

CITY of CAMDEN
Camden, South Carolina

FINANCIAL STATEMENTS and
REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2013

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INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Camden
Camden, South Carolina

Report on the Financial Statements

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 City of Camden, South Carolina, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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 three through eight and thirty-seven through thirty-eight 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Camden, South Carolina's basic financial statements. The introductory section and combining and individual fund financial statements, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The combining and individual fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 5, 2013, 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* in considering City of Camden, South Carolina's internal control over financial reporting and compliance.

Cantey, Tiller, Pierce & Green, LLP

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

November 5, 2013

**CITY OF CAMDEN, SOUTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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, 2013.

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 2011, 2012 and 2013 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 2013, 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 to promote tourism related activity will be paid for and funded primarily by the hospitality tax.

The property tax base was re-appraised for the 2011-tax year. The five year re-appraisal will occur again during the 2016 year and will affect the taxes collected for the fiscal year ending in June of 2016. The estimated appraisal values have changed over the past five years as follows:

2010	\$633,000,000
2011	\$633,400,000
2012	\$633,400,000
2013	\$633,400,000
2014	\$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 31%. The retail rate charged to City customers since 2009 has increased by 25%. During the fiscal year 2013 the City issued a Request for Proposal for Purchase Power to take effect January 2014.

A third electrical substation was completed in May 2008. The electrical system substations are connected via fiber optic cable. Also, during 2011, the City installed a new software system to manage the demand load for the three substations and help troubleshoot maintenance issues.

During 2012, 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 2011 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 \$35,000,000. The new treatment plant will be operational by March 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. The debit service for this loan will begin September 2014.

In January 2013 City Council appointed Mr. Mel Pearson as the new City Manager for the City of Camden. Mr. Pearson held the position of Finance Director prior to accepting the City Manager position.

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 Position 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.

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 Position 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 position indicates 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 Position 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 Position with discussion about the current year changes from last year's total net position.

The City's combined net position changed from a year ago, increasing from \$55,503,572 at the end of fiscal year 2012 to \$59,285,416 at year-end 2013. This \$3,781,844 or 6.8% improvement in net position 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.

NET POSITION as of 6/30/13

	Governmental Activities		Proprietary Fund Activities		Total Primary Government	
	2013	2012	2013	2012	2013	2012
Current and other assets	\$ 6,686,280	\$ 6,758,130	\$ 7,296,760	\$ 6,374,988	\$ 13,983,040	\$ 13,133,118
Receivables	588,258	598,989	4,136,039	2,746,463	4,724,297	3,345,452
Non-Current assets	191,006	127,278	2,621,322	2,698,838	2,812,328	2,826,116
Other assets	82,272	72,001	1,015,324	1,082,540	1,097,596	1,154,541
Capital assets	9,005,548	8,930,942	78,198,817	60,322,066	87,204,365	69,253,008
Assets	<u>16,553,364</u>	<u>16,487,340</u>	<u>93,268,262</u>	<u>73,224,895</u>	<u>109,821,626</u>	<u>89,712,235</u>
Deferred Outflow	-	-	1,675,528	1,603,800	1,675,528	1,603,800
Total assets/outflow	<u>\$ 16,553,364</u>	<u>\$ 16,487,340</u>	<u>\$ 94,943,790</u>	<u>\$ 74,828,695</u>	<u>\$ 111,497,154</u>	<u>\$ 91,316,035</u>
Current liabilities	\$ 629,951	\$ 743,472	\$ 5,769,945	\$ 4,524,254	\$ 6,399,896	\$ 5,267,726
Long term liabilities	2,318,817	2,107,547	41,495,139	26,349,145	43,813,956	28,456,692
Liabilities	2,948,768	2,851,019	47,265,084	30,873,399	50,213,852	33,724,418
Deferred Inflow	1,688,705	1,752,551	309,181	335,494	1,997,886	2,088,045
Total liabilities/inflow	<u>\$ 4,637,473</u>	<u>\$ 4,603,570</u>	<u>\$ 47,574,265</u>	<u>\$ 31,208,893</u>	<u>\$ 52,211,738</u>	<u>\$ 35,812,463</u>
Net position:						
Investment in capital assets	\$ 8,032,453	\$ 7,937,137	\$ 37,766,080	\$ 34,811,303	\$ 45,798,533	\$ 42,748,440
Restricted for debt service	-	-	1,974,515	1,108,431	1,974,515	1,108,431
Restricted for special purposes	213,524	89,499	-	-	213,524	89,499
Unrestricted	3,669,914	3,857,134	7,628,930	7,700,068	11,298,844	11,557,202
Total net position	<u>\$ 11,915,891</u>	<u>\$ 11,883,770</u>	<u>\$ 47,369,525</u>	<u>\$ 43,619,802</u>	<u>\$ 59,285,416</u>	<u>\$ 55,503,572</u>

Governmental Fund Budgetary Highlights

The General Fund budget for the fiscal year 2013 was \$9,768,600. This was an increase of \$94,200 from the previous year. During the year certain variances developed as follows: Property tax collections were \$48,750 less than budgeted. Business licenses fees were \$4,697 less than budgeted. Franchise fees were \$44,425 more than budget. Grants in the amount of \$338,155 were received from Federal, State and local agencies.

Streets and parks expenditures were over budget by \$258,672 due to the expenditure of a Federal Highway Grant and the purchase of property. The total expenditures, including all other account variances were \$337,672 more than the cash-operating budget which included the purchase of property in the amount of \$70,762, \$188,231 in grant expenditures and \$54,294 in legal fees. The expense overage was partially offset by a total revenue gain of \$350,023. Revenue gains include grant money to cover expenditures and other small variances from budget.

Discussion of Changes in Governmental Fund Net Position

The net position of the City governmental fund increased by .3% to a balance of \$11,915,891 in 2013 from \$11,883,770. The \$32,121 increase is the result of the following:

A \$168,785 increase in the fund balance. This fund balance increase 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 \$614,796 in capital assets, and recorded \$540,190 as depreciation expense. The difference is an increase to net assets in the amount of \$74,606. The primary additions to capital assets were property purchase in the amount of \$70,762, Archive statue expense of \$64,200, the purchase of a Radio System \$312,500, Kirkwood Park upgrades \$49,904, and property improvements of \$114,104. (See page 23)

The purchase of a new radio system increased the City’s debt by \$312,500. The repayment of debt principal for prior debt was \$333,210. The annual difference in new debt and payment of principal increased net assets by \$20,710.

The net amount in compensated absences decreased by \$14,889 from \$180,922 to \$166,033. This change increased net assets by \$14,889. Also, the increase in OPEB liability reduced the net assets in the amount of \$246,869.

Summary:	Contribution to Net Assets	
	<u>2013</u>	<u>2012</u>
Fund Balance Improvement	\$ 168,785	\$ 581,797
Net Capital Asset Investment	74,606	(13,269)
Reduction in Debt	20,710	(232,769)
OPEB Obligations (GASB 45)	(246,869)	(201,365)
Decrease/ (Increase) in Compensated Absences	<u>14,889</u>	<u>2,940</u>
Net Change	<u>\$ 32,121</u>	<u>\$ 137,334</u>

Discussion of Changes in Proprietary Fund Net Assets

The net assets of the City proprietary fund increased by 8.6% from \$43,619,802 in 2012 to \$47,369,525 in 2013. The \$3,749,723 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 \$3,372,491 contribution to operating income was recorded by the electric division. This gain was \$2,322,413 more than the business plan had anticipated. Electric revenues were less than budget by \$1,300,571. Operating costs of the electric division were \$3,622,984 less than budgeted. The capital expenditures in the amount of \$3,074,255 and depreciation in the amount of \$1,048,697 resulted in a net asset gain of \$2,025,558. Purchased power was \$1,754,774 less than budget and other operating and maintenance costs were \$65,083 less than the budgeted amount.

A \$1,557,643 contribution to operating income was recorded by the water division. This was \$563,708 less than budgeted. The water division revenues were less than budget by \$118,811. Capital expenditures in the amount of \$208,066 and depreciation in the amount of \$814,649 resulted in a net increase of direct cost in the amount of \$606,583.

A \$885,623 contribution to operating income was recorded by the sewer division. This was \$213,848 less than budgeted. Sewer division revenue exceeded budget by \$129,668. Capital expenditures in the amount of \$94,031 and depreciation in the amount of \$637,466 resulted in a net increase of direct cost in the amount of \$543,435.

Other operating income totaled \$844,075. This was \$359,075 greater than the budgeted plan. The primary reason for higher other operating income was due to the collection of utility nonpayment penalties, insurance reimbursements, use of labor and equipment and septic haulers. The penalties totaled \$66,178 more than budget, use of labor and equipment was \$151,443 more than budget, miscellaneous income was \$111,501 more than budget and septic haulers were \$20,250 more than budget.

The combined non-operating revenue and expense effect was a net \$34 reduction to income. The single largest impact on non-operating expenses was the \$850,353 interest expense from debt service. The interest expense was reduced by the combined effect of \$6,244 interest income earned on investments and \$844,075 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 Position	
		2013	2012
	Electric Department	\$ 3,372,491	\$ 3,583,059
	Water Department	1,557,643	1,518,673
	Sewer Department	885,623	827,291
	Other Operating Income	850,319	622,527
	Non-operating Rev. (Exp.)	(850,353)	(978,852)
	Capital Contribution	-	695,057
	Transfers Out	(2,066,000)	(2,066,000)
	Net Change	<u>\$ 3,749,723</u>	<u>\$ 4,201,755</u>

City-wide Summary:	Change in Net Position \$		% of Change from Prior Yr	
	2013	2012	2013	2012
Governmental Fund	\$ 32,121	\$ 137,334	.3%	1.2%
Proprietary Fund	\$ 3,749,723	\$ 4,201,755	8.6%	10.7%
Total City of Camden	\$ 3,781,844	\$ 4,339,089	6.8%	8.5%

**Summary of Revenues and Expenses
Changes in Net Position as of 6/30/13**

	Governmental Activity		Proprietary Activity		Total	
	2013	2012	2013	2012	2013	2012
Revenues:						
Taxes	\$ 3,809,314	\$ 3,720,488	\$ -	\$ -	\$ 3,809,314	\$ 3,720,488
Licenses and Permits	1,882,528	1,867,427	-	-	1,882,528	1,867,427
Intergovernmental	787,633	852,951	-	-	787,633	852,951
Charge for Services	1,558,297	1,558,850	-	-	1,558,297	1,558,850
Fines	232,115	235,102	-	-	232,115	235,102
Miscellaneous	176,604	144,701	-	-	176,604	144,701
Electric Revenue	-	-	19,429,429	19,923,521	19,429,429	19,923,521
Water Revenue	-	-	4,091,189	4,082,494	4,091,189	4,082,494
Sewer Revenue	-	-	2,486,168	2,213,794	2,486,168	2,213,794
Other Operating	-	-	844,075	611,997	844,075	611,997
Interest Income	-	-	6,244	10,530	6,244	10,530
Total Revenue	<u>8,446,491</u>	<u>8,379,519</u>	<u>26,857,105</u>	<u>26,842,336</u>	<u>35,303,596</u>	<u>35,221,855</u>
Expenses:						
General Government	2,171,739	2,157,481	-	-	2,171,739	2,157,481
Public Safety	3,753,602	4,313,366	-	-	3,753,602	4,313,366
Highways and Streets	1,316,995	1,224,679	-	-	1,316,995	1,224,679
Sanitation	1,090,728	1,065,503	-	-	1,090,728	1,065,503
Culture and Recreation	874,867	791,025	-	-	874,867	791,025
Non-Departmental	1,448,275	801,668	-	-	1,448,275	801,668
Electric Cost	-	-	16,056,938	16,340,462	16,056,938	16,340,462
Water Cost	-	-	2,533,546	2,563,821	2,533,546	2,563,821
Sewer Cost	-	-	1,600,545	1,386,503	1,600,545	1,386,503
Interest Expense	-	-	850,353	978,852	850,353	978,852
Total Expense	<u>10,656,206</u>	<u>10,353,722</u>	<u>21,041,382</u>	<u>21,269,638</u>	<u>31,697,588</u>	<u>31,623,360</u>
Income before Transfers	<u>(2,209,715)</u>	<u>(1,974,203)</u>	<u>5,815,723</u>	<u>5,572,698</u>	<u>3,606,008</u>	<u>3,598,495</u>
Transfers In/ (Out)	2,066,000	2,066,000	(2,066,000)	(2,066,000)	-	-
Capital Contributions	-	-	-	695,057	-	695,057
Fund Bal Changes pg 14	(136,664)	(444,463)	-	-	(136,664)	(444,463)
Capital Financing	<u>312,500</u>	<u>490,000</u>	<u>-</u>	<u>-</u>	<u>312,500</u>	<u>490,000</u>
Change in Net Assets	32,121	137,334	3,749,723	4,201,755	3,781,844	4,339,089
Beginning Net Assets	<u>11,883,770</u>	<u>11,746,436</u>	<u>43,619,802</u>	<u>39,418,047</u>	<u>55,503,572</u>	<u>51,164,483</u>
Ending Net Assets	<u>\$ 11,915,891</u>	<u>\$ 11,883,770</u>	<u>\$ 47,369,525</u>	<u>\$ 43,619,802</u>	<u>\$ 59,285,416</u>	<u>\$ 55,503,572</u>

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 \$302,226 as of June 30, 2013. Additionally, the utility fund customer deposits are maintained as a restricted reserve. This amount was \$605,540 as of June 30, 2013. 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, 2013, the road paving reserve balance was \$548,219. City Council also restricted funds for capital projects. The capital projects fund balance was \$247,813 as of June 30, 2013. 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 2011 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 2011 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 2012 City Council approved the reduction of the watershed account amount by \$363,967 to be used for the purchase of property on Campbell Street. In June of 2013 City Council approved the reduction of the watershed account amount by \$212,000 to be used to purchase property located at the corner of Broad St. and Rutledge (Maxway Property). The purchase of this property resulted in a balance of \$88,164 in the restricted watershed property account at June 2013. 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 \$360,167 as of June 30, 2013. 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 \$191,006 as of June 30, 2013.

Capital Assets.

	Summary of Capital Assets					
	As of 6/30/13					
	Governmental Activities		Proprietary Activities		Total	
	2013	2012	2013	2012	2013	2012
Land and Improvements	\$ 1,254,997	\$ 1,184,235	\$ 197,388	\$ 197,388	\$ 1,452,385	\$ 1,381,623
Buildings and Improvements	3,401,069	3,358,770	79,192	84,113	3,480,261	3,442,883
Equipment	429,797	161,349	-	-	429,797	161,349
Streets, Sidewalks, Etc.	3,388,883	3,471,819	-	-	3,388,883	3,471,819
Automotive Equipment	530,802	692,669	470,112	580,363	1,000,914	1,273,032
Electric System	-	-	20,226,619	18,123,167	20,226,619	18,123,167
Water System	-	-	18,264,489	18,947,614	18,264,489	18,947,614
Sewer System	-	-	12,417,329	12,827,480	12,417,329	12,827,480
Electric Instruments	-	-	434,677	445,932	434,677	445,932
Water Instruments	-	-	86,802	21,491	86,802	21,491
Sewer Instruments	-	-	26,005	16,666	26,005	16,666
Office Machines	-	-	59,000	10,468	59,000	10,468
Wastewater Treatment Plant	-	-	1,332,306	1,463,697	1,332,306	1,463,697
Total	<u>9,005,548</u>	<u>8,868,842</u>	<u>53,593,919</u>	<u>52,718,379</u>	<u>62,599,467</u>	<u>61,587,221</u>
Construction in Progress	<u>-</u>	<u>62,100</u>	<u>24,604,898</u>	<u>7,603,687</u>	<u>24,604,898</u>	<u>7,665,787</u>
Total	<u>\$ 9,005,548</u>	<u>\$ 8,930,942</u>	<u>\$ 78,198,817</u>	<u>\$ 60,322,066</u>	<u>\$ 87,204,365</u>	<u>\$ 69,253,008</u>

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 \$747,645 as of June 30, 2013. Other general fund liquid investments totaled \$4,527,347 at year-end. As of June 30, 2013, the general fund unrestricted operating cash amount was \$3,036,872. The excess unrestricted cash excludes the deferred revenue already received for the upcoming fiscal year. Based on cash needs for the fiscal year 2013/2014 this balance will support the City for 130 days. The proprietary fund operating cash balance was \$7,296,760 or 97 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 8.5% 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 \$796,032 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, 2013, the governmental fund had a \$973,095 balance of capital lease debt. A lease balance of \$372,397 is obligated for 3 remaining years to purchase a fire truck. A lease balance of \$393,204 is obligated for 8 more years for the purchase of an additional fire truck. A lease balance of \$207,494 is obligated for 2 more years for the purchase of a radio system. The balance of governmental capital lease 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 \$194,871 for fiscal year 2014.

Proprietary Fund Long Term Debt

The proprietary fund currently has a balance, as of June 30, 2013, of \$41,799,084 committed to long term debt. This debt is comprised of six 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 2011A, in the amount of \$475,000 was issued to refund a portion of the 1997 Bond during the 2011 fiscal year. A portion of the Series 2004 Bond was advance refunded through the issuance of the Series 2013A Bond. The advance refunding extinguished \$3,695,000 of the 2004 Bond.

The debt amount estimated for the construction of a new wastewater treatment plant will be approximately \$35,000,000. A revenue bond was issued during fiscal year 2011 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 with the payment scheduled to begin September 2014. The amount needed to service the combined utility system debt annually for the next five years is approximately \$4,500,000. While the debt coverage ratio for the proprietary fund has been steady for the past four years (see the following chart) we expect this to decrease with the addition of the wastewater treatment plant 2014/2015.

**Long Term Debt Service Coverage
Proprietary Fund**

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Net Income	\$ 4,247,083	\$ 5,373,010	\$ 5,572,698	\$ 5,815,723
Depreciation	2,252,795	2,327,443	2,337,621	2,500,812
Interest Expense on Bonds	<u>1,079,243</u>	<u>1,015,255</u>	<u>978,852</u>	<u>850,353</u>
Net Available for Debt From Operations	<u>\$ 7,579,121</u>	<u>\$ 8,715,708</u>	<u>\$ 8,889,171</u>	<u>\$ 9,166,888</u>
Transfers	\$ (2,066,000)	\$ (2,066,000)	\$ (2,066,000)	\$ (2,066,000)
Net Available After Transfers	<u>\$ 5,513,121</u>	<u>\$ 6,649,708</u>	<u>\$ 6,823,171</u>	<u>\$ 7,100,888</u>
Total Debt Service Requirement	<u>\$ 2,850,977</u>	<u>\$ 2,882,586</u>	<u>\$ 2,783,179</u>	<u>\$ 2,941,958</u>
Coverage Ratio	1.93	2.31	2.45	2.42

Proprietary Fund Short Term Debt

Capital lease obligations for the proprietary fund had a principal balance of \$-0-. 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 \$-0- during the 2014 fiscal year.

**Summary of
Outstanding Debt**

	Governmental Activity		Proprietary Activity		Total City	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Revenue Bonds	\$ -	\$ -	\$ 41,799,084	\$ 26,779,069	\$ 41,799,084	\$ 26,779,069
Short Term Obligations	<u>973,095</u>	<u>993,805</u>	<u>-</u>	<u>-</u>	<u>973,095</u>	<u>993,805</u>
Total	<u>\$ 973,095</u>	<u>\$ 993,805</u>	<u>\$ 41,799,084</u>	<u>\$ 26,779,069</u>	<u>\$ 42,772,179</u>	<u>\$ 27,772,874</u>

Please refer to pages 31 through 33 (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 POSITION
For the Year Ended June 30, 2013

	Primary Government		Total
	Governmental Activities	Business-Type Activites	
ASSETS			
Cash and Cash Equivalents	\$ 2,158,933	\$ 5,039,883	\$ 7,198,816
Investments	4,527,347	2,256,877	6,784,224
Receivable:			
Accounts Receivable, Net	-	2,106,262	2,106,262
Taxes, Net	321,943	-	321,943
Miscellaneous	266,315	2,029,777	2,296,092
Inventory	82,272	1,015,324	1,097,596
Restricted Assets:			
Cash and Cash Equivalents	191,006	646,807	837,813
Investments	-	1,974,515	1,974,515
Capital Assets:			
Land and Construction in Progress	1,254,997	24,802,286	26,057,283
Other Capital Assets, Net of Accumulated Depreciation	7,750,551	53,396,531	61,147,082
Total Capital Assets, net of depreciation	<u>9,005,548</u>	<u>78,198,817</u>	<u>87,204,365</u>
Total Assets	<u>16,553,364</u>	<u>93,268,262</u>	<u>109,821,626</u>
DEFERRED OUTFLOW OF RESOURCES			
Deferred Charges	-	1,675,528	1,675,528
Total Deferred Outflow of Resources	<u>-</u>	<u>1,675,528</u>	<u>1,675,528</u>
LIABILITIES			
Accounts Payable	152,165	4,048,187	4,200,352
Accrued Liabilities	249,582	71,350	320,932
Notes and Lease Obligations Payable, Current	194,871	-	194,871
Bonds Payable, Current	-	1,650,408	1,650,408
Liabilities Payable from Restricted Assets			
Customer Deposits	-	605,540	605,540
Accrued Interest Payable	-	273,845	273,845
Compensated Absences, Non-Current	166,033	73,823	239,856
OPEB Obligation	1,407,893	393,255	1,801,148
Notes and Lease Obligations Payable, Non-Current	778,224	-	778,224
Bonds Payable, Non-Current	-	40,148,676	40,148,676
Total Liabilities	<u>2,948,768</u>	<u>47,265,084</u>	<u>50,213,852</u>
DEFERRED INFLOW OF RESOURCES			
Unamortized Bond Discount/Premium	-	309,181	309,181
Deferred Revenue	1,688,705	-	1,688,705
Total Deferred Inflow of Resources	<u>1,688,705</u>	<u>309,181</u>	<u>1,997,886</u>
NET POSITION			
Net Investment in Capital Assets	8,032,453	37,766,080	45,798,533
Restricted for:			
Law Enforcement	22,394	-	22,394
Special Purposes	191,130	-	191,130
Debt Service	-	1,974,515	1,974,515
Unrestricted	3,669,914	7,628,930	11,298,844
Total Net Position	<u>\$ 11,915,891</u>	<u>\$ 47,369,525</u>	<u>\$ 59,285,416</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, 2013

FUNCTIONS/PROGRAMS	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary Government:							
General Government	\$ 3,507,043	\$ 1,602,603	\$ -	\$ 55,506	\$ (1,848,934)	\$ -	\$ (1,848,934)
Public Safety							
Police	2,257,570	215,960	21,124	-	(2,020,486)	-	(2,020,486)
Fire	1,463,407	460,986	47,240	-	(955,181)	-	(955,181)
Highways and Streets	1,405,618	-	374,458	-	(1,031,160)	-	(1,031,160)
Sanitation	1,099,876	1,097,311	4,754	-	2,189	-	2,189
Culture and Recreation	715,857	3,880	12,662	64,200	(635,115)	-	(635,115)
Interest on Long-Term Debt	30,996	-	-	-	(30,996)	-	(30,996)
Total Governmental Activities	<u>10,480,367</u>	<u>3,380,740</u>	<u>460,238</u>	<u>119,706</u>	<u>(6,519,683)</u>	<u>-</u>	<u>(6,519,683)</u>
Business-Type Activities:							
Electric Charges	16,056,938	19,871,740	-	-	-	3,814,802	3,814,802
Water Charges	2,697,264	4,091,189	-	-	-	1,393,925	1,393,925
Sewer Charges	2,287,180	2,566,418	-	-	-	279,238	279,238
Total Business-Type Activities	<u>21,041,382</u>	<u>26,529,347</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,487,965</u>	<u>5,487,965</u>
Total Primary Government	<u>\$ 31,521,749</u>	<u>\$ 29,910,087</u>	<u>\$ 460,238</u>	<u>\$ 119,706</u>	<u>(6,519,683)</u>	<u>5,487,965</u>	<u>(1,031,718)</u>
					<u>Primary Government</u>		
General Revenues:							
Taxes:							
Property Taxes, Levied for General Purposes					3,115,634	-	3,115,634
Franchise Taxes					279,925	-	279,925
Public Service Taxes					917,524	-	917,524
Unrestricted Investment Earnings					10,092	6,244	16,336
Transfers - Internal Activities					2,066,000	(2,066,000)	-
Miscellaneous					162,629	321,514	484,143
Total General Revenues, Special Items and Transfers					<u>6,551,804</u>	<u>(1,738,242)</u>	<u>4,813,562</u>
Change in Net Position					32,121	3,749,723	3,781,844
Net Position, Beginning of Year					<u>11,883,770</u>	<u>43,619,802</u>	<u>55,503,572</u>
Net Position, End of Year					<u>\$ 11,915,891</u>	<u>\$ 47,369,525</u>	<u>\$ 59,285,416</u>

The Accompanying Notes are an Integral Part of These Financial Statements

CITY of CAMDEN, SOUTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2013

	General	Special Revenue	Capital Project Funds	Total Governmental Funds
ASSETS				
Cash	\$ 747,645	\$ 594,787	\$ 816,501	\$ 2,158,933
Restricted Cash	191,006	-	-	191,006
Investments	4,527,347	-	-	4,527,347
Receivables (Net)				
Taxes	311,254	10,689	-	321,943
Miscellaneous	266,315	-	-	266,315
Inventory	82,272	-	-	82,272
Total Assets	<u>\$ 6,125,839</u>	<u>\$ 605,476</u>	<u>\$ 816,501</u>	<u>\$ 7,547,816</u>
LIABILITIES, DEFERRED INFLOW OF RESOURCES and FUND BALANCE				
Liabilities				
Accounts Payable	\$ 134,514	\$ 2,932	\$ 14,719	\$ 152,165
Accrued Liabilities	249,582	-	-	249,582
Total Liabilities	<u>384,096</u>	<u>2,932</u>	<u>14,719</u>	<u>401,747</u>
Deferred Inflow of Resources				
Deferred Revenue	1,663,018	19,937	5,750	1,688,705
Total Deferred Inflow of Resources	<u>1,663,018</u>	<u>19,937</u>	<u>5,750</u>	<u>1,688,705</u>
FUND BALANCE				
Fund Balance				
Nonspendable	82,272	-	-	82,272
Restricted	-	213,524	-	213,524
Committed	88,164	360,167	796,032	1,244,363
Assigned	-	8,916	-	8,916
Unassigned	3,908,289	-	-	3,908,289
Total Fund Balance	<u>4,078,725</u>	<u>582,607</u>	<u>796,032</u>	<u>5,457,364</u>
Total Liabilities, Deferred Inflow of Resources, and Fund Balance	<u>\$ 6,125,839</u>	<u>\$ 605,476</u>	<u>\$ 816,501</u>	<u>\$ 7,547,816</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 POSITION
June 30, 2013

Total Fund Balance for Governmental Funds		\$ 5,457,364
Total Net Position reported for governmental activities in the statement of net assets is different because:		
Capital assets of \$22,620,253 net of accumulated depreciation of \$13,614,705 are not financial resources and, therefore, are not reported in the funds. (See Note 1 for additional detail).		9,005,548
OPEB Obligation (See Note 4 for additional detail).		(1,407,893)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
Compensated Absences	\$ (166,033)	
Governmental Leases and Notes Payable	<u>(973,095)</u>	<u>(1,139,128)</u>
Total net position of governmental activities		<u>\$ 11,915,891</u>

CITY of CAMDEN, SOUTH CAROLINA

STATEMENT of REVENUES, EXPENDITURES and CHANGES in FUND BALANCE
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2013

	General	Special Revenue	Capital Project Funds	Total Governmental Funds
REVENUES				
Taxes	\$ 2,411,216	\$ 769,824	\$ 628,274	\$ 3,809,314
Licenses and Permits	1,882,528	-	-	1,882,528
Intergovernmental Revenues	708,739	78,894	-	787,633
Charges for Services	1,558,297	-	-	1,558,297
Fines and Forfeits	215,960	16,155	-	232,115
Miscellaneous Revenues	137,883	38,721	-	176,604
Total Revenues	<u>6,914,623</u>	<u>903,594</u>	<u>628,274</u>	<u>8,446,491</u>
EXPENDITURES				
Current:				
General Government	2,171,739	-	-	2,171,739
Public Safety	3,729,259	24,343	-	3,753,602
Highways and Streets	1,077,891	-	239,104	1,316,995
Sanitation	1,090,728	-	-	1,090,728
Culture and Recreation	290,132	584,735	-	874,867
Non-Departmental	608,523	135,358	704,394	1,448,275
Total Expenditures	<u>8,968,272</u>	<u>744,436</u>	<u>943,498</u>	<u>10,656,206</u>
EXCESS (DEFICIENCY) of REVENUES OVER (UNDER) EXPENDITURES	<u>(2,053,649)</u>	<u>159,158</u>	<u>(315,224)</u>	<u>(2,209,715)</u>
OTHER FINANCING SOURCES (USES)				
Transfer In	2,066,000	156,322	-	2,222,322
Capital Financing	-	-	312,500	312,500
Transfer Out	-	-	(156,322)	(156,322)
Total Other Financing Sources (Uses)	<u>2,066,000</u>	<u>156,322</u>	<u>156,178</u>	<u>2,378,500</u>
Excess (Deficiency) of Revenues and Other Sources over Expenditures and Other Uses	12,351	315,480	(159,046)	168,785
FUND BALANCE, Beginning of Year	<u>4,066,374</u>	<u>267,127</u>	<u>955,078</u>	<u>5,288,579</u>
FUND BALANCE, End of Year	<u>\$ 4,078,725</u>	<u>\$ 582,607</u>	<u>\$ 796,032</u>	<u>\$ 5,457,364</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, 2013

Net Changes in Fund Balances - Total Governmental Funds	\$ 168,785
The change in net position 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 outlay of \$614,796 exceeded depreciation of \$540,190 in the current period.	74,606
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 \$333,210 exceeded debt proceeds of \$312,500. Also see Note 3 for additional detail.	20,710
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. This includes the net decrease in compensated absences.	14,889
This also includes the net increase in OPEB Obligation.	<u>(246,869)</u>
Changes in net position of governmental activities	<u>\$ 32,121</u>

CITY of CAMDEN, SOUTH CAROLINA

STATEMENT of NET POSITION - PROPRIETARY FUND
June 30, 2013

ASSETS	
CURRENT ASSETS	
Cash	\$ 5,039,883
Investments	2,256,877
Water and Lights Accounts Receivable, Net	2,106,262
Miscellaneous Receivables	2,029,777
Inventories	1,015,324
Total Current Assets	<u>12,448,123</u>
NON-CURRENT ASSETS	
RESTRICTED ASSETS	
Cash - Customer Deposits	646,807
Investments - Reserve Bond Investment	1,974,515
Total Restricted Assets	<u>2,621,322</u>
CAPITAL ASSETS	
Construction in Process	24,604,898
Buildings and Land	498,477
Furniture, Fixtures and Equipment	2,661,020
Electric System	36,402,140
Water System	28,425,406
Sewer and Wastewater System	22,832,867
Sub-Total	<u>115,424,808</u>
Less Accumulated Depreciation	<u>(37,225,991)</u>
Total Capital Assets	<u>78,198,817</u>
Total Non-Current Assets	<u>80,820,139</u>
Total Assets	<u>93,268,262</u>
DEFERRED OUTFLOW OF RESOURCES	
Deferred Charges	1,675,528
Total Deferred Outflow of Resources	<u>1,675,528</u>
LIABILITIES	
CURRENT LIABILITIES	
Accounts Payable	4,048,187
Other Current Liabilities	71,350
Bonds Payable, Current	1,650,408
Total Current Liabilities	<u>5,769,945</u>
NON-CURRENT LIABILITIES	
Accrued Vacation Pay	73,823
OPEB Obligation	393,255
Payable from Restricted Assets	
Customer Deposits	605,540
Accrued Interest Payable	273,845
Bonds Payable, Non-Current	40,148,676
Total Non-Current Liabilities	<u>41,495,139</u>
Total Liabilities	<u>47,265,084</u>
DEFERRED INFLOW OF RESOURCES	
Unamortized Bond Discount/Premium	309,181
Total Deferred Inflow of Resources	<u>309,181</u>
NET POSITION	
Net Investment in Capital Assets	37,766,080
Restricted for Debt Service	1,974,515
Unrestricted	7,628,930
Total Net Position	<u>\$ 47,369,525</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 POSITION -
 PROPRIETARY FUND

For the Year Ended June 30, 2013

OPERATING REVENUES

Charges for Services:

Electric Charges	\$ 19,429,429
Water Charges	4,091,189
Sewer Charges	2,486,168
Total Operating Revenues	<u>26,006,786</u>

OPERATING EXPENSES

Personnel Services	2,748,842
Maintenance, Operations, and Contractual Services	14,445,193
Materials and Supplies	380,679
Depreciation & Amortization	2,616,315
Total Operating Expenses	<u>20,191,029</u>
Operating Income	<u>5,815,757</u>

NON-OPERATING REVENUE (EXPENSE)

Interest Income	6,244
Interest Expense	(850,353)
Other Revenue (Expense)	844,075
Total Non-Operating Revenue (Expense)	<u>(34)</u>

Income (Loss) before Contributions and Transfers	5,815,723
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OPERATING TRANSFERS and CONTRIBUTIONS

Transfers to Other Funds	<u>(2,066,000)</u>
Change in Net Position	<u>3,749,723</u>

NET POSITION, Beginning of Year	<u>43,619,802</u>
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NET POSITION, End of Year	<u><u>\$ 47,369,525</u></u>
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CITY of CAMDEN, SOUTH CAROLINA

STATEMENT of CASH FLOWS - PROPRIETARY FUND
For the Year Ended June 30, 2013

CASH FLOWS from OPERATING ACTIVITIES:	
Cash Received from Customers	\$ 24,582,619
Cash Payments to Suppliers for Goods and Services	(13,280,748)
Cash Payments to Employees for Services	(2,820,490)
Net Cash Provided by Operating Activities	<u>8,481,381</u>
CASH FLOWS from NON-CAPITAL FINANCING ACTIVITIES:	
Other Non-Operating Revenue	844,075
Reclassification of Restricted Cash	72,596
Operating Transfers Out	(2,066,000)
Net Cash Used in Non-Capital Financing Activities	<u>(1,149,329)</u>
CASH FLOWS from CAPITAL and RELATED FINANCING ACTIVITIES:	
Purchase of Assets	(20,377,563)
Proceeds from Debt Issued	20,420,687
Bond Issuance Costs	(213,543)
Principal Paid on Revenue Bond Maturities	(5,400,672)
Interest Paid on Debt Service	(850,353)
Net Cash Used in Capital and Related Financing Activities	<u>(6,421,444)</u>
CASH FLOWS from INVESTING ACTIVITIES:	
Interest and Dividends on Investments	6,244
Net Cash Provided by Investing Activities	<u>6,244</u>
Net Increase in Cash and Cash Equivalents	916,852
Cash and Cash Equivalents at Beginning of Year	4,123,031
Cash and Cash Equivalents at End of Year	<u>\$ 5,039,883</u>
RECONCILIATION of OPERATING INCOME to NET CASH PROVIDED by OPERATING ACTIVITIES:	
Operating Income	\$ 5,815,757
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Amortization	115,503
Depreciation	2,500,812
Bad Debt Expense	49,506
Changes in Assets and Liabilities:	
Accounts Receivable	(120,107)
Miscellaneous Accounts Receivable	(1,318,975)
Inventory	67,216
Accounts Payable	1,305,398
Interest Payable	(20,292)
Other Liabilities	71,648
Customer Deposits	24,915
Deferred Revenue	(10,000)
Net Cash Provided by Operating Activities	<u>\$ 8,481,381</u>

CITY of CAMDEN, SOUTH CAROLINA

NOTES to FINANCIAL STATEMENTS

June 30, 2013

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 were prepared in accordance with accounting principles generally accepted in the United States of America for governmental entities (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 Position, 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—net investment in capital assets, 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 position 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. Proprietary 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 Proprietary 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. Investments are recorded at fair value, except for investments with maturity or one year or less from date of purchase, which are stated at amortized cost. Fair value is based on quoted market prices.

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.

NOTE 1 SUMMARY of SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Deposits and Investments (Continued)

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 gradation 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 gradation 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, 2013 as follows:

	Category			Bank Balance	Total Carrying Amount
	1	2	3		
Checking Accounts	\$ 471,000	\$ 8,185,702	\$ -	\$ 8,656,702	\$ 7,324,432
Savings Accounts	63,300	-	-	63,300	63,939
Certificates of Deposit	399,847	2,229,037	-	2,628,884	2,628,884
	<u>\$ 934,147</u>	<u>\$ 10,414,739</u>	<u>\$ -</u>	<u>\$ 11,348,886</u>	<u>\$ 10,017,255</u>

Custodial Risk-Deposits - Deposits in financial institutions, reported as components of cash, cash equivalents and investments, had a bank balance of \$11,348,886 at June 30, 2013, that was fully insured by depository insurance or secured with collateral held by the City's agent in its name.

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.

NOTE 1 SUMMARY of SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Deposits and Investments (Continued)

Investments are carried at fair value at June 30, 2013 as follows:

	Category			Fair Value
	1	2	3	
U.S. Government Securities	\$ -	\$ 1,974,515	\$ -	\$ 1,974,515
	\$ -	\$ 1,974,515	\$ -	
S.C. Local Government Investment Pool (Fair value substantially equivalent to the value of the pool shares)				\$ 4,802,148
Total				\$ 6,776,663

The City's investments are categorized to indicate the level of risk assumed by the City at June 30, 2013. 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 and Other	\$ 1,450
Carrying Amount of Deposits	10,017,255
Carrying Amount of Investments	6,776,663
Total	\$ 16,795,368
Cash and Cash Equivalents	\$ 7,198,816
Cash and Cash Equivalents - Local Option Sales Tax	191,006
Cash - Restricted for Customer Deposits	646,807
Investments	6,784,224
Investments - Restricted for Debt Service	1,974,515
Total	\$ 16,795,368

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.

NOTE 1 SUMMARY of SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Inventories and Prepaids (Continued)

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, 2013 is \$302,226.

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, 2013, was as follows:

	Primary Government				Ending Balance
	Beginning Balance	Increases	Decreases	Tranfers	
GOVERNMENTAL ACTIVITIES:					
Capital Assets not Being Depreciated:					
Land	\$ 1,184,235	\$ 70,762	\$ -	\$ -	\$ 1,254,997
Construction in Progress	62,100	-	-	(62,100)	-
Total Capital Assets not Being Depreciated	1,246,335	70,762	-	(62,100)	1,254,997
Other Capital Assets:					
Building and Improvements	10,029,279	114,104	-	62,100	10,205,483
Equipment	1,189,808	374,356	-	-	1,564,164
Automotive Equipment	4,571,489	55,574	(124,588)	-	4,502,475
Streets, Sidewalks, Etc.	5,093,134	-	-	-	5,093,134
Total Other Capital Assets at Historical Cost	20,883,710	544,034	(124,588)	62,100	21,365,256
Less Accumulated Depreciation for:					
Buildings and Improvements	(6,670,509)	(133,905)	-	-	(6,804,414)
Equipment	(1,028,459)	(105,908)	-	-	(1,134,367)
Automotive Equipment	(3,878,820)	(217,441)	124,588	-	(3,971,673)
Streets, Sidewalks, Etc.	(1,621,315)	(82,936)	-	-	(1,704,251)
Total Accumulated Depreciation	(13,199,103)	(540,190)	124,588	-	(13,614,705)
Other Capital Assets, Net	7,684,607	3,844	-	62,100	7,750,551
Governmental Activities					
Capital Assets, Net	\$ 8,930,942	\$ 74,606	\$ -	\$ -	\$ 9,005,548

NOTE 1 SUMMARY of SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

	Primary Government				Ending Balance
	Beginning Balance	Increases	Decreases	Tranfers	
BUSINESS-TYPE ACTIVITIES:					
Capital Assts not Being Depreciated:					
Land and Improvements	\$ 197,388	\$ -	\$ -	\$ -	\$ 197,388
Construction in Progress	7,603,687	17,001,211	-	-	24,604,898
Total Capital Assets not Being Depreciated	7,801,075	17,001,211	-	-	24,802,286
Other Capital Assets:					
Electric System	32,501,478	2,904,269	-	-	35,405,747
Water System	27,912,837	123,066	-	-	28,035,903
Sewer System	18,407,388	79,807	-	-	18,487,195
Electric Instruments	957,806	38,587	-	-	996,393
Water Instruments	304,503	85,000	-	-	389,503
Sewer Instruments	219,479	14,224	-	-	233,703
Automotive Equipment	2,492,705	67,364	(15,689)	-	2,544,380
Office Machines	52,604	64,035	-	-	116,639
Buildings	301,089	-	-	-	301,089
Wastewater Treatment Plant	4,111,970	-	-	-	4,111,970
Total Other Capital Assets at Historical Cost	87,261,859	3,376,352	(15,689)	-	90,622,522
Less Accumulated Depreciation	(34,740,868)	(2,500,812)	15,689	-	(37,225,991)
Other Capital Assets, Net	52,520,991	875,540	-	-	53,396,531
Business-Type Activities Capital Assets, Net	<u>\$60,322,066</u>	<u>\$17,876,751</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$78,198,817</u>

Depreciation expense was charged to functions as follows:

GOVERNMENT ACTIVITIES:

General Government	\$ 123,231
Public Safety	163,826
Highways and Streets	88,290
Sanitation	47,051
Culture and Recreation	117,792
Total Governmental Activities Depreciation Expense	<u>\$ 540,190</u>

BUSINESS-TYPE ACTIVITIES:

Electric Department	\$ 1,048,697
Water Department	814,649
Sewer Department	637,466
Total Business-Type Activities Depreciation Expense	<u>\$ 2,500,812</u>

NOTE 1 SUMMARY of SIGNIFICANT ACCOUNTING POLICIES (Continued)

Construction Commitments

The City has entered into construction contracts during the fiscal year, which include the construction of a waste water treatment plant. As of June 30, 2013, the City had outstanding construction contracts totaling \$15,926,457 that will be financed from the state revolving loan fund.

	<u>Construction Commitments</u>
Proprietary Fund	<u>\$ 15,926,457</u>
Total	<u><u>\$ 15,926,457</u></u>

Insurance recoveries for the year ended June 30, 2013, amounted to \$7,848 for the general fund and \$397 for the proprietary fund. The recoveries are classified as "Other Income" in the financial statements.

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, 2013 was \$115,503 in the proprietary fund.

K. Components of Restricted Assets

General Fund

Restricted Assets at June 30, 2013, were as follows:

	<u>Local Option Sales Tax</u>
Cash	<u>\$ 191,006</u>

Proprietary Fund

Restricted Assets at June 30, 2013 were as follows:

	Revenue Bond Sinking and Revenue Fund	Customer Deposits	Total
Cash and Certificates of Deposits	\$ -	\$ 646,807	\$ 646,807
U.S. Government Securities	1,974,515	-	1,974,515
Total	<u>\$ 1,974,515</u>	<u>\$ 646,807</u>	<u>\$ 2,621,322</u>

NOTE 1 SUMMARY of SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2013, the sinking fund balance is being funded to satisfy such bond ordinance requirements

L. Fund Equity

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.
- 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, 2013, was \$548,219. City Council increased its tax millage specifically for capital. The balance unspent at June 30, 2013, was \$247,813. City Council passed a 2% hospitality tax effective December 1, 2009. The fund balance at June 30, 2013 was \$360,167. City Council passed an ordinance restricting \$88,164 of proceeds from the sale of its Watershed property. This money cannot be spent without an ordinance authorizing it by City Council.

Net Position - 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, 2012	<u>\$ 34,811,303</u>
Maximum Amount that can be Transferred during the Year Ended June 30, 2013	<u>\$ 6,962,261</u>
Amount Transferred during the Year Ended June 30, 2013	<u>\$ 2,066,000</u>

NOTE 1 SUMMARY of SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 administered by the Retirement Division of the SC Public Employee Benefit Authority (SC PEBA). 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, survivor and disability benefits to eligible members or beneficiaries. 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 SCRS and the PORS is issued and publicly available by visiting www.retirement.sc.gov or by writing SC PEBA, 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.

NOTE 1 SUMMARY of SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. Retirement Plan (Continued)

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.

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, 2012 is:

	SCRS	PORS
Unfunded accrued liability obligation (in millions)	\$ 13,917	\$ 1,549

NOTE 1 SUMMARY of SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. Retirement Plan (Continued)

Contributions Required and Contributions Made

The State's consulting actuary determines employer contributions for all systems. The systems use the Entry Age Normal Cost 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, 2012, the unfunded liability liquidation period in years for SCRS was twenty-nine years and PORS was thirty years.

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

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>	South Carolina Retirement System			
	<u>Covered Salaries</u>	<u>Employee Contributions</u>	<u>Employer Contributions</u>	<u>Total Contributions</u>
2013	\$ 3,910,730	\$ 273,017	\$ 414,537	\$ 687,554
2012	3,875,723	251,922	369,550	621,472
2011	3,795,484	246,707	356,396	603,103

<u>Year Ended June 30,</u>	Contribution Rate		
	<u>Employee</u>	<u>Employer</u>	<u>Total</u>
2013	7.00%	10.60%	17.60%
2012	6.50%	9.54%	16.04%
2011	6.50%	9.39%	15.89%

<u>Year Ended June 30,</u>	Police Officers Retirement System			
	<u>Covered Salaries</u>	<u>Employee Contributions</u>	<u>Employer Contributions</u>	<u>Total Contributions</u>
2013	\$ 2,111,200	\$ 147,334	\$ 259,678	\$ 407,012
2012	2,074,851	134,865	244,065	378,930
2011	2,012,829	130,834	232,079	362,913

<u>Year Ended June 30,</u>	Contribution Rate		
	<u>Employee</u>	<u>Employer</u>	<u>Total</u>
2013	7.00%	12.30%	19.30%
2012	6.50%	11.76%	18.26%
2011	6.50%	11.33%	17.83%

NOTE 1 SUMMARY of SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

As of June 30, 2013, the liability for accrued vacation is \$239,856. The amount applicable to the Propriety Fund is \$73,823 and the amount applicable to the general fund is \$166,033. 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

Long-term liability activity for the year ended June 30, 2013 was as follows:

	Payable 6/30/2012	Issued	Retired	Balance 6/30/2013	Due Within One Year
Combined Public Utility System Refunding Revenue Bond, Series 2013A	\$ -	\$ 3,910,000	\$ -	\$ 3,910,000	\$ 60,000
Combined Public Utility Revenue Bonds of 2004	16,260,000	-	4,770,000	11,490,000	1,110,000
Lease Obligation Payable - Water Meters	-	-	-	-	-
Combined Public Utility Revenue Bond 2007	819,341	-	124,273	695,068	128,945
Combined Public Utility System Refunding Revenue Bond Series 2010A	165,000	-	165,000	-	-
Combined Public Utility System Improvement Revenue Bond Series 2010	2,812,705	-	100,261	2,712,444	105,244
Combined Public Utility System Refunding Revenue Bond, Series 2012A	2,653,350	-	241,138	2,412,212	246,219
State Revolving Fund Loan, Series 2012B	4,068,673	16,510,687	-	20,579,360	-
Total Revenue and Lease Obligations Payable	26,779,069	20,420,687	5,400,672	41,799,084	1,650,408
Compensated Absences	73,823	-	-	73,823	-
Total Proprietary Fund Long-Term Debt	<u>\$26,852,892</u>	<u>\$20,420,687</u>	<u>\$ 5,400,672</u>	<u>\$41,872,907</u>	<u>\$ 1,650,408</u>

Long-Term Debt at June 30, 2013 consisted of the following:

Refunding Revenue Bond, Series 2013A dated March 27, 2013, payable \$60,000 to \$415,000 each March 1, 2014 through 2024. Interest at 1.87%, payable each March 1 and September 1.	\$ 3,910,000
Revenue Bond, Series 2012A dated February 29, 2012, payable \$297,044 each March 1, 2013 through 2022. Interest at 2.107% payable March 1.	2,412,212
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.	11,490,000
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%.	695,068
Improvement Revenue Bonds, Series 2010 dated February 3, 2010, payable in annual installments of \$240,052 through 2030 Interest at 4.97%.	2,712,444
State Revolving Fund Loan, Series 2012B payable \$252,751 annually beginning September 2014 at 2.25% interest.	20,579,360
Total	<u>\$41,799,084</u>

NOTE 2 CHANGES in LONG-TERM DEBT-PROPRIETARY FUND (Continued)

The annual requirements to amortize all bonds outstanding as of June 30, 2013 follows:

Year Ending	Series 2013A		Series 2012A		Series 2004	
	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$ 60,000	\$ 67,836	\$ 246,219	\$ 50,825	\$ 1,110,000	\$ 544,106
2015	350,000	71,995	251,407	45,637	835,000	488,606
2016	360,000	65,450	256,704	40,340	880,000	446,856
2017	365,000	58,718	262,113	34,932	915,000	411,656
2018	375,000	51,892	267,635	29,409	950,000	370,482
2019-2023	1,985,000	151,564	1,128,134	60,045	5,535,000	1,088,160
2024-2028	415,000	7,760	-	-	1,265,000	55,340
2029-2033	-	-	-	-	-	-
2034	-	-	-	-	-	-
Totals	<u>\$ 3,910,000</u>	<u>\$ 475,215</u>	<u>\$ 2,412,212</u>	<u>\$ 261,188</u>	<u>\$ 11,490,000</u>	<u>\$ 3,405,206</u>

Year Ending	Series 2007		2010 Improvement		Series 2012B	
	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$ 128,945	\$ 26,134	\$ 105,244	\$ 134,808	\$ -	\$ 467,841
2015	133,794	21,286	110,475	129,578	859,925	418,895
2016	138,824	16,256	115,965	124,087	841,379	437,441
2017	144,044	11,036	121,729	118,324	860,507	418,313
2018	149,461	5,620	127,779	112,274	880,069	398,751
2019-2023	-	-	740,706	459,557	4,709,704	1,684,396
2024-2028	-	-	944,000	256,263	5,269,943	1,124,155
2029-2033	-	-	446,546	33,561	5,896,827	497,272
2034	-	-	-	-	1,261,006	17,814
Totals	<u>\$ 695,068</u>	<u>\$ 80,332</u>	<u>\$ 2,712,444</u>	<u>\$ 1,368,452</u>	<u>\$ 20,579,360</u>	<u>\$ 5,464,878</u>

Year Ending	Total	
	Principal	Interest
2014	\$ 1,650,408	\$ 1,291,550
2015	2,540,601	1,175,997
2016	2,592,872	1,130,430
2017	2,668,393	1,052,979
2018	2,749,944	968,428
2019-2023	14,098,544	3,443,722
2024-2028	7,893,943	1,443,518
2029-2033	6,343,373	530,833
2034	1,261,006	17,814
Totals	<u>\$ 41,799,084</u>	<u>\$ 11,055,271</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. A portion of the Series 2004 Bond was advance refunded through the issuance of the Series 2013A Bond. The advance refunding extinguished \$3,695,000 of the 2004 Bond. Because of this advance refunding, the City incurred a loss on retirement of debt of \$157,251. The City is amortizing this loss over ten years.

NOTE 3 CHANGES in GOVERNMENTAL FUND DEBT

A summary of the Governmental Fund Debt at June 30, 2013 is as follows:

Lease Obligation Payable, September 1, Annually at 3.87% Interest	\$ 372,397
Lease Obligation Payable, May 12, Annually at 2.25% Interest	393,204
Lease Obligation Payable, May 1, Annually at 1.25% Interest	<u>207,494</u>
Total Lease and Note Obligations	<u>973,095</u>
Liability for Compensated Absences	<u>166,033</u>
Total Long-Term Debt	<u><u>\$ 1,139,128</u></u>

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

	Payable 6/30/2012	Additions	Reductions	Balance 6/30/2013	Due Within One Year
Note Payable	\$ 33,333	\$ -	\$ 33,333	\$ -	\$ -
Capital Leases	960,472	312,500	299,877	973,095	194,871
Total Lease Obligations	<u>993,805</u>	<u>312,500</u>	<u>333,210</u>	<u>973,095</u>	<u>194,871</u>
Compensated Absences	180,922	-	14,889	166,033	-
Total Governmental Activities Long-Term Debt	<u>\$ 1,174,727</u>	<u>\$ 312,500</u>	<u>\$ 348,099</u>	<u>\$ 1,139,128</u>	<u>\$ 194,871</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>
2014	\$ 235,777	\$ 25,883
2015	242,678	20,163
2016	142,271	14,272
2017	147,009	9,534
2018	49,637	4,629
2019 - 2021	155,723	7,072
Totals	<u>\$ 973,095</u>	<u>\$ 81,553</u>

NOTE 4 POST-EMPLOYMENT EMPLOYEE BENEFITS

The City has implemented Governmental Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This standard requires 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, 2012, the valuation date, one hundred seven (107) retirees and ninety-three (93) 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, 2012, 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, 2013, 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, 2012.

Annual Required Contribution (ARC)	\$ 880,300
Interest on Net OPEB Obligation	59,500
Adjustment to ARC	<u>(63,200)</u>
Annual OPEB cost	876,600
Contributions Made	<u>563,640</u>
Change in Net OPEB Obligation	<u>312,960</u>
Net OPEB Obligation, Beginning of Year	<u>1,488,188</u>
Net OPEB Obligation, End of Year	<u><u>\$ 1,801,148</u></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>
2011	\$ 742,600	67.83%	\$ 1,233,295
2012	778,535	67.26%	1,488,188
2013	876,600	64.30%	1,801,148

NOTE 4 POST-EMPLOYMENT EMPLOYEE BENEFITS (Continued)

Funded Status and Funding Progress: The funding status of the plan as of June 30, 2013, based on a actuarial valuation as of July 1, 2010, was as follows:

Actuarially Accrued Liability (AAL)	\$ 16,820,000
Actuarial Value of Plan Assets	-
Unfunded Actuarial Accrued Liability (UAAL)	<u>\$ 16,820,000</u>
Funded Ratio (Actuarial Value of Plan Assets/AAL)	0%
Covered Payroll (Active Plan Members)	\$ 5,976,800
UAAL as a Percentage of Covered Payroll	281%

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, 2012, actuarial valuation, the projected unit credit method was used. The actuarial assumptions included a 4.00% investment rate of return and an annual health care cost trend rate of 7.10% initially, reduced by decrements to an ultimate rate of 4.70% over 73 years. The City's unfunded actuarial accrued liability is being amortized as a level percentage of payroll. The remaining amortization period at July 1, 2012 was twenty six 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, 2013.

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 fund 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.

NOTE 5 INTERFUND TRANSACTION (Continued)

Individual fund operating transfers for fiscal year 2013 were as follows:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
General	\$ 2,066,000	\$ -
Special Revenue	156,322	-
Capital Project	-	156,322
Utility Fund	-	2,066,000
Totals	<u>\$ 2,222,322</u>	<u>\$ 2,222,322</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, 2013 were \$850,353 and \$139,791 was capitalized.

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 EXCESS of EXPENDITURES over APPROPRIATIONS

The expenditures for the general fund of \$8,968,272 exceeded appropriations of \$8,630,600 by \$337,672 for the year ended June 30, 2013. This is due to expenditures for capital outlay and grants, which are typically not included in the budget. For the year ended June 30, 2013, revenue for the general fund, including capital financing, of \$6,914,623 exceeded the budget of \$6,564,600 by \$350,023.

NOTE 10 SUBSEQUENT EVENTS

The City evaluated all events or transactions that occurred after June 30, 2013, 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, 2013, 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, 2013

	Original Budget	Revised Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Taxes	\$ 2,445,000	\$ 2,445,000	\$ 2,411,216	\$ (33,784)
Licenses and Permits	1,842,800	1,842,800	1,882,528	39,728
Intergovernmental Revenues	362,500	362,500	708,739	346,239
Charge for Services	1,572,000	1,572,000	1,558,297	(13,703)
Fines and Forfeits	225,000	225,000	215,960	(9,040)
Miscellaneous	117,300	117,300	137,883	20,583
Total Revenues	6,564,600	6,564,600	6,914,623	350,023
EXPENDITURES				
General Government	2,152,204	2,152,204	2,171,739	(19,535)
Public Safety	3,764,382	3,764,382	3,729,259	35,123
Highways and Streets	819,219	819,219	1,077,891	(258,672)
Sanitation	1,121,237	1,121,237	1,090,728	30,509
Culture and Recreation	244,772	244,772	290,132	(45,360)
Non-Departmental	528,786	528,786	608,523	(79,737)
Total Expenditures	8,630,600	8,630,600	8,968,272	(337,672)
EXCESS (DEFICIENCY) of REVENUES OVER EXPENDITURES	(2,066,000)	(2,066,000)	(2,053,649)	12,351
OTHER FINANCING SOURCES (USES)				
Transfer In	2,066,000	2,066,000	2,066,000	-
Total Other Financing Sources (Uses)	2,066,000	2,066,000	2,066,000	-
EXCESS (DEFICIENCY) of REVENUES and OTHER SOURCES OVER EXPENDITURES and OTHER USES	\$ -	\$ -	12,351	\$ 12,351
FUND BALANCE, Beginning of Year			4,066,374	
FUND BALANCE, End of Year			\$ 4,078,725	

CITY of CAMDEN, SOUTH CAROLINA
Camden, South Carolina

SCHEDULE of FUNDING PROGRESS FOR RETIREE HEALTH PLAN

Year Ended June 30, 2013

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%
July 1, 2012	-	\$ 16,820,000	\$ 16,820,000	0%	\$ 5,976,800	281%

The July 1, 2007 actuarial valuation used the entry age normal cost method. The July 1, 2010 and July 1, 2012 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, 2013

ASSETS	
Cash	\$ 747,645
Restricted Cash	191,006
Investments	4,527,347
Receivables (Net of Allowance for Uncollectibles)	
Taxes	311,254
Miscellaneous	266,315
Inventory	<u>82,272</u>
Total Assets	<u>\$ 6,125,839</u>
LIABILITIES, DEFERRED INFLOW OF RESOURCES, and FUND BALANCE	
Liabilities:	
Accounts Payable	134,514
Accrued Liabilities	<u>249,582</u>
Total Liabilities	<u>384,096</u>
Deferred Inflow of Resources:	
Deferred Revenues	
Local Option Sales Tax	191,006
Business Licenses	1,340,939
Franchise Fees	80,937
Other	<u>50,136</u>
Total Deferred Inflow of Resources	<u>1,663,018</u>
Fund Balance	
Nonspendable	82,272
Committed	88,164
Unassigned	<u>3,908,289</u>
Total Fund Balance	<u>4,078,725</u>
Total Liabilities, Deferred Inflow of Resources, and Fund Balance	<u>\$ 6,125,839</u>

CITY of CAMDEN, SOUTH CAROLINA
GENERAL FUND

STATEMENT of REVENUES COMPARED to BUDGET (GAAP BASIS)
For the Year Ended June 30, 2013

	Revised Budget	Actual	Variance Favorable (Unfavorable)
LOCAL SOURCES			
Property Taxes	\$ 1,260,000	\$ 1,211,250	\$ (48,750)
Vehicle Taxes	100,000	119,890	19,890
Local Option Sales Tax	1,030,000	980,824	(49,176)
Penalties and Delinquent Taxes	55,000	99,252	44,252
Fines and Forfeitures	225,000	215,960	(9,040)
Business Licenses	1,607,300	1,602,603	(4,697)
Franchise Fees	235,500	279,925	44,425
Fire Service	477,000	460,986	(16,014)
Sanitation	1,095,000	1,097,311	2,311
Archives	7,500	3,880	(3,620)
Sale/Use Equipment	3,000	22,137	19,137
Interest	20,000	9,824	(10,176)
Miscellaneous	86,800	102,042	15,242
Sub-Total	<u>6,202,100</u>	<u>6,205,884</u>	<u>3,784</u>
STATE and LOCAL GOVERNMENT SOURCES			
Local Government Fund	148,000	147,700	(300)
Merchant's Inventory Tax	48,000	48,495	495
Grants and Donations	-	338,155	338,155
Accommodations	26,500	27,649	1,149
Kershaw County Road Maintenance Fee	140,000	146,740	6,740
Sub-Total	<u>362,500</u>	<u>708,739</u>	<u>346,239</u>
Total Revenues	<u>\$ 6,564,600</u>	<u>\$ 6,914,623</u>	<u>\$ 350,023</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, 2012

	Revised Budget	Actual	Variance Favorable (Unfavorable)
GENERAL GOVERNMENT			
Legislature	\$ 141,636	\$ 135,818	\$ 5,818
Court	128,332	155,705	(27,373)
Legal	75,399	102,320	(26,921)
Administration	251,835	227,481	24,354
Finance	967,627	984,521	(16,894)
Zoning/Code Enforcement	180,337	167,308	13,029
Garage Services	238,274	236,569	1,705
Downtown Development	73,461	72,574	887
Planning	91,303	86,927	4,376
Elections	4,000	2,516	1,484
Sub-Total	<u>2,152,204</u>	<u>2,171,739</u>	<u>(19,535)</u>
PUBLIC SAFETY			
Police Department	2,175,118	2,196,448	(21,330)
Fire Department			
Administration	319,342	308,780	10,562
Fire Fighting	1,269,922	1,224,031	45,891
Sub-Total	<u>3,764,382</u>	<u>3,729,259</u>	<u>35,123</u>
HIGHWAYS and STREETS			
Streets Maintenance	349,094	596,954	(247,860)
Park Maintenance	470,125	480,937	(10,812)
Sub-Total	<u>819,219</u>	<u>1,077,891</u>	<u>(258,672)</u>
SANITATION			
Administration	60,430	52,305	8,125
Trash Collection	1,060,807	1,038,423	22,384
Sub-Total	<u>1,121,237</u>	<u>1,090,728</u>	<u>30,509</u>
CULTURE and RECREATION			
Community Promotion	42,000	106,239	(64,239)
Archives	202,772	183,893	18,879
Sub-Total	<u>244,772</u>	<u>290,132</u>	<u>(45,360)</u>
NON-DEPARTMENTAL			
Other Non-Departmental	528,786	608,523	(79,737)
Sub-Total	<u>528,786</u>	<u>608,523</u>	<u>(79,737)</u>
Totals	<u>\$ 8,630,600</u>	<u>\$ 8,968,272</u>	<u>\$ (337,672)</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.

CDBG Grants: to account for grant revenues and expenditures related to CDBG grants.

CITY of CAMDEN, SOUTH CAROLINA
SPECIAL REVENUE FUNDS

COMBINING BALANCE SHEET
June 30, 2013

	Local Tax Fund	Drug Fund	Police Department Recreation Fund	Fireman's Fund	CDBG Grants	Total
ASSETS						
Cash and Investments	\$ 373,347	\$ 22,394	\$ 8,916	\$ 67,609	\$ 122,521	\$ 594,787
Accounts Receivable	9,689	-	-	-	1,000	10,689
Total Assets	<u>\$ 383,036</u>	<u>\$ 22,394</u>	<u>\$ 8,916</u>	<u>\$ 67,609</u>	<u>\$ 123,521</u>	<u>\$ 605,476</u>
LIABILITIES						
Accounts Payable	\$ 2,932	\$ -	\$ -	\$ -	\$ -	\$ 2,932
Total Liabilities	<u>2,932</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,932</u>
DEFERRED INFLOW OF RESOURCES						
Deferred Revenue	19,937	-	-	-	-	19,937
Total Deferred Inflow of Resources	<u>19,937</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>19,937</u>
FUND BALANCES						
Restricted	-	22,394	-	67,609	123,521	213,524
Committed	360,167	-	-	-	-	360,167
Assigned	-	-	8,916	-	-	8,916
Total Fund Balances	<u>360,167</u>	<u>22,394</u>	<u>8,916</u>	<u>67,609</u>	<u>123,521</u>	<u>582,607</u>
Total Liabilities, Deferred Inflow of Resources, and Fund Balances	<u>\$ 383,036</u>	<u>\$ 22,394</u>	<u>\$ 8,916</u>	<u>\$ 67,609</u>	<u>\$ 123,521</u>	<u>\$ 605,476</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, 2013

	Local Tax Fund	Drug Fund	Police Department Recreation Fund	Fireman's Fund	CDBG Grants	Victim's Assistance	Total
REVENUES							
Federal	\$ -	\$ -	\$ -	\$ -	\$ 37,953	\$ -	\$ 37,953
State	-	2,451	-	38,490	-	-	40,941
Local	769,824	-	-	-	-	-	769,824
Interest	-	20	13	235	-	-	268
Miscellaneous	-	-	23,055	15,398	-	16,155	54,608
Total Revenues	769,824	2,471	23,068	54,123	37,953	16,155	903,594
EXPENDITURES							
Public Safety	-	8,188	-	-	-	16,155	24,343
Culture and Recreation	584,735	-	-	-	-	-	584,735
Non-Departmental	-	-	16,702	47,902	70,754	-	135,358
Total Expenditures	584,735	8,188	16,702	47,902	70,754	16,155	744,436
EXCESS (DEFICIENCY) of REVENUES over EXPENDITURES	185,089	(5,717)	6,366	6,221	(32,801)	-	159,158
OTHER FINANCING SOURCES (USES)							
Transfer In	-	-	-	-	156,322	-	156,322
Total Other Financing Sources (Uses)	-	-	-	-	156,322	-	156,322
FUND BALANCE, Beginning of Year	175,078	28,111	2,550	61,388	-	-	267,127
FUND BALANCE, End of Year	\$ 360,167	\$ 22,394	\$ 8,916	\$ 67,609	\$ 123,521	\$ -	\$ 582,607

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, 2013

COURT FINES	
Court Fines Collected	\$ 90,492
Court Fines Retained by City	<u>(90,492)</u>
Court Fines Remitted to the State Treasurer	<u><u>\$ -</u></u>
COURT ASSESSMENTS	
Court Assessments and Surcharges Collected	\$ 141,623
Court Assessments and Surcharges Retained by City	<u>(16,155)</u>
Court Assessments Remitted to the State Treasurer	<u><u>\$ 125,468</u></u>
VICTIMS SERVICES	
Court Assessments and Surcharges Allocated to Victim Services	<u>\$ 16,155</u>
Funds Allocated to Victim Services	-
Victim Services Expenditures	<u>16,155</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 and improvements funded by tax millage.

Project Improvement Fund: to account for special projects as approved by City Council, funded by tax millage.

CITY of CAMDEN, SOUTH CAROLINA
CAPITAL PROJECT FUNDS

BALANCE SHEET
June 30, 2013

ASSETS

Cash and Cash Equivalents	<u>\$ 816,501</u>
Total Assets	<u><u>\$ 816,501</u></u>

LIABILITIES

Accounts Payable	<u>14,719</u>
Total Liabilities	<u><u>14,719</u></u>

DEFERRED INFLOW OF RESOURCES

Deferred Revenue	<u>5,750</u>
Total Deferred Inflow of Resources	<u><u>5,750</u></u>

FUND BALANCE

Committed For:	
Roads	548,219
Project Improvement	<u>247,813</u>
Total Fund Balance	<u><u>796,032</u></u>
Total Liabilities, Deferred Inflow of Resources, and Fund Balance	<u><u>\$ 816,501</u></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, 2013

	<u>Road Fund</u>	<u>Project Improvement Fund</u>	<u>Total Capital Projects</u>
REVENUES			
Road Revenue	\$ 356,588	\$ -	\$ 356,588
Capital Revenue	-	271,686	271,686
Total Revenues	<u>356,588</u>	<u>271,686</u>	<u>628,274</u>
EXPENDITURES			
Highways and Streets	239,104	-	239,104
Non-Departmental	-	704,394	704,394
Total Expenditures	<u>239,104</u>	<u>704,394</u>	<u>943,498</u>
Excess (Deficiency) of Revenues Over Expenditures	117,484	(432,708)	(315,224)
OTHER FINANCING SOURCES (USES)			
Capital Financing	-	312,500	312,500
Transfer Out	(156,322)	-	(156,322)
Total Other Financing Sources (Uses)	<u>(156,322)</u>	<u>312,500</u>	<u>156,178</u>
FUND BALANCE, Beginning of Year	<u>587,057</u>	<u>368,021</u>	<u>955,078</u>
FUND BALANCE, End of Year	<u><u>\$ 548,219</u></u>	<u><u>\$ 247,813</u></u>	<u><u>\$ 796,032</u></u>

PROPRIETARY FUNDS

CITY of CAMDEN, SOUTH CAROLINA
STATEMENT of NET POSITION
June 30, 2013

ASSETS	
CURRENT ASSETS	
Cash	\$ 5,039,883
Investments	2,256,877
Water and Lights Accounts Receivable, Net	2,106,262
Miscellaneous Receivables	2,029,777
Inventories	1,015,324
Total Current Assets	<u>12,448,123</u>
NON-CURRENT ASSETS	
RESTRICTED ASSETS	
Cash - Customer Deposits	646,807
Investments - Reserve Bond Funds	1,974,515
Total Restricted Assets	<u>2,621,322</u>
CAPITAL ASSETS	
Construction in Process	24,604,898
Buildings and Land	498,477
Furniture, Fixtures and Equipment	2,661,020
Electric System	36,402,140
Water System	28,425,406
Sewer and Wastewater System	22,832,867
Sub-Total	<u>115,424,808</u>
Less Accumulated Depreciation	<u>(37,225,991)</u>
Total Capital Assets	<u>78,198,817</u>
Total Non-Current Assets	<u>80,820,139</u>
Total Assets	<u>93,268,262</u>
DEFERRED OUTFLOW OF RESOURCES	
Deferred Charges	1,675,528
Total Deferred Outflow of Resources	<u>1,675,528</u>
LIABILITIES	
CURRENT LIABILITIES	
Accounts Payable	4,048,187
Other Current Liabilities	71,350
Bonds Payable, Current	1,650,408
Total Current Liabilities	<u>5,769,945</u>
NON-CURRENT LIABILITIES	
Accrued Vacation Pay	73,823
OPEB Obligation	393,255
Payable from Restricted Assets	
Customer Deposits	605,540
Accrued Interest Payable	273,845
Bonds Payable, Non-Current	40,148,676
Total Non-Current Liabilities	<u>41,495,139</u>
Total Liabilities	<u>47,265,084</u>
DEFERRED INFLOW OF RESOURCES	
Unamortized Bond Discount/Premium	309,181
Total Deferred Inflow of Resources	<u>309,181</u>
NET POSITION	
Net Investment in Capital Assets	37,766,080
Restricted for Debt Service	1,974,515
Unrestricted	7,628,930
Total Net Position	<u>\$ 47,369,525</u>

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 POSITION -BUDGET and ACTUAL (BUDGETARY BASIS)
For the Year Ended June 30, 2013

	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
OPERATING REVENUES			
Electric Division	\$ 20,730,000	\$ 19,429,429	\$ (1,300,571)
Less: Direct Cost	<u>19,679,922</u>	<u>16,056,938</u>	<u>3,622,984</u>
Income from Electric Division	<u>1,050,078</u>	<u>3,372,491</u>	<u>2,322,413</u>
 Water Division	 4,210,000	 4,091,189	 (118,811)
Less: Direct Cost	<u>2,088,650</u>	<u>2,533,546</u>	<u>(444,897)</u>
Income from Water Division	<u>2,121,350</u>	<u>1,557,643</u>	<u>(563,708)</u>
 Sewer Division	 2,356,500	 2,486,168	 129,668
Less: Direct Cost	<u>1,257,028</u>	<u>1,600,545</u>	<u>(343,516)</u>
Income from Sewer Division	<u>1,099,472</u>	<u>885,623</u>	<u>(213,848)</u>
 Operating Income	 <u>4,270,900</u>	 <u>5,815,757</u>	 <u>1,544,857</u>
 NON-OPERATING REVENUE (EXPENSE)			
Interest Income	20,000	6,244	(13,756)
Interest Expense	(2,709,900)	(850,353)	1,859,547
Other Revenue (Expenses)	<u>485,000</u>	<u>844,075</u>	<u>359,075</u>
Total Non-Operating Revenues (Expense)	<u>(2,204,900)</u>	<u>(34)</u>	<u>2,204,866</u>
Income (Loss) before Contributions and Transfers	<u>2,066,000</u>	<u>5,815,723</u>	<u>3,749,723</u>
 Transfers Out	 <u>(2,066,000)</u>	 <u>(2,066,000)</u>	 <u>-</u>
Net Transfers	<u>(2,066,000)</u>	<u>(2,066,000)</u>	<u>-</u>
 Change in Net Position	 <u>\$ -</u>	 <u>3,749,723</u>	 <u>\$ 3,749,723</u>
 NET POSITION, Beginning of Year		 <u>43,619,802</u>	
NET POSITION, End of Year		<u>\$ 47,369,525</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, 2013

	Revised Budget	Actual	Variance Favorable (Unfavorable)
Reconnections/Penalties	\$ 305,000	\$ 371,178	\$ 66,178
Setoff Debt Collections	6,500	5,029	(1,471)
Pole Rental	60,000	71,133	11,133
Handling and Return Fees	8,000	8,041	41
Use of Labor and Equipment	10,000	161,443	151,443
Miscellaneous	35,500	147,001	111,501
Septic Tank Hauler Fees	60,000	80,250	20,250
Total	<u>\$ 485,000</u>	<u>\$ 844,075</u>	<u>\$ 359,075</u>

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the City Council
City of Camden
Camden, South Carolina

We have audited, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Camden, South Carolina, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise City of Camden, South Carolina's basic financial statements, and have issued our report thereon dated November 5, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Camden, South Carolina's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Camden, South Carolina's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Camden, South Carolina's internal control.

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Camden, South Carolina's financial statements are free from 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Cantey, Tiller, Pierce & Green, LLP

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

November 5, 2013

CANTEY, TILLER, PIERCE & GREEN, LLP

Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Honorable Mayor and
Members of the Town Council
City of Camden
Chesterfield, South Carolina

Report on Compliance for Each Major Federal Program

We have audited City of Camden, South Carolina's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of City of Camden, South Carolina's major federal programs for the year ended June 30, 2013. City of Camden, South Carolina's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of City of Camden, South Carolina's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City of Camden, South Carolina's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of City of Camden, South Carolina's compliance.

Opinion on Each Major Federal Program

In our opinion, City of Camden, South Carolina, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of City of Camden, South Carolina, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered City of Camden, South Carolina's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of City of Camden, South Carolina's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Cantey, Tiller, Pierce & Green, LLP

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

November 5, 2013

CITY of CAMDEN, SOUTH CAROLINA
PROPRIETARY FUNDS

SCHEDULE of EXPENDITURES of FEDERAL AWARDS
For the Year Ended June 30, 2013

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass- Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
U.S. Department of Agriculture Forest Service Cooperative Forestry Assistance	10.664		\$ 3,000
U. S. Department of Housing and Urban Development Community Development Block Grant	14.228		29,413
ARRA - Community Development Block Grant	14.228		8,539
U. S. Department of Justice Edward Byrne Memorial Justice Assistance Grant	16.803		55,506
U.S. Department of Transportation National Infrastructure Investments - TIGER II	20.933		189,765
U.S. Environmental Protection Agency Capitalization Grants for Clean Water State Revolving Fund	66.458	1-145-11-433-01	5,737,061
			<u>\$ 6,023,284</u>

Note A – The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Camden, South Carolina under programs of the federal government for the year ended June 30, 2013. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-profit Organizations*. Because the Schedule presents only a selected portion of the operations of the City of Camden, South Carolina, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the City of Camden, South Carolina.

Note B – Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, *Cost Principles for Non-profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note C – The Capitalization Grant for Clean Water, State Revolving Funds were expended in the form of loan proceeds. The amount of the loan outstanding at June 30, 2013 was \$20,579,360, which includes state matching funds of seventeen percent.

CITY of CAMDEN, SOUTH CAROLINA
SCHEDULE of FINDINGS and QUESTIONED COSTS
Year Ended June 30, 2013

A. Summary of auditor's results:

1. The Auditor's Report expresses an unqualified opinion on the financial statements of the City of Camden, South Carolina.
2. No significant deficiencies relating to the audit of the financial statements are reported in the report on internal control.
3. No instances of noncompliance material to the financial statements of the City of Camden, South Carolina were disclosed during the audit.
4. No significant deficiencies related to the audit of major federal award programs are reported in the report on compliance.
5. The Auditor's Report on compliance for the major federal award program for the City of Camden, South Carolina expresses an unqualified opinion.
6. There were no audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133.

7. The major programs tested were:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
20.933	U.S. Department of Transportation
66.458	U.S. Environmental Protection Agency

8. The threshold for distinguishing Types A and B programs was \$300,000.00.
9. Auditee considered low risk? ____ Yes X No

B. FINANCIAL STATEMENT AUDIT

There were no deficiencies noted.

C. FINDINGS and QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

There were no deficiencies noted.