
Total Expenditures	8,589,400	8,589,400	9,153,784	(564,384)
<b>EXCESS (DEFICIENCY) of REVENUES OVER EXPENDITURES</b>	<b>(2,066,000)</b>	<b>(2,066,000)</b>	<b>(2,260,450)</b>	<b>(194,450)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfer In	2,066,000	2,066,000	2,066,000	-
Capital Financing	-	-	98,500	98,500
Total Other Financing Sources (Uses)	2,066,000	2,066,000	2,164,500	98,500
<b>EXCESS (DEFICIENCY) of REVENUES and OTHER SOURCES OVER EXPENDITURES and OTHER USES</b>	<b>\$ -</b>	<b>\$ -</b>	<b>(95,950)</b>	<b>\$ (95,950)</b>
<b>FUND BALANCE, Beginning of Year</b>			<b>4,112,209</b>	
<b>FUND BALANCE, End of Year</b>			<b>\$ 4,016,259</b>	



CITY of CAMDEN, SOUTH CAROLINA  
Camden, South Carolina

SCHEDULE of FUNDING PROGRESS FOR RETIREE HEALTH PLAN

Year Ended June 30, 2011

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/c
July 1, 2007	-	\$ 20,023,000	\$ 20,023,000	0%	\$ 4,379,000	457%
July 1, 2010	-	\$ 14,631,700	\$ 14,631,700	0%	\$ 4,335,900	337%

The July 1, 2007 actuarial valuation used the entry age normal cost method. The July 1, 2010 actuarial calculation used the projected unit credit actuarial cost method.

SUPPLEMENTAL INFORMATION (OPTIONAL)

GENERAL FUND

CITY of CAMDEN, SOUTH CAROLINA  
GENERAL FUND

BALANCE SHEET  
June 30, 2011

ASSETS	
Cash	\$ 887,827
Restricted Cash	122,748
Investments	4,502,350
Receivables (Net of Allowance for Uncollectibles)	
Taxes	285,683
Miscellaneous	401,887
Inventory	68,147
	<hr/>
Total Assets	\$ 6,268,642
	<hr/>
LIABILITIES and FUND BALANCE	
Liabilities:	
Accounts Payable	\$ 162,447
Accrued Liabilities	152,233
Deferred Revenues	
Local Option Sales Tax	122,748
Business Licenses	1,367,794
Franchise Fees	194,680
Other	252,481
	<hr/>
Total Liabilities	2,252,383
	<hr/>
Fund Balance	
Nonspendable	68,147
Committed	300,164
Unassigned	3,647,948
	<hr/>
Total Fund Balance	4,016,259
	<hr/>
Total Liabilities and Fund Balance	\$ 6,268,642
	<hr/>

CITY of CAMDEN, SOUTH CAROLINA  
GENERAL FUND

STATEMENT of REVENUES COMPARED to BUDGET (GAAP BASIS)  
For the Year Ended June 30, 2011

	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b>LOCAL SOURCES</b>			
Property Taxes	\$ 1,015,000	\$ 891,167	\$ (123,833)
Vehicle Taxes	110,000	91,474	(18,526)
Local Option Sales Tax	1,165,000	1,232,252	67,252
Penalties and Delinquent Taxes	35,000	108,901	73,901
Fines and Forfeitures	280,000	231,939	(48,061)
Business Licenses	1,572,300	1,598,639	26,339
Franchise Fees	299,100	241,507	(57,593)
Fire Service	495,000	470,430	(24,570)
Sanitation	1,065,000	1,078,205	13,205
Archives	4,000	7,454	3,454
Sale/Use Equipment	8,000	5,852	(2,148)
Interest	50,000	22,931	(27,069)
Miscellaneous	75,400	111,078	35,678
Sub-Total	<u>6,173,800</u>	<u>6,091,829</u>	<u>(81,971)</u>
<b>STATE and LOCAL GOVERNMENT SOURCES</b>			
Local Government Fund	148,600	143,773	(4,827)
Merchant's Inventory Tax	48,000	48,495	495
Grants	-	437,658	437,658
Accommodations	25,000	26,822	1,822
Kershaw County Road Maintenance Fee	128,000	144,757	16,757
Sub-Total	<u>349,600</u>	<u>801,505</u>	<u>451,905</u>
 Total Revenues	 <u>\$ 6,523,400</u>	 <u>\$ 6,893,334</u>	 <u>\$ 369,934</u>

The Accompanying Notes are an Integral part of These Financial Statements

CITY of CAMDEN, SOUTH CAROLINA  
GENERAL FUND

STATEMENT of EXPENDITURES COMPARED to BUDGET (GAAP BASIS)  
For the Year Ended June 30, 2011

	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b>GENERAL GOVERNMENT</b>			
Elections	\$ 5,000	\$ 2,367	2,633
Legislature	140,310	152,322	(12,012)
Court	127,432	120,655	6,777
Legal	75,193	82,186	(6,993)
Administration	233,987	240,698	(6,711)
Finance	1,029,942	969,332	60,610
Zoning/Code Enforcement	177,547	337,130	(159,583)
Garage Services	247,579	240,274	7,305
Downtown Development	65,373	80,530	(15,157)
Planning	91,504	80,962	10,542
Sub-Total	<u>2,193,867</u>	<u>2,306,456</u>	<u>(112,589)</u>
<b>PUBLIC SAFETY</b>			
Police Department	2,219,383	2,266,182	(46,799)
Fire Department			
Administration	307,593	293,543	14,050
Fire Fighting	1,182,656	1,164,664	17,992
Sub-Total	<u>3,709,632</u>	<u>3,724,389</u>	<u>(14,757)</u>
<b>HIGHWAYS and STREETS</b>			
Streets Maintenance	343,974	303,971	40,003
Park Maintenance	487,153	889,473	(402,320)
Sub-Total	<u>831,127</u>	<u>1,193,444</u>	<u>(362,317)</u>
<b>SANITATION</b>			
Administration	57,926	58,589	(663)
Trash Collection	1,069,381	1,057,365	12,016
Sub-Total	<u>1,127,307</u>	<u>1,115,954</u>	<u>11,353</u>
<b>CULTURE and RECREATION</b>			
Community Promotion	46,700	190,924	(144,224)
Archives	173,118	133,649	39,469
Sub-Total	<u>219,818</u>	<u>324,573</u>	<u>(104,755)</u>
<b>NON-DEPARTMENTAL</b>			
Other Non-Departmental	507,649	488,968	18,681
Sub-Total	<u>507,649</u>	<u>488,968</u>	<u>18,681</u>
Totals	<u>\$ 8,589,400</u>	<u>\$ 9,153,784</u>	<u>\$ (564,384)</u>

The Accompanying Notes are an Integral part of These Financial Statements

SPECIAL REVENUE FUNDS

### Special Revenue Funds

The Special Revenue Funds are used by the City to account for the accumulation and disbursement of restricted resources. The following is a description of the City's Special Revenue Funds:

Local Tax Fund: to account for receipt and allocation of the City's hospitality tax and accommodation tax. Use of this tax is limited by state law. The City's hospitality tax rate is 2%.

Drug Fund: to account for proceeds from the sale of assets seized in connection with drug arrests. Revenues are restricted to law enforcement expenditures.

Police Department Recreation Fund: to account for voluntary contributions for police department recreation.

Fireman's Fund: to account for "one percent money" received from the State.

Victim's Assistance: to account for receipt and disbursements related to victim services according to state law.

York Street CDBG Grant: to account for grant revenues and expenditures.



CITY of CAMDEN, SOUTH CAROLINA  
SPECIAL REVENUE FUNDS

COMBINING BALANCE SHEET  
June 30, 2011

	Local Tax Fund	Drug Fund	Police Department Recreation Fund	Fireman's Fund	York Street CDBG Grant	Total
<b>ASSETS</b>						
Cash and Investments	\$ 13,621	\$ 29,019	\$ 2,715	\$ 64,070	\$ 50,818	\$ 160,243
Accounts Receivable	3,531	-	-	-	-	3,531
Total Assets	<u>\$ 17,152</u>	<u>\$ 29,019</u>	<u>\$ 2,715</u>	<u>\$ 64,070</u>	<u>\$ 50,818</u>	<u>\$ 163,774</u>
<b>LIABILITIES</b>						
Accounts Payable	\$ 61,571	\$ -	\$ -	\$ -	\$ -	\$ 61,571
Deferred Revenue	4,935	-	-	-	50,818	55,753
Total Liabilities	<u>\$ 66,506</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 50,818</u>	<u>\$ 117,324</u>
<b>FUND BALANCES</b>						
Restricted	-	29,019	-	64,070	-	93,089
Assigned	-	-	2,715	-	-	2,715
Unassigned	(49,354)	-	-	-	-	(49,354)
Total Fund Balances	<u>(49,354)</u>	<u>29,019</u>	<u>2,715</u>	<u>64,070</u>	<u>-</u>	<u>46,450</u>
Total Liabilities and Fund Balances	<u>\$ 17,152</u>	<u>\$ 29,019</u>	<u>\$ 2,715</u>	<u>\$ 64,070</u>	<u>\$ 50,818</u>	<u>\$ 163,774</u>

The Accompanying Notes are an Integral part of These Financial Statements

CITY of CAMDEN, SOUTH CAROLINA  
SPECIAL REVENUE FUNDS

COMBINING STATEMENT of REVENUES, EXPENDITURES and CHANGES in FUND BALANCE  
For the Year Ended June 30, 2011

	Local Tax Fund	Drug Fund	Police Department Recreation Fund	Fireman's Fund	Victim's Assistance	York Street CDBG Grant	Price House Commission	Total
<b>REVENUES</b>								
Federal	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 205,828	\$ -	\$ 205,828
State	-	662	-	37,711	-	-	-	38,373
Local	707,614	7,298	-	-	-	4,391	-	719,303
Interest	-	-	23	443	-	-	-	466
Miscellaneous	-	-	2,926	19,221	18,865	-	-	41,012
Total Revenues	<u>707,614</u>	<u>7,960</u>	<u>2,949</u>	<u>57,375</u>	<u>18,865</u>	<u>210,219</u>	<u>-</u>	<u>1,004,982</u>
<b>EXPENDITURES</b>								
Public Safety	-	26,113	-	-	18,865	-	-	44,978
Culture and Recreation	1,034,428	-	-	-	-	-	-	1,034,428
Non-Departmental	-	-	7,276	69,175	-	210,219	20,994	307,664
Total Expenditures	<u>1,034,428</u>	<u>26,113</u>	<u>7,276</u>	<u>69,175</u>	<u>18,865</u>	<u>210,219</u>	<u>20,994</u>	<u>1,387,070</u>
<b>EXCESS (DEFICIENCY) of REVENUES over EXPENDITURES</b>	<u>(326,814)</u>	<u>(18,153)</u>	<u>(4,327)</u>	<u>(11,800)</u>	<u>-</u>	<u>-</u>	<u>(20,994)</u>	<u>(382,088)</u>
<b>FUND BALANCE, Beginning of Year</b>	<u>277,460</u>	<u>47,172</u>	<u>7,042</u>	<u>75,870</u>	<u>-</u>	<u>-</u>	<u>20,994</u>	<u>428,538</u>
<b>FUND BALANCE, End of Year</b>	<u>\$ (49,354)</u>	<u>\$ 29,019</u>	<u>\$ 2,715</u>	<u>\$ 64,070</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 46,450</u>

The Accompanying Notes are an Integral part of These Financial Statements

CITY OF CAMDEN, SOUTH CAROLINA  
STATEMENT of FINES and ASSESSMENTS  
For the Year Ended June 30, 2011

COURT FINES	
Court Fines Collected	\$ 90,816
Court Fines Retained by City	<u>90,816</u>
Court Fines Remitted to the State Treasurer	<u><u>\$ -</u></u>
COURT ASSESSMENTS	
Court Assessments and Surcharges Collected	\$ 159,987
Court Assessments and Surcharges Retained by City	<u>18,865</u>
Court Assessments Remitted to the State Treasurer	<u><u>\$ 141,122</u></u>
VICTIMS SERVICES	
Court Assessments and Surcharges Allocated to Victim Services	<u>\$ 18,865</u>
Funds Allocated to Victim Services	-
Victim Services Expenditures	<u>18,865</u>
Funds Available for Carry-forward	-
Funds Unused for Prior Year	<u>-</u>
Total	<u><u>\$ -</u></u>

## CAPITAL PROJECT FUNDS

## Capital Project Funds

The Capital Project Funds account for all resources used for the acquisition and/or construction of major capital facilities by the City. The following is a description of the City's Capital Project Funds:

Road Fund: to account for road paving, funded by tax millage.

Capital Fund: to account for capital improvements, including equipment, funded by tax millage.

CITY of CAMDEN, SOUTH CAROLINA  
CAPITAL PROJECT FUNDS

BALANCE SHEET  
June 30, 2011

ASSETS	
Cash and Cash Equivalents	\$ 644,668
Total Assets	<u>\$ 644,668</u>
LIABILITIES	
Accounts Payable	\$ 595
Total Liabilities	<u>\$ 595</u>
FUND BALANCE	
Committed For:	
Roads	\$ 356,593
Capital	287,480
Total Fund Balance	<u>644,073</u>
Total Liabilities and Fund Balance	<u>\$ 644,668</u>

CITY of CAMDEN, SOUTH CAROLINA  
CAPITAL PROJECT FUNDS

COMBINING STATEMENT of REVENUES, EXPENDITURES and CHANGES in FUND BALANCE  
For the Year Ended June 30, 2011

	<u>Road Fund</u>	<u>Capital Fund</u>	<u>Total Capital Projects</u>
<b>REVENUES</b>			
Road Revenue	\$ 343,660	\$ -	\$ 343,660
Capital Revenue	-	261,836	261,836
Total Revenues	<u>343,660</u>	<u>261,836</u>	<u>605,496</u>
<b>EXPENDITURES</b>			
Highways and Streets	435,523	-	435,523
Non-Departmental	-	156,513	156,513
Total Expenditures	<u>435,523</u>	<u>156,513</u>	<u>592,036</u>
Excess (Deficiency) of Revenues Over Expenditures	(91,863)	105,323	13,460
FUND BALANCE, Beginning of Year	<u>448,456</u>	<u>182,157</u>	<u>630,613</u>
FUND BALANCE, End of Year	<u>\$ 356,593</u>	<u>\$ 287,480</u>	<u>\$ 644,073</u>

PROPRIETARY FUNDS



CITY of CAMDEN, SOUTH CAROLINA  
STATEMENT of NET ASSETS  
BALANCE SHEET  
June 30, 2011

ASSETS

CURRENT ASSETS

Cash	\$ 2,867,903
Investments	2,245,066
Water and Lights Accounts Receivable, Net	2,037,636
Miscellaneous Receivables	18,053
Inventories	1,089,824
Total Current Assets	8,258,482

NON-CURRENT ASSETS

RESTRICTED ASSETS

Investments - Customer Deposits	642,236
Investments - Bond Obligation Proceeds	1,846,288
Investments - Reserve Bond Funds	1,108,431
Total Restricted Assets	3,596,955

Construction in Process	2,923,087
Buildings and Land	492,444
Furniture, Fixtures and Equipment	2,368,019
Electric System	30,887,076
Water System	28,048,392
Sewer and Wastewater System	21,684,805
Sub-Total	86,403,823
Less Accumulated Depreciation	(32,433,254)
Total Capital Assets	53,970,569

OTHER ASSETS

Deferred Charges	467,066
Total Other Assets	467,066
Total Non-Current Assets	58,034,590
TOTAL ASSETS	\$ 66,293,072

LIABILITIES

CURRENT LIABILITIES

Accounts Payable	\$ 2,118,882
Other Current Liabilities	58,216
Lease Obligations Payable, Current	145,562
Bonds Payable, Current	1,615,283
Total Current Liabilities	3,937,943

NON-CURRENT LIABILITIES

Accrued Vacation Pay	82,473
OPEB Obligation	273,336
Payable from Restricted Assets	
Customer Deposits	574,215
Accrued Interest Payable	324,475
Bonds Payable, Non-Current	22,662,046
Unamortized Bond Discount/Premium	361,807
Deferred Amount on Refunding	(1,341,270)
Bonds Payable, Net of Unamortized Discount/Premium and Deferred Amount on Refunding	21,682,583
Total Non-Current Liabilities	22,937,082
Total Liabilities	26,875,025

NET ASSETS

Invested in Capital Assets, Net of Related Debt	30,994,207
Restricted for Debt Service	1,108,431
Restricted for Capital Projects	1,846,288
Unrestricted	5,469,121
Total Net Assets	39,418,047
TOTAL LIABILITIES and NET ASSETS	\$ 66,293,072

The Accompanying Notes are an Integral Part of These Financial Statements

CITY of CAMDEN, SOUTH CAROLINA  
PROPRIETARY FUNDS

STATEMENT of REVENUES, EXPENSES and CHANGES in  
NET ASSETS-BUDGET and ACTUAL (BUDGETARY BASIS)  
For the Year Ended June 30, 2011

	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>OPERATING REVENUES</b>			
Electric Division	\$ 19,741,850	\$ 20,528,030	\$ 786,180
Less: Direct Cost	<u>18,123,744</u>	<u>16,550,011</u>	<u>1,573,733</u>
Income from Electric Division	<u>1,618,106</u>	<u>3,978,019</u>	<u>2,359,913</u>
 Water Division	 3,880,000	 3,920,040	 40,040
Less: Direct Cost	<u>2,020,476</u>	<u>2,467,030</u>	<u>(446,554)</u>
Income from Water Division	<u>1,859,524</u>	<u>1,453,010</u>	<u>(406,514)</u>
 Sewer Division	 1,756,500	 1,764,188	 7,688
Less: Direct Cost	<u>960,150</u>	<u>1,372,960</u>	<u>(412,810)</u>
Income from Sewer Division	<u>796,350</u>	<u>391,228</u>	<u>(405,122)</u>
 Operating Income	 <u>4,273,980</u>	 <u>5,822,257</u>	 <u>1,548,277</u>
 <b>NON-OPERATING REVENUE (EXPENSE)</b>			
Interest Income	40,000	18,449	(21,551)
Interest Expense	(2,710,980)	(1,015,255)	1,695,725
Other Revenue (Expenses)	<u>463,000</u>	<u>547,559</u>	<u>84,559</u>
Total Non-Operating Revenues (Expense)	<u>(2,207,980)</u>	<u>(449,247)</u>	<u>1,758,733</u>
Income (Loss) before Contributions and Transfers	<u>2,066,000</u>	<u>5,373,010</u>	<u>3,307,010</u>
 Capital Contributions	 -	 210,219	 210,219
Transfers Out	<u>(2,066,000)</u>	<u>(2,066,000)</u>	<u>-</u>
Net Transfers	<u>(2,066,000)</u>	<u>(1,855,781)</u>	<u>210,219</u>
 Change in Net Assets	 <u>\$ -</u>	 <u>3,517,229</u>	 <u>\$ 3,517,229</u>
 NET ASSETS, Beginning of Year		 <u>35,900,818</u>	
NET ASSETS, End of Year		 <u>\$ 39,418,047</u>	

The Accompanying Notes are an Integral Part of These Financial Statements

CITY of CAMDEN, SOUTH CAROLINA  
 PROPRIETARY FUNDS

STATEMENT of OTHER OPERATING INCOME -  
 BUDGET and ACTUAL (BUDGETARY BASIS)  
 For the Year Ended June 30, 2011

	Revised Budget	Actual	Variance Favorable (Unfavorable)
Reconnections/Penalties	\$ 295,000	\$ 346,182	\$ 51,182
Setoff Debt Collections	6,000	9,028	3,028
Pole Rental	60,000	60,374	374
Handling and Return Fees	8,000	9,135	1,135
Use of Labor and Equipment	15,000	3,403	(11,597)
Miscellaneous	19,000	76,512	57,512
Septic Tank Hauler Fees	60,000	42,925	(17,075)
Total	<u>\$ 463,000</u>	<u>\$ 547,559</u>	<u>\$ 84,559</u>

# CANTEY, TILLER, PIERCE & GREEN, LLP

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## REPORT ON INTERNAL CONTROL over FINANCIAL REPORTING and on COMPLIANCE and OTHER MATTERS BASED on an AUDIT of FINANCIAL STATEMENTS PERFORMED in ACCORDANCE with *GOVERNMENT AUDITING STANDARDS*

To the City Council  
City of Camden  
Camden, South Carolina

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Camden, South Carolina, as of and for the year ended June 30, 2011, which collectively comprise the City of Camden, South Carolina's basic financial statements and have issued our report thereon dated October 26, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

### Compliance and Other Matters

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

We noted certain matters that we reported to management of the City of Camden, South Carolina in a separate letter dated October 26, 2011.

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

Cantey, Tiller, Pierce and Green, LLP  
Camden, South Carolina

October 26, 2011