

City of Simpsonville, South Carolina

Comprehensive Annual Financial Report

**For the Fiscal Year Ended
June 30, 2006**



CITY OF SIMPSONVILLE, SOUTH CAROLINA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

PREPARED BY THE CITY ADMINISTRATOR'S OFFICE

Russell B. Hawes
City Administrator

CITY OF SIMPSONVILLE, SOUTH CAROLINA

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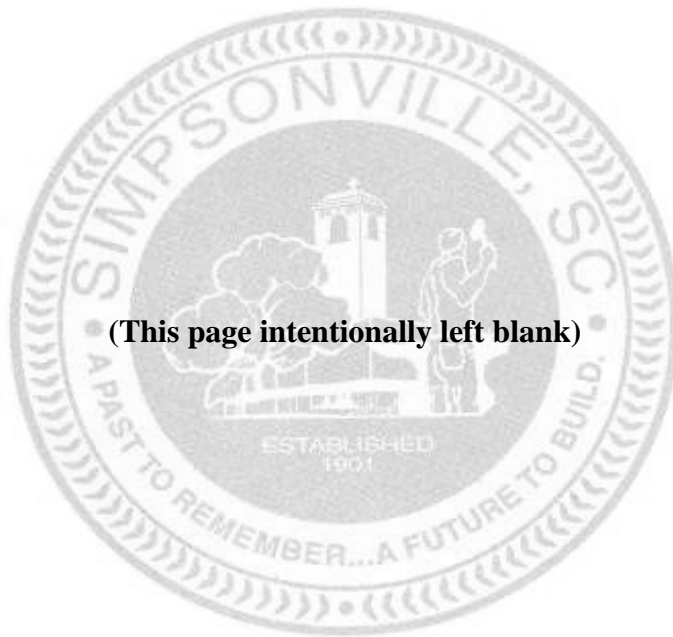
CITY OF SIMPSONVILLE, SOUTH CAROLINA

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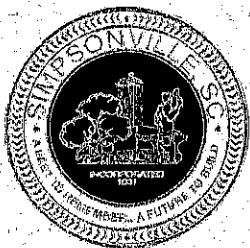
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INTRODUCTORY SECTION



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October 20, 2006

The Honorable Mayor Waldrop
Members of City Council
Citizens of the City of Simpsonville
Simpsonville, South Carolina

Dear Mayor Waldrop, City Council Members and Citizens:

State law requires that all general-purpose local governments, at the close of each fiscal year, publish a complete set of financial statements presented in conformity with accounting principles generally accepted in the United States of America ("GAAP") and audited 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*, by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the Comprehensive Annual Financial Report ("CAFR") of the City of Simpsonville, South Carolina for the fiscal year ended June 30, 2006.

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

The City of Simpsonville's financial statements have been audited by Greene, Finney, and Horton, LLP, a firm of licensed public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ending June 30, 2006 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Simpsonville's financial statements for the fiscal year ended June 30, 2006 are fairly presented in conformity with GAAP. The independent auditors' report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the City of Simpsonville did not require a broader, federally mandated "Single Audit". This is designed to meet the special needs of federal grantor agencies, but was not required this year as the City did not receive the levels of Federal funding making the "Single Audit" necessary. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards.

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

Community Profile

The City of Simpsonville is located in the Upstate Region of South Carolina and has an estimated population of 16,800. The City was originally incorporated in the year 1901. The City adopted the Council form of government pursuant to the Home Rule Act of 1975. Simpsonville is located in Greenville County (pop. 400,000) twelve miles southeast of downtown Greenville. Simpsonville has experienced a high rate of growth in the past twenty years, and is rapidly becoming a retail destination as stores follow residential rooftops. Originally founded around the Woodside textile mill, Simpsonville is now a diverse economic market with some of the highest per-capita income in Greenville County.

The City of Simpsonville provides a range of services to its citizens ranging from upkeep and extension of sewers and roads to senior activities and recreation. Its police and fire departments are continually recognized in the state for their exemplary service provision. The City's progressive leadership and focus on quality of life issues for its citizens will continue to make Simpsonville one of the most desirable locations in the state to locate a business or family.

City Government

The current governing body is comprised of a mayor elected at-large and six council members, all of whom are elected at-large but must reside in specific districts. As contained in Section 2-31 of the Code of Ordinances of the City of Simpsonville, the City Council shall fix the policies of City government, and as contained in Section 2-161 the City Administrator shall execute and administer such policies. Section 2-164 of the Code of Ordinances provides the City Administrator with the necessary authority to appoint administrative employees. Four Department heads currently report to the City Administrator and are responsible for the following functions: Police, Fire, Public Works, and Recreation. The City Administrator is also department head of the Administration Department where the finance and human resources officers report directly to him.

Budget Process

The budget process begins in February of each year for the upcoming fiscal year which runs from July 1 to June 30. The Finance Director's Office projects fixed operating costs, vehicle replacement, and salary and fringe benefits costs for currently budgeted staffing and service levels. Departments develop objectives, performance measures, and funding requests for new services. This information is assimilated by the Finance Director's Office in March with current financial results. In March, the Finance Director's Office projects revenues for all funds based on current tax rates and fee structures. Certain growth assumptions are made based on analysis of local and regional economic trends. In March, the City Administrator meets with department heads to review funding requests, prioritize program needs, and establish consensus on objectives and performance measures. Based on the most recent revenue estimates available, the City Administrator and the Finance Director modify funding requests according to prioritized service levels. A preliminary budget document is then prepared and submitted to Council for workshop and review in late April. City Council has the first reading in the first council meeting in May, with a second reading of the budget ordinance in the first meeting of June.

Factors Affecting Financial Condition

Local Economy

The City continues to benefit from a strong local economy. This has produced growth in construction within the city. The result has been excellent growth in the city's Special Revenue Fund which collects Hospitality and Accommodations taxes for Heritage Park. As a result of keeping taxes and fees to a minimum, the General Fund has seen a continuing small drop through 2004. In 2004 fees were finally increased and that positive effect was felt in 2005. The Fire Service reimbursement from the County, has not been increased and continues to be a burden on the General Fund. Despite this and an effort to avoid issuing debt, The City's General Fund balance has however growing in fiscal 2006. There has been no increase in property tax rates in 35 years.

Despite this, The City only issued General Obligation long-term debt for \$250,000 to replace a bridge damaged in a rain storm. Its plan is to maximize its control of expenditures, payoff debt, maximize revenue from existing sources of revenue and look for new revenue sources to further replace fund balance.

Long-Term Financial Planning

The Capital Improvement Program ("CIP") is a five-year fiscal planning instrument that is used to identify needed capital projects and to coordinate the financing and timing of those projects. The capital improvement budget is revised annually. It identifies funding sources necessary to fund the improvements. Capital project in the plan require subsequent appropriation as funds become available in the five year term. Projects included in the CIP represent major facility construction, infrastructure renovations, and economic development projects.

Cash Management Policies and Practices

The City's Finance Director is responsible for cash management and prepares monthly cash flow projections for the General Fund. To facilitate improved planning of cash flow, City departments are regularly contacted to identify major expenditures and major receipts of reimbursements from state and federal grant programs. These and other efforts ensure that the cash position of the General Fund remains positive and adequate to meet current requirements.

Risk Management

The purpose of the Risk Management program is to ensure that an action or event will not adversely affect the City's ability to successfully achieve its goals and objectives. Possible occurrences include, but are not limited to, incurring unnecessary liabilities, negative publicity, unintentional errors and misstatements, noncompliance with laws and regulations, and fraud. Risk assessment is an ongoing and dynamic process. City services are constantly modified to reflect changes in organizational structure, federal and state mandates, and demands from citizens. Such realities require risk assessment to be a continuous course of action.

Pension and Other Post Employment Benefits

The City participates in two separate retirement plans: (1) S.C. State Employees Retirement plan, and (2) S.C. Police Officers Retirement Plan. As a result, The City has no post employment liability.

Other points –

- The City's revenue base is becoming more diversified, with additional non-ad valorem revenue streams and less reliance on property tax as the funding source for primary services.
- The General Fund is supported by a revenue stream that has been, and we expect will continue, to be stable. The City continually evaluates and adjusts to fluctuation in any of its revenue streams.
- Standard & Poor's bond rating is AA-.
- Moody's bond rating has been reaffirmed as of October of 2005 at A1
- Fitch rating has been reaffirmed as of October 2005 at A+
- Other indicators of fiscal strength include the avoidance of a millage increase for over 35 years.

Other Information

Awards

A Certificate of Achievement is valid for a period of one year only. The City did receive a Certificate of achievement for 2005. We believe our current report continues to conform to the Certificate of Achievement program requirements, and it will be submitted to the Government Finance Officers Association to determine its eligibility for another certificate.

Acknowledgments

The timely and accurate preparation of the Comprehensive Annual Financial Report could not be accomplished without the diligent efforts of our Department Heads and Finance Director. We express appreciation to the fine employees of this City who contributed in the completion of the report.

Respectfully Submitted,



Russell B. Hawes
City Administrator



Robert W. Harrison
Finance Director

CITY OF SIMPSONVILLE, SOUTH CAROLINA

LISTING OF PRINCIPAL OFFICIALS

YEAR ENDED JUNE 30, 2006

Established

1901

MAYOR

Dennis Waldrop

CITY COUNCIL MEMBERS

Ronald Bridges

Brown Garrett

Robert Gecy

Bruce Larson

Geneva Lawrence

Mike Zitricki

CITY ADMINISTRATOR

Russell Hawes

CITY ATTORNEY

David Holmes

MUNICIPAL JUDGES

Rick Moore

Leslie Sharff

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Simpsonville
South Carolina

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2005

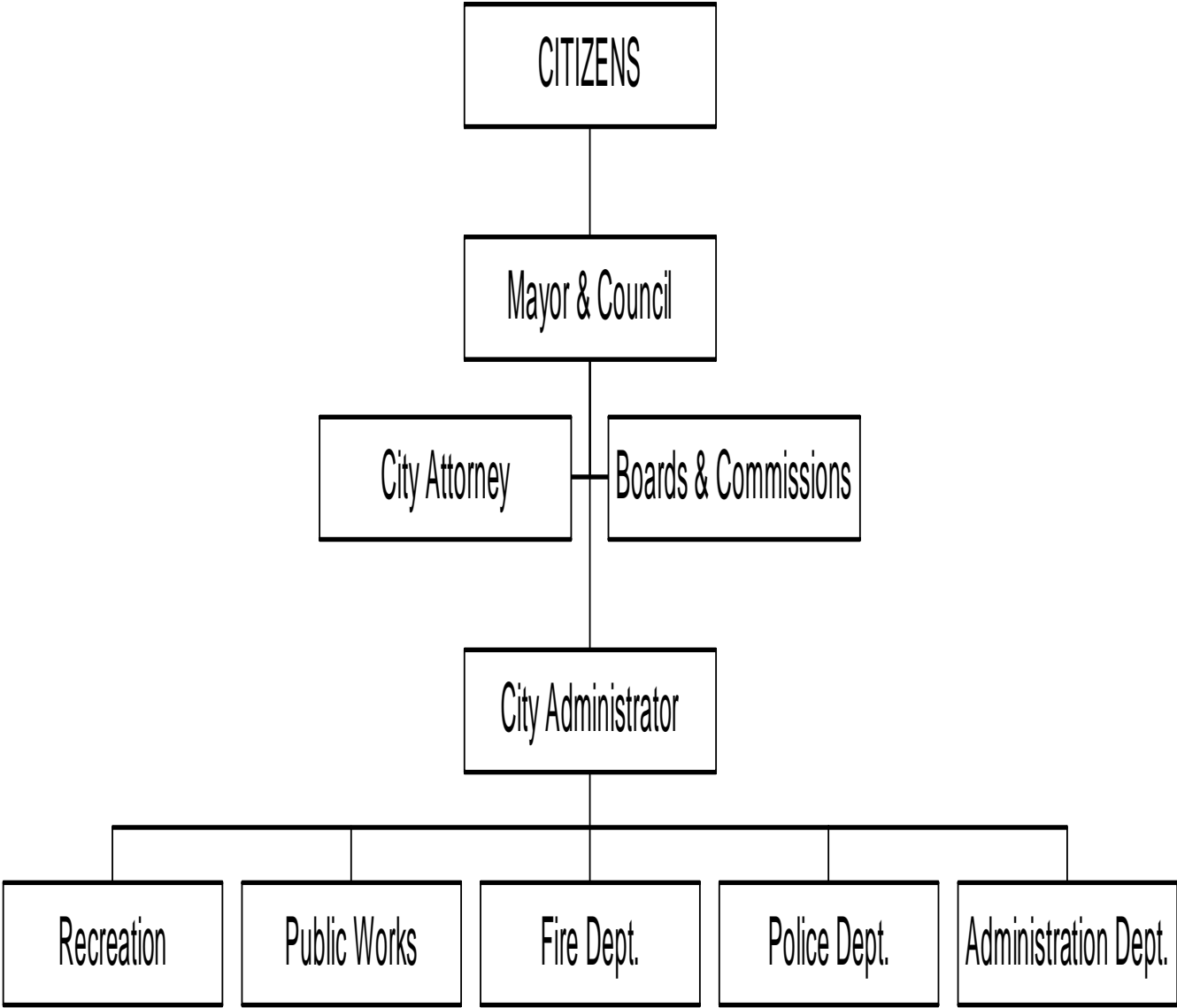
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



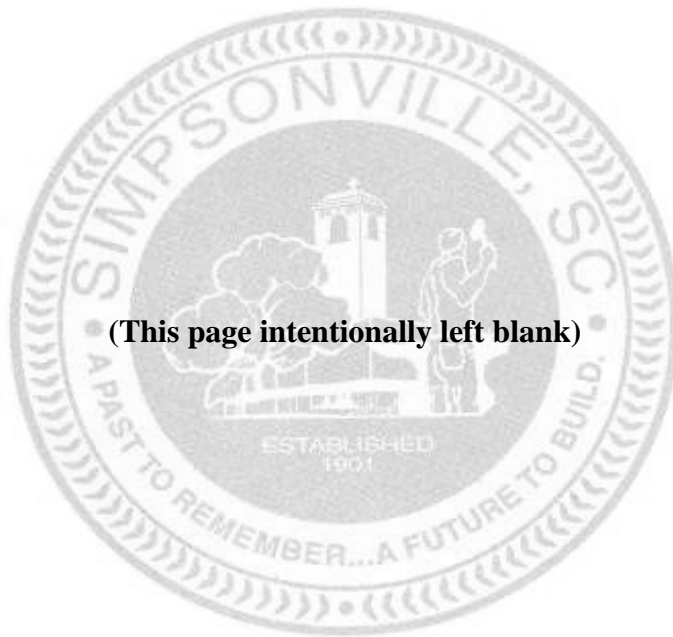
President

Executive Director

CITY OF SIMPSONVILLE



FINANCIAL SECTION



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Vision Authenticity Leadership Universal Experience

INDEPENDENT AUDITORS' REPORT

The Honorable Mayor, Members of City Council,
and City Administrator
City of Simpsonville
Simpsonville, South Carolina

We have audited the accompanying basic financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Simpsonville, South Carolina (the "City"), as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these basic 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 basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Simpsonville, South Carolina, as of June 30, 2006, and the respective changes in financial position, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated, October 6, 2006, on our consideration of the City of Simpsonville's, South Carolina, internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The accompanying management's discussion and analysis and budgetary comparison information, as listed in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Simpsonville's basic financial statements. The introductory section, other supplementary information and statistical section are presented for purposes of additional analysis and are not required parts of the basic financial statements. The other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and accordingly, we express no opinion on them.

Greene, Finney & Horton LLP

Greene, Finney & Horton, LLP
October 6, 2006

CITY OF SIMPSONVILLE, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2006

This discussion and analysis of the City of Simpsonville's (the "City") financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2006. The intent of this discussion and analysis is to present the City's financial performance as a whole; readers should also review the basic financial statements, the notes to the basic financial statements and the supplemental schedules to enhance their understanding of the City's financial performance. We would also encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found as listed in the table of contents.

FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at the close of the fiscal year by approximately \$19,406,000 (*net assets*). Of this amount, approximately \$1,693,000 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets increased by approximately \$108,000, as revenues of approximately \$11,387,000 exceeded expenses of approximately \$11,279,000.
- As of the close of the fiscal year, the City's governmental funds reported combined ending fund balances of approximately \$1,299,000, a decrease of approximately \$682,000 in comparison with the prior year restated balance. The decrease in the fund balance is primarily due to cash payments for the completion of Heritage Park and other capital acquisition.
- At the end of the fiscal year, unreserved fund balance for the General Fund was approximately \$2,078,000, or approximately 20% of total General Fund expenditures for the year ended June 30, 2006.
- The City's capital assets increased by approximately \$610,000 (2%) to \$31,446,000 at June 30, 2006. The increase in capital assets was primarily due to the final costs associated with the completion of Heritage Park, partially offset by depreciation expense of approximately \$1,074,000.
- The City's long term obligations decreased by approximately \$308,000 (2%) during the current fiscal year. The key factors in this decrease were (a) the issuance of A Sewer Revenue Bond for \$370,000 and a GO Bond for \$250,000. (c) the purchasing of Simpsonville Elementary School and the subsequent financing thereof for \$427,500. These increases were offset by the payment of principal amounts due in 2006 of approximately \$1,350,000. In addition to the 308,000 principal reductions, the deferred principal payment from 2005 of \$260,000 was also made in 2006.
- The City maintained its AA- bond rating with Standard & Poors.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of four parts – *Introductory Section*, *Financial Section* (which includes the basic financial statements, management's discussion and analysis, required supplementary information and other supplementary information), *Statistical Section* and *Compliance Section*.

Basic Financial Statements

This discussion and analysis are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components; 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. The basic financial statements present two different views of the City through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplementary information that will enhance the reader's understanding of the financial condition of the City.

Government-Wide Financial Statements

The basic financial statements include two kinds of statements that present different views of the City. The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances in a manner similar to a private-sector business.

CITY OF SIMPSONVILLE, SOUTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2006

OVERVIEW OF FINANCIAL STATEMENTS (CONTINUED)

Basic Financial Statements (Continued)

Government-Wide Financial Statements (Continued)

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

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

Government-wide statements have two types of categories of where government activities can be reported: 1) governmental activities; and 2) business-type activities. The City has only one type of activity – governmental activities. The governmental activities include most of the City's basic services such as public safety, parks and recreation, and general administration. Property taxes, business licenses and permits, and state and federal grant funds finance most of these activities. In addition, the City receives a two percent Hospitality and Accommodations Tax which has been used to develop Heritage Park for use by the City's residents beginning in the spring of 2005.

The government-wide basic financial statements include not only the City itself (known as the primary government), but also component units. The component units include one legally separate not-for-profit corporation ("Simpsonville Industrial Development Corporation" or "SIDC") and the Simpsonville Public Facilities Corporation ("SPFC") for which the City is financially accountable. The financial information for the SIDC is reported separately from the financial information presented for the primary government itself. The SPFC not-for-profit corporation is a "blended" component unit, and as such, is included in the governmental activities of the City.

The government-wide financial statements can be found as listed in the table of contents.

Fund Financial Statements

The fund financial statements provide a more detailed look at the City's most significant activities. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like all other governmental entities in South Carolina, uses fund accounting to ensure and reflect compliance with finance-related legal requirements, such as the General Statutes or the City's budget ordinance. All of the funds of the City can be divided into the following categories: governmental funds and fiduciary funds.

Governmental Funds – *Governmental funds* are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the City's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting* which provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the City's programs. The relationship between *government activities* (reported in the Statement of Net Assets and the Statement of Activities) and *governmental funds* is described in a reconciliation that is a part of the fund financial statements.

The City maintains four individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenue, expenditures, and changes in fund balances for the General Fund, Capital Projects Fund, Special Revenue Fund and the Debt Service Fund.

The basic governmental fund financial statements can be found as listed in the table of contents.

CITY OF SIMPSONVILLE, SOUTH CAROLINA
MANAGEMENT’S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2006

OVERVIEW OF FINANCIAL STATEMENTS (CONTINUED)

Basic Financial Statements (Continued)

Fund Financial Statements (Continued)

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City’s own programs. *Trust Funds* are used to account for resources received and held by the City as a trustee. The pension trust fund is used for a former Pension Plan for the City’s employees.

The basic financial statements of the fiduciary funds can be found as listed in the table of contents.

Notes to the Basic Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found as listed in the table of contents.

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information. The City adopts an annual budget for its General Fund, as required by General Statutes. A required budgetary comparison schedule has been provided for the General Fund to demonstrate compliance with this budget. Required supplementary information can be found as listed in the table of contents.

Other supplemental schedules referred to in the table of contents are presented immediately following the required supplementary information. These schedules can be found as listed in the table of contents.

Figure A-1 - Major Features of the City’s Government-Wide and Fund Basic Financial Statements			
		Fund Basic Financial Statements	
	Government-Wide Basic Statements	Governmental Funds	Fiduciary Funds
Scope	Entire City government (except fiduciary funds) and the Component Unit.	The activities of the City that are not fiduciary.	Instances in which the City is the trustee or agent for someone else’s resources.
Required financial statements	<ul style="list-style-type: none"> ▪ Statement of net assets. ▪ Statement of activities. 	<ul style="list-style-type: none"> ▪ Balance sheet. ▪ Statement of revenues, expenditures, and changes in fund balances. 	<ul style="list-style-type: none"> ▪ Statement of fiduciary net assets. ▪ Statement of changes in fiduciary net assets.
Accounting basis and measurement focus	Accrual accounting and economic resources focus.	Modified accrual accounting and current financial resources focus.	Accrual accounting and economic resources focus.
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term.	Only assets expected to be used up and liabilities that come due during the year or soon, thereafter; no capital assets included.	All assets and liabilities, both short-term and long-term.
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid.	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter.	All revenues and expenses during year, regardless of when cash is received or paid.

CITY OF SIMPSONVILLE, SOUTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2006

GOVERNMENT-WIDE FINANCIAL ANALYSIS

City of Simpsonville
Net Assets – Governmental Activities

	June 30, 2006	6/30/2005 *
Assets:		
Current and Other Assets	\$ 2,100,600	\$ 4,097,877
Capital Assets, Net	31,445,811	30,835,482
Total Assets	33,546,411	34,933,359
Liabilities:		
Long-Term Liabilities	13,359,559	13,548,506
Other Liabilities	780,682	2,261,928
Total Liabilities	14,140,241	15,810,434
Net Assets:		
Invested in Capital Assets, Net of Related Debt	17,373,611	18,639,103
Restricted	339,862	-
Unrestricted	1,692,697	483,822
Total Net Assets	\$ 19,406,170	\$ 19,122,925

* Certain amounts have been restated due to prior period adjustments - See Note IV of the notes to the basic financial statements for additional information.

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by approximately \$19,406,000 at the close of the most recent fiscal year. By far the largest portion of the City's net assets (\$17,374,000 or approximately 90%) reflects its investment in capital assets (i.e., land, buildings, furniture and equipment, infrastructure, etc.) less any related outstanding debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The City has approximately \$340,000 of restricted net assets related to hospitality accommodations. These use of these funds are restricted to activities related to hospitality and accommodations.

The remaining balance of unrestricted net assets (\$1,693,000) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all categories of net assets. The same situation held true for the prior fiscal year.

CITY OF SIMPSONVILLE, SOUTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2006

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

City of Simpsonville
Statement of Activities – Governmental Activities

	2006	2005 *
Revenues:		
Program Revenues:		
Charges for Services	\$ 2,331,941	\$ 1,748,010
Operating Grants and Contributions	511,303	362,913
General Revenues:		
Property Taxes	4,509,198	4,121,781
Hospitality and Accommodation Taxes	1,116,394	925,893
MASC Telecommunications and Insurance Taxes	1,480,884	1,244,729
Franchise Fees	787,461	775,039
Unrestricted State Grants	397,018	364,373
Unrestricted Investment Earnings	35,419	37,808
Other	217,014	168,869
Total Revenues	11,386,632	9,749,415
Expenses:		
General Government	2,057,419	1,218,642
Public Safety	4,495,325	4,763,954
Public Works	2,731,964	2,511,132
Recreation and Parks	1,282,466	1,070,130
Interest and Other Charges	711,440	538,508
Total Expenses	11,278,614	10,102,366
Change in Net Assets	108,018	(352,951)
Net Assets, Beginning of Year	19,298,152	19,475,876
Prior Period Adjustments		175,227
Net Assets, Beginning of Year, Restated	19,298,152	19,651,103
Net Assets, End of Year	\$ 19,406,170	\$ 19,298,152

* Certain amounts have been restated due to prior period adjustments - See Note IV of the notes to the basic financial statements for additional information.

Governmental Activities. The City's governmental activities net assets increased from restated 2005 to 2006 by less than 1%. Key elements of this increase were as follows:

- Depreciation expense of approximately \$1,321,000.
- The City's budget for 2006 was balanced, but a shortfall of tax revenue and revenue from other anticipated sources resulted in a loss of revenue of over \$750,000. The deficit was partially mitigated by savings in operating areas, but the final results represented a net decrease in the City's net assets.

CITY OF SIMPSONVILLE, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2006

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

Governmental Funds. The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City's financing requirements. Specifically, unreserved fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year. The General Fund is the chief operating fund of the City.

At June 30, 2006, the City of Simpsonville's governmental funds reported a combined ending fund balances of approximately \$1,299,000. Of this amount, approximately \$2,078,000 is unreserved fund balance, which is available for spending at the government's discretion. The Capital Projects Fund had a negative fund of approximately \$992,000. This was due to the Capital Projects Fund having a liability to the General Fund of approximately \$942,000 related to expenses the General Fund paid that were related to the Capital Projects Fund.

General Fund Revenues

The General Fund is the principal fund that accounts for the daily operations of the City. Total revenue at June 30, 2006 was approximately \$10,366,000 compared to approximately \$8,875,000 in the prior year. Taxes and licenses, permits and fees (including sewer fees) make up 85% of all General Fund revenues or approximately \$8,767,000. The remaining General Fund revenue sources totaled approximately \$1,599,000 and consisted of shared revenue (with the state and county), grants, fines and other miscellaneous sources. The increase in revenues over the prior year is primarily due to higher taxes, sewer maintenance fees, fines, franchise fees, business licenses and construction permits.

As with most municipalities in the State of South Carolina, the City is dependent on local property taxes to pay for many of the services provided to its citizens. The current millage rate for local property taxes is 50.7 mills. The assessed value is 4% of market value for residential property, 6% for commercial property, and 10.5% for industrial property. Local property taxes accounted for 43%, or approximately \$4,507,000, of total General Fund revenue for the fiscal period ending June 30, 2006.

General Fund Expenditures

General Fund expenditures for the year ended June 30, 2006 totaled approximately \$10,162,000 compared to approximately \$9,304,000 for the prior year. The increase reflects increases in wage and benefit costs and costs of additional neighborhoods being built in the City. In addition, capital expenditures for infrastructure and Heritage Park were higher than prior year amounts.

The Public Safety and Public Works (including sewer operations) functions accounted for approximately 69% of all General Fund expenditures (excluding capital outlay). Actual expenditures for these functions, excluding capital outlay, were approximately \$4,916,000 for Public Safety and \$2,049,000 for Public Works. The remaining 31% of General Fund expenditures (excluding capital outlay) came from the areas of Recreation and Parks of \$949,000 and General Government of \$1,413,000. The City also had Capital Outlay in the General Fund of approximately \$835,000 for 2006.

General Fund Balance

The total fund balance for the General Fund decreased primarily due to transfers to the Capital Projects and Debt Service Funds of approximately \$1,969,000, partially offset by capital lease and note proceeds of approximately \$1,022,000 and transfers in from the Special Revenue Fund of approximately \$241,000. General Fund revenue did exceed expenditures by approximately \$204,000. The total decrease in the General Fund was approximately \$502,000 for 2006, leaving the fund balance for the General Fund at approximately \$2,078,000 at June 30, 2006. Unreserved fund balance for the General Fund was approximately \$2,078,000, or approximately 20% of total General Fund expenditures.

CITY OF SIMPSONVILLE, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2006

FINANCIAL ANALYSIS OF THE CITY'S FUNDS (CONTINUED)

General Fund Budgetary Highlights: During the fiscal year, the City amended its budget one time. Generally, budget amendments fall into one of two categories: 1) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and 2) amendments made to move Grants and Grant Expenditures from 2006 to 2007 as the completion of those projects moved into the next fiscal, year. The total amendment to General Fund decreased revenues by just under \$150,000 in 2006 and was primarily due the increase of Grant Revenue from the Department of Homeland Security offset by the delay in the Downtown Streetscape project. There were no amendments to General Fund expenditures during 2005.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets. The City's investment in capital assets for its governmental activities as of June 30, 2006, was approximately \$31,446,000 (net of accumulated depreciation). These assets include land, construction in progress, buildings and other improvements, infrastructure, furniture and equipment, and vehicles.

City of Simpsonville
Capital Assets – Governmental Activities
(Net of Depreciation)

	<u>2006</u>	<u>2005</u>
Land	\$ 5,002,012	\$ 4,882,012
Construction in Progress	144,470	-
Infrastructure	10,836,303	11,251,081
Buildings and Improvements	12,016,637	11,931,424
Equipment	788,063	598,914
Furniture and Fixtures	27,269	14,948
Vehicles	2,631,057	2,157,103
Total	<u>\$ 31,445,811</u>	<u>\$ 30,835,482</u>

The major capital asset transactions during the year for the City were as follows:

- Depreciation expense of approximately \$1,321,000.
- Capital asset additions of approximately \$1,931,000.

See the notes to the basic financial statements for additional information regarding the City's capital assets.

CITY OF SIMPSONVILLE, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2006

CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)

Long-Term Obligations. As of June 30, 2006, the City had total long-term obligations of approximately \$13,415,000 of which approximately \$11,306,000 consisted of long-term debt. Of this debt, \$2,155,000 was General Obligation Bond ("GOB") debt which is backed by the full faith and credit of the City. The City also has Certificates of Participation ("COPS") debt outstanding at year end of approximately \$8,276,000 (net of a deferred loss on refunding of approximately \$484,000). In addition, the City had other long-term obligations of approximately \$1,987,000 for outstanding capital leases and approximately \$121,000 for compensated absence liabilities.

City of Simpsonville
Long-Term Obligations – Governmental Activities

	<u>June 30, 2006</u>	<u>June 30, 2005 *</u>
Debt:		
General Obligation Bonds	\$ 2,155,000	\$ 2,255,000
Certificates of Participation, Net	8,275,932	8,678,271
Note Payable	875,498	103,150
Total Debt	<u>11,306,430</u>	<u>11,036,421</u>
Capital Leases	1,987,123	2,561,937
Accrued Compensated Absences	121,006	124,077
Total	<u>\$ 13,414,559</u>	<u>\$ 13,722,435</u>

* Certain amounts have been restated due to prior period adjustments - See Note IV of the notes to the basic financial statements for additional information.

The major long-term obligation events for the current fiscal year included the following:

- The City's GOB decreased \$100,000 (4%) during the current year. This decrease was due to principal payments of \$350,000 and the City issuing the 2006 GOB issued for \$250,000.
- The City's COP decreased by approximately \$228,000 (3%) in comparison with the prior year restated balance. This decrease was due to principal payments of \$430,000.
- The City issued a sewer system revenue bond for \$370,000 and a GOBond for \$250,000. In addition, the City financed the purchase of the school they bought from Greenville County School District with a note payable to the school district for \$427,500.
- The City's accrual for annual leave (compensated absences) decreased by approximately \$3,000.

The State of South Carolina limits the amount of general obligation debt that a unit of government can issue to 8% of the total assessed value of taxable property located within that government's boundaries. The City's statutory debt limit at June 30, 2006 was approximately \$3,459,000. The City had non-referendum bonded debt of \$2,155,000 which resulted in the City having an unused legal debt margin of approximately \$1,304,000.

See the notes to the basic financial statements for additional information regarding the City's long-term obligations.

CITY OF SIMPSONVILLE, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2006

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES FOR THE CITY

Economic factors that were considered in preparing the FY 07 budget were as follows:

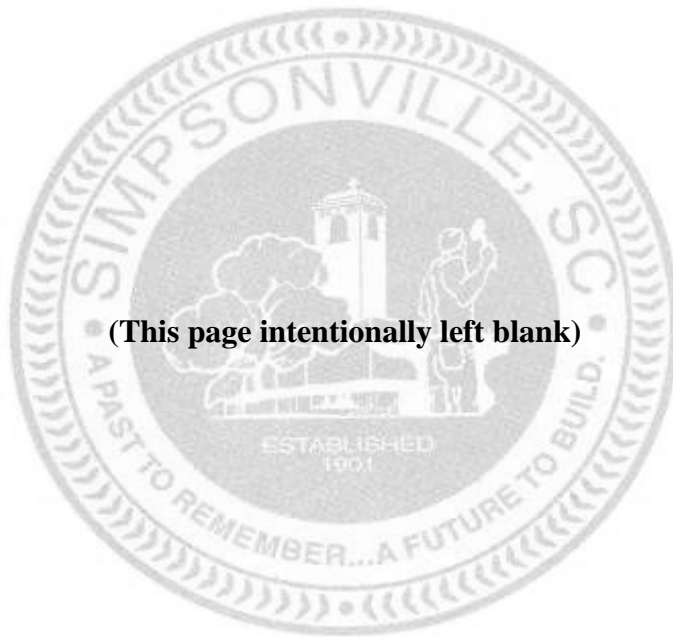
- The unemployment rate in the City is in the 4.8% to 5.0% range. The City's unemployment rate compares more favorably than that of the County's at 5.2% and that of the State of South Carolina at approximately 5.5%.
- Inflation in the region averages 3.1% and is comparable to the national index of 3.0%.
- Strong housing market and excellent business climate.

The adopted FY 07 operating budget for all funds is \$12,212,000. Highlights of FY 07 operating budget were as follows:

- The City's budget is balanced without an increase in the City's millage rate.
- Large increase in health and tort insurance over the prior year of approximately \$120,000.
- Full year of operation of Heritage Park.

REQUESTS FOR INFORMATION

This report is designed to provide an overview of the City's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Director of Finance, City of Simpsonville, 118 N.E. Main Street, Simpsonville, South Carolina, 29681.



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BASIC FINANCIAL STATEMENTS

CITY OF SIMPSONVILLE, SOUTH CAROLINA

STATEMENT OF NET ASSETS

JUNE 30, 2006

	PRIMARY GOVERNMENT	COMPONENT UNIT
	Governmental Activities	Simpsonville Industrial Development Corporation
ASSETS		
Cash and Cash Equivalents	\$ 1,074,128	\$ 61,847
Investments	160,465	-
Property Taxes Receivable, Net	160,436	-
Accounts Receivable	547,201	-
Debt Issue Costs, Net	158,370	-
Capital Assets:		
Non-Depreciable	5,146,482	-
Depreciable, Net	26,299,329	-
TOTAL ASSETS	33,546,411	61,847
LIABILITIES		
Accounts Payable and Accrued Liabilities	574,785	-
Accrued Interest Payable	205,897	-
Non-Current Liabilities:		
Due Within One Year	1,638,852	-
Due in More Than One Year	11,720,707	-
TOTAL LIABILITIES	14,140,241	-
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	17,373,611	-
Restricted For:		
Hospitality and Accommodation	339,862	-
Unrestricted	1,692,697	61,847
TOTAL NET ASSETS	\$ 19,406,170	\$ 61,847

The notes to the basic financial statements are an integral part of this statement.
See accompanying independent auditors' report.

CITY OF SIMPSONVILLE, SOUTH CAROLINA

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2006

FUNCTIONS/PROGRAMS	PROGRAM REVENUES				NET (EXPENSE) REVENUE AND CHANGE IN NET ASSETS		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities	Totals	Component Unit Simpsonville Industrial Development Corporation
PRIMARY GOVERNMENT:							
Governmental Activities:							
General Government	\$ 2,083,419	1,508,138	99,209	-	(476,072)	(476,072)	\$ -
Public Safety	4,495,325	257,659	259,683	-	(3,977,983)	(3,977,983)	-
Public Works	2,731,964	470,913	150,705	-	(2,110,346)	(2,110,346)	-
Recreation and Parks	1,282,466	95,231	1,706	-	(1,185,529)	(1,185,529)	-
Interest and Other Charges	685,440	-	-	-	(685,440)	(685,440)	-
TOTAL - PRIMARY GOVERNMENT	11,278,614	2,331,941	511,303	-	(8,435,370)	(8,435,370)	-
COMPONENT UNITS							
Simpsonville Ind. Development Corp.	-	-	-	-			-
TOTAL COMPONENT UNITS	\$ -	-	-	-			-
General Revenues:							
Taxes:							
Property Taxes Levied for General Purposes					4,509,198	4,509,198	-
Hospitality and Accommodations Taxes					1,116,394	1,116,394	-
MASC Telecommunications and Insurance Taxes					1,480,884	1,480,884	-
Franchise Fees					787,461	787,461	-
Unrestricted State Grants					397,018	397,018	-
Unrestricted Investment Earnings					35,419	35,419	104
Miscellaneous Revenue					217,014	217,014	-
Total General Revenues					8,543,388	8,543,388	104
CHANGE IN NET ASSETS					108,018	108,018	104
NET ASSETS, Beginning of Year					19,122,925	19,122,925	61,743
PRIOR PERIOD ADJUSTMENTS					175,227	175,227	-
NET ASSETS, Beginning of Year, Restated					19,298,152	19,298,152	61,743
NET ASSETS, End of Year					19,406,170	19,406,170	\$ 61,847

The notes to the basic financial statements are an integral part of this statement.
See accompanying independent auditors' report.

CITY OF SIMPSONVILLE, SOUTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2006

	GENERAL	SPECIAL REVENUE	CAPITAL PROJECTS	DEBT SERVICE	TOTAL GOVERNMENTAL FUNDS
ASSETS					
Cash and Cash Equivalents	\$ 512,205	561,923	-	-	\$ 1,074,128
Investments	160,465	-	-	-	160,465
Receivables, Net:					
Taxes	160,436	-	-	-	160,436
Accounts	547,201	-	-	-	547,201
Due From: Other Funds	1,291,078	-	-	-	1,291,078
TOTAL ASSETS	2,671,385	561,923	-	-	3,233,308
LIABILITIES					
Accounts Payable	106,224	-	50,000	-	156,224
Accrued Salaries and Fringe Benefits	310,952	-	-	-	310,952
Accrued Expenditures	107,609	-	-	-	107,609
Due To:					
Other Funds	-	349,061	942,017	-	1,291,078
Deferred Revenue	68,592	-	-	-	68,592
TOTAL LIABILITIES	593,377	349,061	992,017	-	1,934,455
FUND BALANCES					
Fund Balances					
Reserved:					
Special Revenue	-	212,967	-	-	212,967
Capital Projects	-	-	(992,017)	-	(992,017)
Unreserved:					
Undesignated	2,077,903	-	-	-	2,077,903
TOTAL FUND BALANCES	2,077,903	212,967	(992,017)	-	1,298,853
TOTAL LIABILITIES AND FUND BALANCES	\$ 2,671,280	562,028	-	-	\$ 3,233,308

The notes to the basic financial statements are an integral part of this statement.
See accompanying independent auditors' report.

CITY OF SIMPSONVILLE, SOUTH CAROLINA

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET ASSETS

JUNE 30, 2006

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS	\$ 1,298,853
Amounts reported for the governmental activities in the Statement of Net Assets are different because of the following:	
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets were \$49,140,813 and the accumulated depreciation was \$17,695,002	31,445,811
Property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore have been deferred in the funds.	68,592
Debt issuance costs are amortized over the lives of the bonds; however, in governmental accounting, debt issuance costs are expenditures the year they are incurred. The debt issuance costs of \$183,636 is shown net of accumulated amortization of \$25,266.	158,370
Interest is recorded as an expenditure when paid in the governmental funds. Interest is recorded in the government-wide statements when it is due. This amount represents the amount of interest due but unpaid at year-end.	(205,897)
Long-term liabilities, including bonds payable, are not due or payable in the current period and therefore are not reported as liabilities in the funds. The original deferred loss on refunding is shown net of accumulated amortization of \$59,932. Long-term liabilities consisted of the following:	
Long-Term Debt (Including Capital Leases)	(13,722,621)
Long-Term Debt - Deferred Loss on Refunding, Net	484,068
Compensated Absences (Sick Pay and Vacations)	(121,006)
TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES	<u>\$ 19,406,170</u>

The notes to the basic financial statements are an integral part of this statement.
See accompanying independent auditors' report.

CITY OF SIMPSONVILLE, SOUTH CAROLINA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2006

	GENERAL	SPECIAL REVENUE	CAPITAL PROJECTS	DEBT SERVICE	TOTAL GOVERNMENTAL FUNDS
REVENUES					
Taxes:					
Local	\$ 4,506,548	-	-	-	\$ 4,506,548
Hospitality and Accommodations	-	1,017,938	-	-	1,017,938
MASC Telecommunication and Insurance	1,480,884	-	-	-	1,480,884
Franchise	787,461	-	-	-	787,461
Licenses, Permits, and Fees	1,520,817	-	-	-	1,520,817
Grants	412,094	-	-	-	412,094
Fines	246,307	-	-	-	246,307
Shared Revenue:					
County	99,209	-	-	-	99,209
State	495,474	-	-	-	495,474
Sewer Fees	470,913	-	-	-	470,913
Interest	35,314	-	-	-	35,314
Other	311,023	-	-	-	311,023
TOTAL REVENUES ALL SOURCES	10,366,044	1,017,938	-	-	11,383,982
EXPENDITURES					
Current:					
General Government	1,412,882	-	-	-	1,412,882
Public Safety	4,915,917	-	-	-	4,915,917
Public Works	2,048,782	-	-	-	2,048,782
Recreation and Parks	948,822	-	-	-	948,822
Capital Outlay	861,453	-	1,018,718	-	1,880,171
Debt Service:					
Principal	-	-	-	1,354,815	1,354,815
Interest and Fiscal Charges	-	1,886	-	525,491	527,377
Bond Issuance Costs	-	-	24,453	-	24,453
TOTAL EXPENDITURES	10,187,856	1,886	1,043,171	1,880,306	13,113,219
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	178,188	1,016,052	(1,043,171)	(1,880,306)	(1,729,237)
OTHER FINANCING SOURCES (USES)					
Debt Issue	1,047,500	-	-	-	1,047,500
Transfers In	241,188	-	943,017	1,880,306	3,064,511
Transfers Out	(1,969,174)	(1,095,337)	-	-	(3,064,511)
TOTAL OTHER FINANCING SOURCES (USES)	(680,486)	(1,095,337)	943,017	1,880,306	1,047,500
NET CHANGES IN FUND BALANCES	(502,298)	(79,285)	(100,154)	-	(681,737)
FUND BALANCE, Beginning of Year	1,868,522	(191,155)	9,067	-	1,686,434
PRIOR PERIOD ADJUSTMENT	711,679	483,407	(900,930)	-	294,156
FUND BALANCE, Beginning of Year, Restated	2,580,201	292,252	(891,863)	-	1,980,590
FUND BALANCES, End of Year	\$ 2,077,903	212,967	(992,017)	-	\$ 1,298,853

The notes to the basic financial statements are an integral part of this statement.
See accompanying independent auditors' report.

CITY OF SIMPSONVILLE, SOUTH CAROLINA

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2006

TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS **\$ (681,737)**

Amounts reported for the governmental activities in the Statement of Activities are different because of the following:

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. They are considered revenues in the Statement of Activities.	2,650
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.	1,379,966
Debt and capital lease proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets.	(1,047,500)
Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.	(119,103)
Debt issuance costs are expenditures the year they are incurred in governmental funds, but are amortized over the lives of the debt in the Statement of Activities.	(11,997)
Deferred losses (capitalized costs) on refundings must be deferred and amortized over the life of the respective debt in the Statement of Activities. These costs were reported as expenditures the year they were incurred in the governmental funds.	(27,661)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.	3,071
In the Statement of Activities the loss on the disposal of capital assets is reported, whereas in the governmental funds, proceeds from the disposal of capital assets increase financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of the assets disposed.	-
Governmental funds report capital asset additions as expenditures (\$1,931,227). However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense (\$1,320,898). This is the amount by which depreciation exceeded capital asset additions in the current period.	<u>610,329</u>

TOTAL CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES **\$ 108,018**

The notes to the basic financial statements are an integral part of this statement.
See accompanying independent auditors' report.

CITY OF SIMPSONVILLE, SOUTH CAROLINA

STATEMENT OF NET ASSETS - FIDUCIARY FUNDS

JUNE 30, 2006

	PENSION TRUST FUND
ASSETS	
Investments:	
Insurance Contracts	\$ 1,429,141
Stock Funds	-
TOTAL ASSETS	<u>1,429,141</u>
LIABILITIES	
Benefits Payable	-
TOTAL LIABILITIES	<u>-</u>
NET ASSETS	
Held in Trust for Pension Benefits	<u>1,429,141</u>
TOTAL NET ASSETS AND LIABILITIES	<u>\$ 1,429,141</u>

The notes to the basic financial statements are an integral part of this statement.
See accompanying independent auditors' report.

CITY OF SIMPSONVILLE, SOUTH CAROLINA

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS - FIDUCIARY FUNDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	PENSION TRUST FUND
ADDITIONS	
Contributions:	
Employer	\$ -
Member	-
Other	
Total Contributions	<u>-</u>
Investment Earnings:	
Interest	-
Dividends	-
Realized and Unrealized Appreciation in Fair Value of Investments	-
Total Investment Earnings	<u>-</u>
TOTAL ADDITIONS ALL SOURCES	<u>-</u>
DEDUCTIONS	
Pension Benefits	-
Administrative Expense	-
TOTAL DEDUCTIONS	<u>-</u>
NET INCREASE (DECREASE) IN ADDITIONS OVER DEDUCTIONS	-
NET ASSETS, Beginning of Year	<u>1,429,141</u>
NET ASSETS, End of Year	<u>\$ 1,429,141</u>

The notes to the basic financial statements are an integral part of this statement.
See accompanying independent auditors' report.

CITY OF SIMPSONVILLE, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2006

The City of Simpsonville ("City") is an incorporated municipality located in Greenville County, South Carolina that was established on July 25, 1901. Section 47-26 of the 1962 Code of Laws, as amended (Home Rule Act), requires that municipalities adopt a specific form of government. Accordingly, the City operates under a council form of government. The six city council members serve 4 year staggered terms and the mayor is elected for a 4 year term ("Council").

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. The Reporting Entity

The basic financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America, ("GAAP"), as applied to governmental units. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

As required by GAAP, the basic financial statements would present the City along with its component units. The primary criterion for determining inclusion or exclusion of a legally separate entity as a component unit is financial accountability, which is presumed to exist if the City both appoints a voting majority of the entity's governing body, and either: 1) the City is able to impose its will on the entity or, 2) there is a potential for the entity to provide specific financial benefits to, or impose specific financial burdens on, the City. If either or both of the foregoing conditions are not met, the entity could still be considered a component unit if it is fiscally dependent on the City. In order to be considered fiscally independent, an entity must have the authority to do all three of the following: (a) determine its budget without the City having the authority to approve or modify that budget, (b) levy taxes or set rates or charges without approval by the City, and (c) issue bonded debt without approval by the City.

Finally, an entity could be a component unit even if it met all the conditions described above if excluding it would cause the City's basic financial statements to be misleading or incomplete. Blended component units, although legally separate entities, are in substance, part of the government's operations and data from these units are combined with data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the government-wide basic financial statements to emphasize they are legally separate from the City. Based on the criteria above, the City has one blended and one discrete component unit.

Blended Component Unit

The Simpsonville Public Facilities Corporation, (the "Corporation") is a nonprofit organization whose purpose is to hold title, own, lease, finance, construct, acquire, and operate facilities functionally related to the City. The Corporation promotes the business interest of the City, including rendering assistance to the manufacturing, industrial, business, and trade development of the City and vicinity. The City has financial accountability and oversight responsibility for Simpsonville Public Facilities Corporation. The Corporation does not issue separate financial statements; all activity of the Corporation has been incorporated into these basic financial statements in the capital projects and debt service funds.

Discrete Component Unit

The Simpsonville Industrial Development Corporation ("SIDC") is a nonprofit corporation organized for the purpose of promoting the business interest of the City, including rendering assistance to the manufacturing, industrial, business, and trade development of the City and vicinity. The year end of the SIDC is June 30, and no separate financial statements are issued. The Corporation is governed by a board appointed by the City's elected council and is reported in these financial statements in a column separate from the primary government.

Major Operations

The City's major operations include general governmental services (City administration and community/economic development), police and fire protection, public works (sanitation and environmental services), and recreation and parks.

CITY OF SIMPSONVILLE, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2006

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Measurement Focus, Basis of Accounting and Basis of Presentation

The government-wide basic financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the non-fiduciary activities of the City of Simpsonville (the "Primary Government") and its blended component unit. For the most part, the effect of interfund activity has been removed from these basic financial statements.

Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities (if any)*, which rely, to a significant extent, on fees and charges for support. The City does not have any business-type activities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the City.

The **government-wide financial statements** are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the Fiduciary Fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Non-exchange transactions, in which the City gives or receives value without directly receiving or giving equal value in exchange, includes property taxes, grants and donations. Property taxes are recognized as revenues in the year they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

The government-wide statements are prepared using a different measurement focus from the manner in which governmental fund financial statements are prepared (see further detail below). Governmental fund financial statements therefore, include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Governmental **fund financial statements** are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Property taxes, intergovernmental revenues, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be measurable and susceptible to accrual and so have been recognized as revenues of the current fiscal period. For this purpose, the government considers its revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, capital lease expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payments are due and payable. Capital asset acquisitions are reported as capital outlay expenditures in governmental funds. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

Fund financial statements report detailed information about the City. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

CITY OF SIMPSONVILLE, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2006

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)

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

The accounts of the government are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements. The following major funds and fund types are used by the City.

Governmental Fund Types are those through which all governmental functions of the City are financed. The City's expendable financial resources and related assets and liabilities are accounted for through governmental funds. Governmental funds are accounted for using a current financial resources measurement focus and the modified accrual basis of accounting. The following are the City's major governmental funds:

The **General Fund, a major fund**, is the general operating fund of the City and accounts for all revenues and expenditures of the City except those required to be accounted for in another fund. All general tax revenues and other receipts that are not allocated by law or contractual agreement to other funds are accounted for in the General Fund. General operating expenditures and the capital improvement costs that are not paid through other funds are paid from the General Fund. This is a budgeted fund, and any fund balance is considered a resource available for use.

The **Special Revenue Fund, a major fund**, is the fund used to account for the City's specific revenue sources that are legally restricted to expenditures for specified purposes. This is an unbudgeted fund.

The **Capital Projects Fund, a major fund**, is used to account for financial resources to be used for site acquisitions, construction, equipment, and renovation of all major capital facilities. This is an unbudgeted fund.

The **Debt Service Fund, a major fund**, is used to account for the accumulation of resources for, and payment of, all long-term debt principal, interest and related costs for the City. This is an unbudgeted fund.

Fiduciary Fund Types are used to account for expendable assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds and include Trust Funds and Agency Funds. Fiduciary Fund Types include:

Pension Trust Fund, an unbudgeted fund, accounts for the assets of the City of Simpsonville employees' pension plan. These funds have no equity (assets are equal to liabilities) and do not include revenues and expenditures for general operation of the City. This accounting reflects the agency relationship of the City with the Pension Trust Fund.

C. Assets, Liabilities and Equity

1. Cash, Cash Equivalents and Investments

Cash and Cash Equivalents

The City considers all highly liquid investments (including restricted assets) with original maturities of three months or less when purchased and investments in the South Carolina Pooled Investment Fund ("Pool") to be cash equivalents. Securities with an initial maturity of more than three months (from when initially purchased) that are not purchased from the pool are reported as investments.

CITY OF SIMPSONVILLE, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2006

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities and Equity (Continued)

1. Cash, Cash Equivalents and Investments (Continued)

Investments

The City of Simpsonville's investment policy is designed to operate within existing statutes (which are identical for all funds, fund types and component units within the State of South Carolina) that authorize the Greater Greenville Sanitation City to invest in the following:

- (a) Obligations of the United States and agencies thereof;
- (b) General obligations of the State of South Carolina or any of its political units;
- (c) Savings and Loan Associations to the extent that the same are insured by an agency of the Federal Government;
- (d) Certificates of Deposit and funds in deposit accounts with banking institutions provided that such certificates and funds in deposit accounts are collaterally secured by securities of the type described in (a) and (b) above, held by a third party as escrow agent, or custodian of a market value, not less than the amount of the certificates or funds in deposit accounts 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;
- (e) Collateralized repurchase agreements when collateralized by securities as set forth in (a) and (b) above and held by the governmental entity or a third party as escrow agent or custodian; and
- (f) 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 (a), (b), and (e) 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.

The City of Simpsonville's cash investment objectives are preservation of capital, liquidity and yield. The City pools cash resources of its various funds to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable.

The City reports its cash and investments at fair value which is normally determined by quoted market prices (except as noted). The City currently or in the past year has primarily used the following investments:

- Certificates of Deposit ("CD") are bond-type investments issued by a bank when a person or company deposits a certain amount of money for a determined amount of time. The maturity can be up to five years, and interest is paid to the holder of the CD at an agreed upon rate. Money removed before maturity is subject to a penalty.
- Open ended mutual funds are primarily invested in money market funds which invest in short term obligations of the United States and related agencies.

CITY OF SIMPSONVILLE, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2006

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities and Equity, (Continued)

2. *Receivables and Payables*

During the course of its operations, the City has numerous transactions occurring between funds. These transactions include expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as transfers in (out). To the extent that certain transactions between funds had not been paid or received as of June 30, 2006, balances of interfund amounts or payables have been recorded.

Property taxes receivable represent current real and personal property as well as delinquent real and personal property taxes for the past ten years, less an allowance for amounts estimated to be uncollectible. All net property taxes receivable at year end, except those collected within 60 days, are recorded as deferred tax revenue and thus not recognized as revenue until collected in the governmental funds.

Property taxes are assessed and collected by Greenville County under a joint billing and collection agreement. Real property and all personal property taxes other than vehicle property taxes attach as an enforceable lien on property as of January 16th. Taxes are levied and billed on October 1st on all property other than vehicles and are payable without penalty until January 15th of the following year. Penalties are assessed on unpaid taxes on the following dates:

January 16 th through February 1 st	-	3%
February 2 nd through March 15 th	-	10% of tax
After March 15 th	-	15% of tax plus collection cost

Current year real and personal property taxes become delinquent on March 16th. Unpaid property taxes become a lien against the property as of June 1st of the calendar year following the levy date. The levy date for motor vehicles is the first day of the month in which the motor vehicle license expires. These taxes are due by the last day of the same month.

All trade and property taxes receivable are shown net of an allowance for uncollectibles (if any).

3. *Inventories and Prepaid Items*

Inventories of the City are stated at cost (first-in, first-out method). Inventories in the City's governmental funds are recorded as expenditures when consumed rather than when purchased (consumption method).

Prepaid items in the governmental funds are accounted for using the purchase method (expensed when paid). If significant amounts of prepaid items exist in the governmental funds, the City records these amounts in the balance sheet.

4. *Capital Assets*

General capital assets are those assets specifically related to activities reported in the governmental funds. These assets are reported in the governmental activities column of the government-wide Statement of Net Assets, but are not reported in the fund basic financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The City maintains a capitalization threshold of \$5,000 for furniture and equipment, vehicles, land improvements and buildings and improvements. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Interest incurred during the construction of capital assets is not capitalized.

CITY OF SIMPSONVILLE, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2006

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities and Equity, (Continued)

4. Capital Assets (Continued)

Infrastructure capital assets include streets, curbs, sidewalks, sewer lines, streetlights, signs, signals, and storm drains. Major infrastructure assets – streets and curbs, and sewer lines – have been retroactively added to capital assets, including applicable depreciation. Prospectively, all infrastructure that meets the capitalization threshold will be recorded as capital assets.

All reported capital assets except land and construction in progress are depreciated. Construction projects begin being depreciated once they are complete, at which time the complete costs of the project are transferred to the appropriate capital asset category. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

Description	Governmental Activities Estimated Lives
Buildings and Improvements	10-50 years
Furniture and Equipment	5-15 years
Vehicles	5 - 15 years
Infrastructure	40 - 50 years

5. Compensated Absences

The City reports compensated absences in accordance with the provisions of GASB Statement No. 16, “Accounting for Compensated Absences.” The entire compensated absence liability and expense is reported on the governmental-wide basic financial statements.

Annual leave is earned on a monthly basis. The leave year runs from January 1st to December 31st. Employees may carryover a maximum of forty hours to the following calendar year. The annual leave liability is recorded as a long-term obligation in the government-wide basic financial statements.

Sick leave is earned on a monthly basis. However, unused sick leave is not reimbursed and therefore is not reported in the government-wide basic financial statements.

6. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide basic financial statements.

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund basic financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, non-current portion of capital leases, compensated absences, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the fund basic financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty days after year-end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund basic financial statements until due.

CITY OF SIMPSONVILLE, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2006

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities and Equity, (Continued)

6. *Accrued Liabilities and Long-Term Obligations (Continued)*

In the government-wide basic financial statements for the Primary Government, long-term debt and other long-term obligations are reported as liabilities on the Statement of Net Assets. Bond premiums and discounts (if any), as well as bond issuance costs, are deferred and amortized over the life of the bonds using the straight-line method that approximates the effective interest method. Bonds payable are reported net of the applicable bond premiums or discount. Bond issuance costs are amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

7. *Deferred Revenue*

Deferred Revenue represents receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned.

8. *Fund Balance*

In the fund financial statements, the City reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods.

In the governmental fund financial statements, the City's use of the term "reserve" relative to the fund balance of its governmental funds is limited to indicating that portion of fund balance that is not appropriable for expenditure or is legally segregated for some specific future use. Fund balance reserves can be established for, but not limited to the following: prepaids, inventory, non-current receivables, prior year appropriations, grant projects, debt service, capital projects and special revenue programs.

In the governmental fund financial statements, the City can establish "designations" of fund balance which are to reflect tentative plans for financial resource utilization in future periods. Designations of fund balance represent tentative management plans that are subject to change and ultimately may not be legally authorized or result in an expenditure.

9. *Net Assets*

Net assets represent the difference between assets and liabilities in the statement of net assets. Net assets are classified as invested in capital assets net of related debt; restricted; and unrestricted. Net assets invested in capital assets, net of related debt, consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Outstanding debt which has not been spent is included in the same net assets component as the unspent proceeds. Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, contributors, or laws or regulations of other governments.

CITY OF SIMPSONVILLE, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2006

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities and Equity (Continued)

10. Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for expenditures are recorded to reflect the use of the applicable spending appropriations, is used by the General Fund during the year to control expenditures. Encumbrances do not constitute expenditures or liabilities. For budget purposes encumbrances and unused expenditure appropriations lapse at year end.

11. Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. Those estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. In addition, they affect the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates and assumptions.

12. Comparative Data

Comparative data (i.e. presentation of prior year totals by fund type) has not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

Budgetary Practices – A budget is presented in the required supplementary section of the basic financial statements section for the General Fund.

The budget has been presented on the modified accrual basis of accounting, which is consistent with accounting principles generally accepted in the United States of America.

During the months of February and March, the City department heads develop departmental operating budgets, while the Management and Finance Departments develop revenue forecasts. During March and April, the City Administrator reviews the department budgets and revenue forecasts. After various refinements and reviews, a proposed budget is presented to the City Council. After two readings during May and June, for which public notices have been announced, the City Council adopts an annual budget ordinance for the General Fund. The budget for the General Fund is adopted on a basis consistent with accounting principles generally accepted in the United States of America.

During the year, accountability for the budget for each department is primarily the responsibility of the department head. The City Administrator has the authority to transfer funds within departments, but funds can only be transferred between departments by approval of the City Council. The legal level of budgetary control is at the department level, as reflected in the required supplementary information. The presented budgetary information is as originally adopted or as amended by the City Council. During the year, the City Council revised the budget once due to delays in the completion of some grant funded projects.

At the year-end, unencumbered balances of appropriations lapse into the unappropriated fund balance of the General Fund.

CITY OF SIMPSONVILLE, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2006

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Deposits

Custodial Credit Risk for Deposits: Custodial credit risk for deposits is the risk that, in the event of a bank failure, the City’s deposits might not be recovered. The City does not have a deposit policy for custodial credit risk but follows the investment policy statutes of the State of South Carolina. Of the City’s bank balances of \$1,211,456 as of June 30, 2006 (which had a carrying value of \$930,219), \$929,254 was exposed to custodial credit risk as they were uninsured and uncollateralized.

Investments

As of June 30, 2006, the City had the following investments:

Investment Type	Credit Rating ^	Fair Value	Weighted Average Maturity (Years)
SC Pooled Investment Fund	Not Rated	\$ 10,331	1.58
First American Treasury Obligations Fund	AAA, Aaa,NR	195,425	Less than 1 YR
United States Treasury Bill	AAA, Aaa,NR	27,000	N/A
United States Treasury Bills DTD	NR, Aaa,NR	81,000	N/A
United States Treasury Notes NT DTD	AAA, Aaa,NR	52,465	N/A
Total		\$ 366,221	

^ If available, credit ratings are for Standard & Poor’s, Moody’s Investors Service and Fitch Ratings.

Interest Rate Risk: The City does not have a formal policy limiting investment maturities that would help manage its exposure to fair value losses from increasing interest rates but they do follow the investment policy statutes of the State of South Carolina.

The City does not typically put its available funds into security investments and thus has not developed a policy for credit risk, custodial credit risk or concentration of credit risk for these types of investments.

B. Receivables and Deferred Revenue

Greenville County, South Carolina (the “County”) is responsible for levying and collecting sufficient property taxes to meet funding obligations for the City. This obligation is established each year by the City Council and does not necessarily represent actual taxes levied or collected. The property taxes are considered both measurable and available for purposes of recognizing revenue and a receivable from the County at the time they are collected by the County.

Property taxes were levied and billed by the County on real and personal properties on October 1st based on an assessed value of approximately \$43.2 million at the rate of 50.7 mills for the City. These taxes are due without penalty through January 15th. Property taxes receivable includes an allowance for uncollectibles of approximately \$96,000 at June 30, 2006. Allowances for uncollectibles were not necessary for the other receivable accounts.

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At June 30, 2006, the City had deferred delinquent property taxes for the General Fund of approximately \$69,000.

CITY OF SIMPSONVILLE, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2006

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Interfund Receivables, Payables and Transfers

Interfund Receivables and Payables

Interfund balances at June 30, 2006 (which are expected to be paid or received within one year), consisted of the following individual fund receivables and payables:

Fund	Receivables	Payables
<u>Major Funds:</u>		
General Fund	\$ 1,291,078	\$ -
Special Revenue Fund	-	349,061
Capital Projects Fund	-	942,017
Totals	<u>\$ 1,291,078</u>	<u>\$ 1,291,078</u>

The General Fund receivable at year end from the Capital Projects Fund was for construction costs funded by the General Fund for Heritage Park. These amounts were later repaid from proceeds of bonds issued by the Special Revenue Fund. The remaining General Fund receivable at year end from the Special Revenue Fund consisted of operating costs of Heritage Park that had been paid by the General Fund.

Interfund Transfers

Interfund transfers for the year ended June 30, 2006, consisted of the following:

Fund	Transfers In	Transfers Out
<u>Major Funds:</u>		
General Fund	\$ 241,188	\$ 1,969,174
Special Revenue Fund	-	1,095,337
Capital Projects Fund	943,017	-
Debt Service Fund	1,880,306	-
Totals	<u>\$ 3,064,511</u>	<u>\$ 3,064,511</u>

During the course of normal operations and in order to support the numerous functions of the City, transactions between funds may occur. General Fund transfers to the Debt Service Fund were made to fund debt service payments on general obligation debt and capital leases. General Fund transfers to the Capital Projects Fund were to supplement/fund construction costs for Heritage Park. Special Revenue transfers to the Debt Service Fund were to fund debt service payments on certificates of participation.

CITY OF SIMPSONVILLE, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2006

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

D. Capital Assets

Capital asset activity for the City for the year ended June 30, 2006, was as follows:

	Restated Beginning Balance *	Increases	Decreases	Transfers	Ending Balance
Governmental Activities:					
Capital Assets, Non-Depreciable:					
Land	\$ 4,882,012	120,000	-	-	\$ 5,002,012
Construction in Progress	-	144,470	-	-	144,470
Total Capital Assets, Non-Depreciable	<u>4,882,012</u>	<u>264,470</u>	<u>-</u>	<u>-</u>	<u>5,146,482</u>
Capital Assets, Depreciable:					
Infrastructure	21,981,628	-	-	-	21,981,628
Buildings and Improvements	13,972,426	443,644	-	-	14,416,070
Equipment	1,298,448	308,845	-	-	1,607,293
Furniture and Fixtures	93,998	18,222	-	-	112,220
Vehicles	4,981,074	896,046	-	-	5,877,120
Total Capital Assets, Depreciable	<u>42,327,574</u>	<u>1,666,757</u>	<u>-</u>	<u>-</u>	<u>43,994,331</u>
Less: Accumulated Depreciation for:					
Infrastructure	10,730,547	414,778	-	-	11,145,325
Buildings and Improvements	2,041,002	358,431	-	-	2,399,433
Equipment	699,534	119,696	-	-	819,230
Furniture and Fixtures	79,050	5,901	-	-	84,951
Vehicles	2,823,971	422,092	-	-	3,246,063
Total Accumulated Depreciation	<u>16,374,104</u>	<u>1,320,898</u>	<u>-</u>	<u>-</u>	<u>17,695,002</u>
Total Capital Assets, Depreciable, Net	<u>25,953,470</u>	<u>345,859</u>	<u>-</u>	<u>-</u>	<u>26,299,329</u>
Total Governmental Activities Capital Assets, Net	<u>\$ 30,835,482</u>	<u>610,329</u>	<u>-</u>	<u>-</u>	<u>\$ 31,445,811</u>

* See Note IV for details regarding the prior period adjustments that impacted capital assets.

The cost of equipment recorded under capital lease was approximately \$3,900,000. Accumulated amortization was approximately \$2,600,000 at June 30, 2006. Amortization of assets recorded under capital lease obligations has been included with depreciation expense.

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

Governmental Activities:	Depreciation Expense
General Government	\$ 32,825
Public Safety	404,929
Public Works	448,754
Recreation and Parks	434,391
Total Depreciation Expense - Governmental Activities	<u>\$ 1,320,899</u>

CITY OF SIMPSONVILLE, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2006

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Accounts Payable and Accrued Liabilities

The significant components of accounts payable and accrued liabilities at June 30, 2006, consisted of the following:

Governmental Activities:

Accounts Payable	\$	156,224
Accrued Salaries and Fringe Benefits		212,664
Accrued Expenses		205,897
Total Accounts Payable and Accrued Liabilities - Governmental Activities	<u>\$</u>	<u>574,785</u>

F. Short-Term Obligations

The following is a summary of the changes in the City’s short-term obligations for 2006:

Governmental Activities:	Beginning Balance	Additions	Reductions	Ending Balance
Tax Anticipation Note	\$ -	1,500,000	1,500,000	\$ -
Matured Bonds Payable	260,000	-	260,000	-
Total Governmental Activities	<u>\$ 260,000</u>	<u>1,500,000</u>	<u>1,760,000</u>	<u>\$ -</u>

The City issued a Tax Anticipation Note (“TAN”) on October 6, 2005 for \$1,500,000. This TAN was issued to provide the City cash reserves until the 2006 property taxes are levied and collected. The City repaid the TAN on April 14, 2006 with interest of \$29,257.

G. Long-Term Obligations

The City issues bonds to provide funds for the acquisition and construction of major capital facilities. General Obligation Bonds (“GOB”) are direct obligations and pledge the full faith and credit of the City. Certificates of Participation (“COP”) are issued by the Corporation (the City’s blended component unit) for the acquisition and construction of major capital facilities. The full faith, credit, and taxing powers of the City are not pledged for the payment of the COP nor the interest thereon.

COP evidence a proportionate interest in the right to receive payments of base rental under a lease agreement between the City and its blended component unit, the Corporation. The Corporation and the City entered into the lease on December 1, 2000 (the “Lease”), pursuant to which, the City would lease from the Corporation certain recreation facilities, which include the project acquired, constructed, and equipped with a portion of the proceeds of the related COPS. The COPS are payable solely from payments of base rental as, when, and if, received by a bank, which is trustee under the terms of a trusts agreement dated as of December 1, 2000, between the trustee and the Corporation, pursuant to which the Corporation has assigned its rights and interest under the lease to the trustee. The City is not a party to the COPS. The Corporation is reported as a blended component unit and is accounted for in a Special Revenue fund within these basic financial statements.

CITY OF SIMPSONVILLE, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2006

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

G. Long-Term Obligations (Continued)

The Note Payable and Capital Lease (“CL”) obligations are special obligations of the City payable from the general revenues of the City. The full faith, credit and taxing powers of the City are not pledged for the payment of the note payable or capital lease obligations nor the interest thereon.

Details on the City’s (including its blended component unit) outstanding debt issues and capital leases as of June 30, 2006 are as follows:

General Obligation Bonds

- 1997 Series – issued in October 1997 for \$2,000,000 with annual installments varying from \$40,000 to \$280,000 beginning March 1, 1999 and ending on March 1, 2007 with interest at 5.09%. Interest is payable semi-annually on March 1st and September 1st. The proceeds from this issuance were primarily used for renovations to City Hall.
- 2000 Series – issued in September 2000 for \$850,000 with annual installments varying from \$40,000 to \$85,000 beginning April 1, 2002 and ending on April 1, 2015 with interest at 5.34%. Interest is payable semi-annually on April 1st and October 1st. The proceeds from this issuance were primarily used for the construction of the law enforcement center and for the purchase of the land for Heritage Park.
- 2001 Series – issued in September 2001 for \$525,000 with annual installments varying from \$30,000 to \$50,000 beginning April 1, 2003 and ending on April 1, 2016 with interest at 4.64%. Interest is payable semi-annually on April 1st and October 1st. The proceeds from this issuance were primarily used for the construction of Fire Station Four.
- 2003 Series – issued in July 2003 for \$600,000 with annual installments varying from \$45,000 and \$65,000 beginning April 1, 2008 and ending on April 1, 2018 with interest at 3.498%. Interest is payable semi-annually on April 1st and October 1st. Debt issuance cost of approximately \$40,000 were incurred related to the issuance of these bonds and is being amortized over the life of the bonds. The proceeds from this issuance were primarily used for the construction of Heritage Park.
- 2006 Series – issued in January 2006 for \$250,000 with annual installments varying from \$30,000 and \$45,000 beginning April 1, 2007 and ending on April 1, 2016 with interest at 3.88%. Interest is payable semi-annually on April 1st and October 1st. Debt issuance cost of approximately \$9,000 was expensed in 2006 rather than being amortized over the life of the bond due to the immaterial amount of debt issuance cost. The proceeds from this issuance were primarily used for the rebuilding of the bridge by Alder Park.

Certificates of Participation (Issued through the Corporation – a blended component unit)

- 2004 Series – issued in April 2004 for \$8,070,000 with annual principal installments varying from \$220,000 to \$525,000 beginning January 1, 2005 and ending on January 1, 2024. Interest is payable semi-annually on January 1st and July 1st. Interest starts at 2.93%, but is subject to adjustment on July 1, 2009, 2014 and 2019. Debt issuance costs of approximately \$104,000 were incurred related to the issuance of the 2004 COPS and are being amortized over the life of the debt. The proceeds of the 2004 COPS were primarily used to refund the 2000 COPS and 2003 COPS. See the advance and current refunding debt section for more details. The reacquisition price exceeded the net carrying value of the 2003 COPS and thus resulted in a deferred loss on refunding of approximately \$544,000 which is being amortized over the 2004 COPS which was shorter than the old debt. The proceeds from the earlier issued 2000 COPS and 2003 COPS had been used to fund construction costs for Heritage Park.

CITY OF SIMPSONVILLE, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2006

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

G. Long-Term Obligations (Continued)

Certificates of Participation (Issued through the Corporation – a blended component unit) (Continued)

- 2005 Series – issued in May 2005 for \$1,340,000 with annual principal installments varying from \$115,000 to \$160,000 beginning January 1, 2006 and ending in January 1, 2015. Interest is payable semi-annually on January 1st and July 1st with interest at 3.89%. Debt issuance costs of \$40,000 were incurred related to the issuance of the 2005 COPS and are being amortized over the life of the debt. The proceeds from the 2005 COPS were used to pay the final costs associated with the construction of Heritage Park.

Note Payable

- Note Payable to South Carolina Department of Transportation (“SCDOT”) - issued in May 2005 for \$103,150 with semi-annual installments on February 1st and May 1st from \$24,487 to \$29,688 beginning February 1, 2006 and ending on May 1, 2007. Interest does not accrue on the note payable. The proceeds from this issuance were primarily used for upgrades to the sewer system.
- Note Payable to Greenville County School District - issued in February 2006 for \$427,500 with annual installments beginning February 1, 2007 and ending on February 1, 2009. The February 1, 2007 payment was for \$21,375 of accrued interest. Two principal and interest payments of \$235,125 and \$224,437 are scheduled to be made on February 1, 2008 and 2009. These payments include interest accrued at 5%. The proceeds from this issuance were used to purchase a school building.

Capital Leases

- \$464,300 capital lease was entered into in April, 2001 Master Equipment Lease (“MEL”) – The City has a MEL obligation used for the purchase of various equipment items. The lease on the equipment is for a period of three to eight years, which began on April 1, 2001. Semi-annual payments are from \$83,861 to \$119,631, which includes interest of 5.07% to 5.14%.
- \$572,500 capital lease was entered into in October, 2001 MEL – The City has a MEL obligation used for the purchase of various equipment items. The lease on the equipment is for a period of four to six years, which began on October 1, 2001. Semi-annual payments are from \$30,282 to \$64,016, which includes interest of 4.06% to 4.34%.
- \$353,678 capital lease was entered into in April, 2003 MEL – The City has a MEL obligation used for the purchase of various equipment items. The lease on the equipment is for a period of three to five years, which began April 2003. Semi-annual payments are from \$31,179 to \$41,923, which includes interest of 3.46% to 3.90%.
- \$61,095 capital lease was entered into in January, 2004 MEL – The City entered into a MEL obligation that was used to purchase three police cars. The lease on the vehicles is for approximately three years, which began in January 2004. Semi-annual payments of \$10,685, which includes interest at 2.79%.
- \$868,561 capital lease was entered into in May, 2004 MEL – The City has entered into a MEL obligation that will be used for the purchase of equipment for Heritage Park, police and public works vehicles, a fueling station for city vehicles and emergency generators for three fire stations. The lease on the equipment is for a period of three to five years, which began in May 2004. Semi-annual payments begin at \$115,318 for the first three years dropping to \$59,302 in the last two years, which includes interest of 2.45% to 2.85%. At June 30, 2006, the City had unused capital lease proceeds (restricted cash and cash equivalents) of approximately \$182,000 for the purchase of the remaining capital assets under the lease.

CITY OF SIMPSONVILLE, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2006

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

G. Long-Term Obligations (Continued)

Capital Leases (Continued)

- \$866,000 capital lease was entered into in March, 2005 MEL – The City has entered into a MEL obligation that will be used for the purchase of two new fire trucks and one new refuse truck. The lease on the equipment is for a period of eight years, which began in March 2005. Semi-annual payments begin at \$34,228 for the first year and rise to \$143,178 for the remaining seven years, which includes interest at 3.96%. At June 30, 2006, the City had unused capital lease proceeds (restricted cash and cash equivalents) of approximately \$866,000 (which includes earned interest) for the purchase of the capital assets under the lease.

The following is a summary of changes in the City’s long-term obligations for the year ended June 30, 2006

Long-Term Obligations	Restated Beginning Balance *	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Debt:					
General Obligation Bonds:					
1997 Series	\$ 550,000	-	270,000	280,000	\$ 280,000
2000 Series	670,000	-	50,000	620,000	55,000
2001 Series	435,000	-	30,000	405,000	35,000
2003 Series	600,000	-	-	600,000	-
2006 Series	-	250,000	-	250,000	30,000
	2,255,000	250,000	350,000	2,155,000	400,000
Certificates of Participation:					
2004 Series	7,850,000	-	315,000	7,535,000	325,000
2004 Series - Deferred Loss	(511,729)	-	(27,661)	(484,068)	-
2005 Series	1,340,000	-	115,000	1,225,000	115,000
	8,678,271	-	402,339	8,275,932	440,000
Note Payable to SCDOT	103,150	-	25,152	77,998	77,998
Note Payable Greenville County School District	-	427,500	-	427,500	-
Sewer System Revenue Bond	-	370,000	-	370,000	30,000
	103,150	797,500	25,152	875,498	107,998
Total Debt	11,036,421	1,047,500	777,491	11,306,430	947,998
Capital Leases:					
1995 Aerial Truck	56,796	-	56,796	-	-
April 2001 MEL	548,555	-	159,339	389,216	-
October 2001 MEL	114,831	-	56,183	58,648	-
April 2003 MEL	172,684	-	71,134	101,550	-
January 2004 MEL	41,292	-	20,359	20,933	-
May 2004 MEL	767,779	-	211,003	556,776	-
March 2005 MEL	860,000	-	-	860,000	-
Total Capital Leases	2,561,937	-	574,814	1,987,123	-
Accrued Compensated Absences	124,077	-	-	124,077	75,852
Total Governmental Activities	\$ 13,722,435	1,047,500	1,352,305	13,417,630	\$ 1,023,850

CITY OF SIMPSONVILLE, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2006

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

G. Long-Term Obligations (Continued)

All long-term obligations are funded from resources from the General Fund and Special Revenue Fund. Normal interest cost for the year ended June 30, 2006, was approximately \$470,000, all of which was expensed.

Interest paid on the debt issued by the City is exempt from federal income tax. The City sometimes temporarily reinvests the proceeds of such tax-exempt debt in higher-yielding taxable securities, especially during construction projects. The federal tax code refers to this practice as arbitrage. Excess earnings (the difference between the interest on the debt and the investment earnings received) resulting from arbitrage must be rebated to the federal government. The City had no arbitrage liability at June 30, 2006.

Article Eight, Section Seven of the South Carolina Constitution of 1895, as amended, provides that no City or City shall incur any bonded debt which shall exceed eight percent (8%) of the assessed value of the property therein and no such debt shall be created without the electors of such City or City voting in favor of such further bonded debt. Prior to Home Rule Act of July 1, 1976, the bonded debt exemption was thirty five percent (35%). In 1976, the General Assembly reduced the general obligation debt limit without voter approval to eight percent (8%) of assessed valuation; whereas, with a referendum any amount can be floated. As of June 30, 2006, the City had \$2,155,000 of bonded debt subject to the 8% limit of approximately \$3,459,000 resulting in an unused legal debt margin of approximately \$1,304,000.

The annual requirements to amortize debt outstanding for the City's governmental activities at June 30, 2006, were as follows:

Years Ending June 30	General Obligation Bonds		Certificates of Participation		Note Payable		Totals
	Principal	Interest	Principal	Interest	Principal	Interest	
2007	\$ 400,000	98,759	440,000	262,079	55,571	40,421	\$ 1,296,830
2008	175,000	76,731	455,000	247,884	269,747	35,441	1,259,803
2009	180,000	68,992	470,000	232,984	270,180	23,156	1,245,312
2010	185,000	61,078	485,000	217,701	35,000	10,864	994,643
2011	195,000	52,897	500,000	201,928	35,000	9,506	994,331
2012-2016	895,000	138,143	2,585,000	757,989	210,000	25,026	4,611,158
2017-2021	125,000	6,646	2,295,000	395,916	-	-	2,822,562
2022-2025	-	-	1,530,000	68,125	-	-	1,598,125
	<u>\$ 2,155,000</u>	<u>503,246</u>	<u>8,760,000</u>	<u>2,384,606</u>	<u>875,498</u>	<u>144,414</u>	<u>\$ 14,822,764</u>

As of June 30, 2006, future minimum lease payments under capital leases were as follows:

Years Ending June 30	Capital Leases		
	Principal	Interest	Totals
2007	\$ 622,275	71,556	\$ 693,831
2008	472,162	48,539	520,701
2009	314,218	31,427	345,645
2010	180,983	21,497	202,480
2011	127,359	15,820	143,179
2012-2016	270,126	16,231	286,357
Total Governmental Activities	<u>\$ 1,987,123</u>	<u>205,070</u>	<u>\$ 2,192,193</u>

CITY OF SIMPSONVILLE, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2006

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

G. Long-Term Obligations (Continued)

Advance and Current Refunding

The City issued the 2004 COPS in April 2004 to (a) pay off the 2003 COPS (“Current Refunding”) and to (b) advance refund the 2000 COPS (by purchasing U.S. Government State and Local Government Series securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments). As a result of the above, the 2000 COPS are considered defeased and the liability has been removed from the City’s governmental activities column of the statement of net assets. The outstanding debt on the 2000 COPS that is considered defeased as of June 30, 2006 was approximately \$3,011,251.

H. Related Party Transactions

The City entered into a lease agreement dated December 1, 2000, with its blended component unit, the Corporation, to lease a recreation complex. The lease term ends on January 1, 2020. If, however, at the end of any fiscal year, the Council or the City has not appropriated sufficient funds for the lease payments for the ensuing fiscal year, the lease will be deemed terminated without penalty to or further obligation by the City.

Continuance of payment on the lease is subject to annual appropriations from accommodation and hospitality taxes, and neither the obligations of the City, under the lease nor the COP, constitutes a legal debt of the City.

IV. OTHER INFORMATION

A. Retirement Plans

Pension Plan A Plan Description – Substantially all City employees are members of the South Carolina Retirement System (“SCRS”) or the Police Officers Retirement System (“PORS”). The South Carolina Retirement System and the Police Officers Retirement System are cost-sharing multi-employer defined benefit pension plans administered by the South Carolina Retirement Systems; a division of the South Carolina State Budget and Control Board. Both systems offer retirement and disability benefits, cost of living adjustments on an ad-hoc basis, life insurance benefits and survivor benefits. The Plans’ provisions are established under Title 9 of the SC Code of Laws. Only the South Carolina State Budget and Control Board has the authority to establish and amend benefits. Comprehensive Annual Financial Reports containing financial statements and required supplementary information for the Systems are issued and publicly available by writing the South Carolina Retirement System, P.O. Box 11960, Columbia, SC 29211-1960.

Pension Plan A Funding Policy – Both employees and employers are required to contribute to the Plan under authority of Title 9 of the SC Code of Laws. Employee contributions to the Plans are as follows: SCRS – 6% of salary; PORS Class II – 6.5% of salary; PORS Class I – \$21 per month. Employers are required to contribute at the following actuarially determined rates: SCRS State Agencies & Public Schools – 7.55%; local government 6.70%; PORS Class II – 10.3%; PORS Class I – 7.8%. In addition to the above rates, participating employers of the South Carolina Retirement System contribute .15% of payroll to provide a group life insurance benefit for their participants. All employers contribute at the actuarially required contribution rates. The City contributed amounts equal to the required contribution to the SCRS of \$165,124, PORS of \$287,255; SCRS of \$217,754, PORS of \$136,090; and SCRS of \$198,448, PORS of \$124,778, for the years ended June 30, 2006, 2005, and 2004 respectively. Only the South Carolina State Budget and Control Board has authority to establish and amend the funding policy.

CITY OF SIMPSONVILLE, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2006

IV. OTHER INFORMATION (CONTINUED)

A. Retirement Plans (Continued)

Pension Plan B – Certain employees of the City were members of the City of Simpsonville Retirement Plan (the “Plan”). The Plan was a single employer defined benefit pension plan administered by the Principal Life Insurance Company. The Plan was discontinued effective December 31, 1999, so that no new employees would become eligible for participation or further vesting in the Plan. Subsequent to this Plan discontinuance, practically all employees of the City became eligible for either the SCRS or PORS as noted above. During November 2004, City Council (Trustees for the Plan) approved the termination and liquidation of the Plan. The final distribution of Plan assets will begin with the full payment of all participants’ accounts. As a result of the advanced funding of the plan by the City, there will probably be surplus of funds after this distribution which will be returned to the city. A Plan liquidation will begin upon final determination of actuarial liabilities. Article VIII of the Plan limits the liability to the City after termination. There are no post employment liabilities due from the city.

An actuarial valuation has not been completed for the Plan since January 1, 2000. As a result, information required by GAAP for note disclosures and required supplementary information is not available. The Plan administrator has determined that the Plan assets are adequate to fund all current and future pension liabilities. Therefore, no further liability or funding is anticipated for the City. Due to this determination by the Plan Administrator and the fact that the Plan has been terminated (and Plan participants are now participants in either the SCRS or PORS), the lack of note disclosures and required supplementary information is not considered material to the basic financial statements.

B. 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. The City purchases commercial insurance to cover these liabilities. Additionally, the City purchases commercial insurance to cover employee health insurance benefits. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage in the past three fiscal years.

C. Grants

The City participates in a number of federally assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The amount of program expenditures which may be disallowed by the granting agencies cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

D. Excess of Expenditures Over Appropriations and Deficit Balances

For the fiscal year ended June 30, 2006, there were small expenditures in excess of the budget for the police and public work’s departments which exceeded the revised budget. These overages were covered by existing fund balance.

The Special Revenue Fund had an accumulated deficit of \$191,155 as of June 30, 2005. That balance did not take into account the cash held in that fund and other flow of funds. As a result of a subsequent examination, restatement of that resulted in a fund balance of almost \$213,000.

E. Contingency

The State of South Carolina sets an 8% general obligation debt ceiling limit on municipalities. The City has been advised by legal counsel that the debt of the Simpsonville Public Facilities Corporation does not count against the debt ceiling limit of the City. In the event that such debt of the Corporation would be determined to be a debt of the City, the impact cannot presently be determined on these basic financial statements.

CITY OF SIMPSONVILLE, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2006

IV. OTHER INFORMATION (CONTINUED)

F. Prior Period Adjustments

The City's fund balance/net assets in fiscal year 2005 were restated as follows:

The fund balance of the General Fund and the net assets of the Governmental Activities were restated to record an increase in prior period cash, cash equivalents and funds due the General Fund from the Capital Projects Fund for funds advanced to Heritage Park.

Governmental Activities net assets were restated to record cash held in trust.

G. Subsequent Event

The City issued a Tax Anticipation Note on July 6, 2006 for \$1,500,000, which is due April 14, 2007 at an annual interest rate of 4.1%.

Required Supplementary Information

CITY OF SIMPSONVILLE, SOUTH CAROLINA

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGETS AND ACTUAL

YEAR ENDED JUNE 30, 2006

	GENERAL FUND			
	ORIGINAL BUDGET	REVISED BUDGET	ACTUAL	VARIANCE
REVENUES				
Taxes:				
Property	\$ 4,906,000	4,906,000	4,506,548	\$ (399,452)
MASC Telecommunication and Insurance	1,350,000	1,350,000	1,480,884	130,884
Franchise	830,000	830,000	787,461	(42,539)
Licenses, Permits, and Fees	1,649,000	1,649,000	1,520,817	(128,183)
Grants	569,000	425,800	412,094	(13,706)
Fines	259,000	259,000	246,307	(12,693)
Shared Revenue:				
County	100,000	100,000	99,209	(791)
State	515,000	515,000	495,474	(19,526)
Sewer Fees	445,000	445,000	470,913	25,913
Interest	55,000	55,000	35,314	(19,686)
Other	594,000	594,000	311,023	(282,977)
TOTAL REVENUES ALL SOURCES	11,272,000	11,128,800	10,366,044	(762,756)
EXPENDITURES				
Current:				
General Government:				
Mayor and City Council	90,100	90,100	69,400	20,700
City Administration	1,259,800	1,259,800	1,343,482	(83,682)
Public Safety:				
Police Department	2,571,900	2,571,900	2,513,111	58,789
Fire Department	2,296,400	2,442,200	2,402,806	39,394
Public Works	2,187,600	2,217,600	2,048,782	168,818
Recreation and Parks	972,200	972,200	948,822	23,378
Capital Outlay	987,000	668,000	861,453	(193,453)
TOTAL EXPENDITURES	10,365,000	10,221,800	10,187,856	33,944
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	907,000	907,000	178,188	(728,812)
OTHER FINANCING SOURCES (USES)				
Proceeds on Disposal of Capital Assets	-	-	-	-
Issuance of Note Payable	-	-	-	-
Capital Lease	-	-	1,047,500	1,047,500
Transfers In	-	-	241,188	241,188
Transfers Out	-	-	(1,969,174)	(1,969,174)
TOTAL OTHER FINANCING SOURCES (USES)	-	-	(680,486)	(680,486)
NET CHANGE IN FUND BALANCE	907,000	907,000	(502,298)	(1,409,298)
FUND BALANCE, Beginning of Year	1,868,522	1,868,522	1,868,522	-
PRIOR PERIOD ADJUSTMENT	-	-	711,679	711,679
FUND BALANCE, Beginning of Year, Restated	1,868,522	1,868,522	2,580,201	711,679
FUND BALANCE, End of Year	\$ 2,775,522	2,775,522	2,077,903	\$ (697,619)

Note: This schedule has been presented on the modified accrual basis of accounting, which is consistent with accounting principles generally accepted in the United States of America.

Other Supplementary Information

CITY OF SIMPSONVILLE, SOUTH CAROLINA

SCHEDULE OF GENERAL FUND EXPENDITURES - REVISED BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2006

	REVISED BUDGET	ACTUAL	VARIANCE
MAYOR AND CITY COUNCIL			
Current:			
Salaries	\$ 45,600	38,501	\$ 7,099
Tax - Payroll	3,500	2,860	640
Retirement	3,000	2,530	470
Insurance - Group	21,600	16,056	5,544
Insurance - Worker's Compensation	600	784	(184)
Auto & Truck	300	-	300
Professional Training	-	140	(140)
Discretionary Funds	14,000	5,983	8,017
Due, Subscriptions, and Memberships	300	335	(35)
Supplies:			
Other	600	528	72
Telephone, Modem and Fax	600	1,683	(1,083)
TOTAL MAYOR AND CITY COUNCIL	90,100	69,400	20,700

CITY ADMINISTRATION

Administration:

Current:			
Salaries	286,000	288,209	(2,209)
Overtime	800	18	782
Bonuses	600	600	-
Tax - Payroll	21,900	20,978	922
Retirement	18,600	22,187	(3,587)
Unemployment	12,000	5,207	6,793
Insurance - Group	25,900	24,759	1,141
Insurance - Worker's Compensation	5,000	6,133	(1,133)
Auto & Truck	1,600	2,876	(1,276)
Professional Training	10,850	12,386	(1,536)
Contractual Services:			
Professional	48,500	68,278	(19,778)
Payroll Fees	-	304	(304)
Due, Subscriptions, and Memberships	12,000	11,386	614
Office and Printing	12,000	26,521	(14,521)
Supplies:			
Office	4,000	7,178	(3,178)
Other	600	2,094	(1,494)
Telephone, Modem and Fax	14,000	11,998	2,002
IT Communications	1,200	-	1,200
Temporary Employees	-	317	(317)
Small Equipment	300	549	(249)
Utilities	84,000	93,994	(9,994)
Tort Liability	225,000	234,418	(9,418)
Physical Examinations and Drug / Alcohol Testing	\$ 350	1,200	\$ (850)

(Continued)

CITY OF SIMPSONVILLE, SOUTH CAROLINA

SCHEDULE OF GENERAL FUND EXPENDITURES - REVISED BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2006

	REVISED BUDGET	ACTUAL	VARIANCE
CITY ADMINISTRATION (CONTINUED)			
Administration (Continued):			
Current (Continued):			
Local Meetings and Meals	\$ 2,100	3,670	\$ (1,570)
Leases:			
Equipment	19,800	26,615	(6,815)
Bank Fees	1,500	7,539	(6,039)
Building Inspection Fees	141,000	149,552	(8,552)
Advertising	2,700	2,075	625
Community Relations	52,000	44,574	7,426
Employee Recognition	2,500	3,970	(1,470)
Donations	600	40	560
Miscellaneous	3,600	5,411	(1,811)
Postage	5,000	4,663	337
Business Services	1,200	1,908	(708)
Printing	1,800	1,931	(131)
Repairs & Maintenance:			
Buildings	7,500	7,708	(208)
Equipment	2,000	873	1,127
Grant Match Funds	14,000	-	14,000
Contingency	50,000	78,612	(28,612)
Capital Outlay	-	521,476	(521,476)
Total Administration	1,092,500	1,702,207	(609,707)
Court:			
Current:			
Salaries	125,500	116,631	8,869
Overtime	600	189	411
Bonuses	300	350	(50)
Tax - Payroll	9,600	8,566	1,034
Retirement	8,200	8,781	(581)
Insurance - Group	8,700	8,467	233
Insurance - Worker's Compensation	2,200	3,930	(1,730)
Auto & Truck	100	-	100
Professional Training	250	678	(428)
Contractual Services:			
Professional	-	6,450	(6,450)
Office and Printing	1,000	-	1,000
Supplies:			
Office	900	411	489
Other	150	22	128
Telephone, Modem and Fax	400	860	(460)
IT Communications	5,100	4,986	114
Printing	200	102	98
Repairs & Maintenance:			
Equipment	\$ 900	33	\$ 867

(Continued)

CITY OF SIMPSONVILLE, SOUTH CAROLINA

SCHEDULE OF GENERAL FUND EXPENDITURES - REVISED BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2006

	REVISED BUDGET	ACTUAL	VARIANCE
CITY ADMINISTRATION (CONTINUED)			
Court (Continued):			
Current (Continued) :			
Small Tools and Equipment	\$ 300	-	\$ 300
Jurors, Bailiffs and Witnesses	2,700	2,295	405
Contingency	200	-	200
Total Court	167,300	162,751	4,549
TOTAL CITY ADMINISTRATION	1,259,800	1,864,958	(605,158)
POLICE DEPARTMENT			
Operations:			
Current:			
Salaries	1,351,300	1,323,558	27,742
Overtime	110,800	135,240	(24,440)
Bonuses	4,000	3,400	600
Tax - Payroll	111,800	105,302	6,498
Retirement	155,000	148,548	6,452
Unemployment	-	5,463	(5,463)
Insurance - Group	172,800	166,654	6,146
Insurance - Worker's Compensation	112,700	103,623	9,077
Auto & Truck	48,000	88,647	(40,647)
Professional Training	13,000	13,428	(428)
Contractual Services:			
Inmate Labor	2,000	1,674	326
Due, Subscriptions, and Memberships	2,500	2,625	(125)
Office and Printing	3,000	1,047	1,953
Supplies:			
Office	7,000	5,883	1,117
Other	2,500	2,326	174
Safety	1,500	1,649	(149)
Police	1,000	999	1
Telephone, Modem and Fax	14,000	16,878	(2,878)
IT Communications	1,800	858	942
Small Equipment	1,200	64	1,136
Utilities	15,000	19,971	(4,971)
Tuition Reimbursement	500	-	500
Physical Examinations and Drug / Alcohol Testing	7,000	5,687	1,313
Local Meetings and Meals	500	554	(54)
Leases:			
Equipment	900	1,312	(412)
Advertising	250	22	228
Community Relations	2,400	785	1,615
Postage	250	775	(525)
Uniforms	\$ 25,000	13,060	\$ 11,940

(Continued)

CITY OF SIMPSONVILLE, SOUTH CAROLINA

SCHEDULE OF GENERAL FUND EXPENDITURES - REVISED BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2006

	REVISED BUDGET	ACTUAL	VARIANCE
POLICE DEPARTMENT (CONTINUED)			
Operations (Continued):			
Current (Continued):			
Employee Uniform Allowance	\$ 6,000	6,000	\$ -
Printing	1,600	1,613	(13)
Repairs & Maintenance:			
Buildings	5,000	5,857	(857)
Equipment	3,300	-	3,300
Radios	4,500	3,781	719
Small Tools and Equipment	500	174	326
Contingency	1,000	1,109	(109)
Firearms / Ammunition	4,000	5,418	(1,418)
Chemicals	500	-	500
Informant Fees	500	-	500
Housing:			
Inmate	72,000	32,132	39,868
Juvenile	6,000	8,700	(2,700)
Police Services	3,000	1,404	1,596
Capital Outlay	53,000	91,080	(38,080)
Total Operations	2,328,600	2,327,300	1,300
Dispatch:			
Current:			
Salaries	198,100	181,621	16,479
Overtime	15,000	15,172	(172)
Bonuses	800	800	-
Tax - Payroll	16,300	13,974	2,326
Retirement	13,900	14,888	(988)
Insurance - Group	34,600	31,052	3,548
Insurance - Worker's Compensation	3,500	8,337	(4,837)
Professional Training	2,000	1,698	302
Due, Subscriptions, and Memberships	200	367	(167)
Office and Printing	1,000	326	674
Supplies:			
Other	500	-	500
IT Communications	5,000	3,773	1,227
Physical Examinations and Drug / Alcohol Testing	1,000	380	620
Repairs & Maintenance:			
Equipment	3,000	4,170	(1,170)
Radios	1,000	333	667
Contingency	400	-	400
Total Dispatch	296,300	276,891	19,409
TOTAL POLICE DEPARTMENT	\$ 2,624,900	2,604,191	\$ 20,709

(Continued)

CITY OF SIMPSONVILLE, SOUTH CAROLINA

SCHEDULE OF GENERAL FUND EXPENDITURES - REVISED BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2006

	REVISED BUDGET	ACTUAL	VARIANCE
FIRE DEPARTMENT			
Current:			
Salaries	\$ 1,508,100	1,470,148	\$ 37,952
Overtime	-	1,069	(1,069)
Bonuses	4,500	4,050	450
Tax - Payroll	115,400	104,947	10,453
Retirement	159,900	148,857	11,043
Unemployment	-	5,620	(5,620)
Insurance - Group	194,400	188,503	5,897
Insurance - Worker's Compensation	74,300	89,637	(15,337)
Auto & Truck	17,000	32,779	(15,779)
Professional Training	35,000	34,412	588
Due, Subscriptions, and Memberships	2,600	2,916	(316)
Office and Printing	3,000	2,359	641
Supplies:			
Office	4,700	3,819	881
Other	5,700	6,563	(863)
Safety	22,500	22,386	114
Landscaping	500	394	106
Telephone, Modem and Fax	15,000	13,887	1,113
IT Communications	2,400	2,150	250
Small Equipment	2,500	878	1,622
Utilities	26,000	27,690	(1,690)
Physical Examinations and Drug / Alcohol Testing	10,600	9,227	1,373
Local Meetings and Meals	1,000	771	229
Leases:			
Equipment	4,800	1,944	2,856
Advertising	300	-	300
Community Relations	1,500	1,451	49
Postage	400	47	353
Uniforms	22,700	21,198	1,502
Printing	600	310	290
Repairs & Maintenance:			
Buildings	14,000	13,050	950
Equipment	15,000	18,773	(3,773)
Radios	10,000	8,125	1,875
Contingency	2,000	1,656	344
Chemicals	1,200	446	754
Equipment:			
Tools	1,200	673	527
Tuition Reimbursement	1,400	509	891
Grant Expenditures	162,000	161,562	438
Capital Outlay	12,500	50,047	(37,547)
TOTAL FIRE DEPARTMENT	\$ 2,454,700	2,452,853	\$ 1,847

(Continued)

CITY OF SIMPSONVILLE, SOUTH CAROLINA

SCHEDULE OF GENERAL FUND EXPENDITURES - REVISED BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2006

	REVISED BUDGET	ACTUAL	VARIANCE
PUBLIC WORKS			
Sanitation, Maintenance and Administration:			
Current:			
Salaries	\$ 946,000	878,941	\$ 67,059
Overtime	24,000	8,555	15,445
Bonuses	3,600	2,850	750
Tax - Payroll	74,200	65,311	8,889
Retirement	63,100	66,552	(3,452)
Unemployment	-	2,527	(2,527)
Insurance - Group	155,500	142,762	12,738
Insurance - Worker's Compensation	57,800	52,734	5,066
Auto & Truck	58,000	90,687	(32,687)
Professional Training	3,600	3,425	175
Contractual Services:			
Inmate Labor	77,000	64,756	12,244
Professional	19,000	11,225	7,775
Due, Subscriptions, and Memberships	600	512	88
Office and Printing	3,500	3,240	260
Supplies:			
Electric and Lighting	15,000	11,743	3,257
Cement and Masonry	9,600	9,316	284
Asphalt and Paving	6,000	4,389	1,611
Office	1,800	1,799	1
Other	3,300	4,146	(846)
Safety	4,500	3,285	1,215
Police	-	-	-
Landscaping	5,700	2,064	3,636
Telephone, Modem and Fax	13,600	14,702	(1,102)
Small Equipment	300	602	(302)
Utilities	18,000	16,711	1,289
Physical Examinations and Drug / Alcohol Testing	1,500	420	1,080
Advertising	1,000	-	1,000
Employee Recognition	500	710	(210)
Miscellaneous	4,200	844	3,356
Postage	300	(3,546)	3,846
Uniforms	18,000	12,864	5,136
Employee Uniform Allowance	500	500	-
Printing	600	384	216
Repairs & Maintenance:			
Facilities	8,400	7,335	1,065
Buildings	16,300	11,925	4,375
Equipment	1,000	834	166
Radios	1,500	-	1,500
Contingency	400	-	400
Chemicals	1,500	827	673
Inmate Health Care	900	332	568
Equipment:			
Tools	6,000	5,189	811
Rent	1,200	420	780
Cost of Waste Cans	25,000	19,720	5,280
Grant Expenditures	\$ 30,000	14,844	\$ 15,156

(Continued)

CITY OF SIMPSONVILLE, SOUTH CAROLINA

SCHEDULE OF GENERAL FUND EXPENDITURES - REVISED BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2006

	REVISED BUDGET	ACTUAL	VARIANCE
PUBLIC WORKS (CONTINUED)			
Sanitation, Maintenance and Administration (Continued):			
Current (Continued):			
Tipping Fees	\$ 4,500	873	\$ 3,627
Capital Outlay	335,500	180,093	155,407
Total Sanitation, Maintenance and Administration	2,022,500	1,717,402	305,098
Sewer:			
Current:			
Salaries	104,400	112,099	(7,699)
Overtime	3,200	1,759	1,441
Bonuses	400	400	-
Tax - Payroll	8,200	8,563	(363)
Retirement	7,000	8,534	(1,534)
Insurance - Group	16,800	16,056	744
Insurance - Worker's Compensation	7,600	8,431	(831)
Professional Training	500	-	500
Contractual Services:			
Professional	20,000	1,375	18,625
Supplies:			
Cement and Masonry	1,500	1,376	124
Asphalt and Paving	1,500	-	1,500
Office	200	130	70
Other	500	14	486
Safety	500	492	8
Landscaping	500	-	500
Telephone, Modem and Fax	1,500	18	1,482
Advertising	250	-	250
Community Relations	500	-	500
Miscellaneous	900	207	693
Postage	1,500	277	1,223
Uniforms	2,400	2,330	70
Employee Uniform Allowance	200	-	200
Repairs & Maintenance:			
Facilities	2,000	-	2,000
Buildings	300	300	-
Equipment	6,100	33,894	(27,794)
Contingency	800	-	800
Chemicals	1,000	362	638
Equipment:			
Tools	1,200	236	964
Rent	750	-	750
Capital Outlay	252,000	81,675	170,325
Total Sewer	\$ 444,200	278,528	\$ 165,672

(Continued)

CITY OF SIMPSONVILLE, SOUTH CAROLINA

SCHEDULE OF GENERAL FUND EXPENDITURES - REVISED BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2006

	REVISED BUDGET	ACTUAL	VARIANCE
PUBLIC WORKS (CONTINUED)			
Fleet:			
Current:			
Salaries	\$ 125,800	112,310	\$ 13,490
Overtime	1,800	1,917	(117)
Bonuses	400	300	100
Tax - Payroll	9,800	8,117	1,683
Retirement	8,300	10,003	(1,703)
Insurance - Group	17,300	14,777	2,523
Insurance - Worker's Compensation	7,100	6,488	612
Auto & Truck	39,500	48,726	(9,226)
Professional Training	300	-	300
Supplies:			
Office	250	234	16
Other	250	190	60
Safety	300	30	270
Telephone, Modem and Fax	1,200	-	1,200
Miscellaneous	500	-	500
Postage	300	-	300
Uniforms	2,000	1,963	37
Repairs & Maintenance:			
Buildings	300	300	-
Equipment	115,000	104,916	10,084
Radios	1,500	-	1,500
Contingency	1,000	-	1,000
Chemicals	4,000	3,323	677
Equipment:			
Tools	1,500	1,026	474
Total Fleet	338,400	314,620	23,780
TOTAL PUBLIC WORKS	2,805,100	2,310,550	494,550

RECREATION AND PARKS

Recreation:

Current:

Salaries	197,600	216,657	(19,057)
Overtime	4,500	4,242	258
Bonuses	600	700	(100)
Tax - Payroll	15,500	16,722	(1,222)
Retirement	13,100	17,251	(4,151)
Unemployment	-	157	(157)
Insurance - Group	30,200	24,144	6,056
Insurance - Worker's Compensation	7,800	11,584	(3,784)
Insurance - General	4,600	4,146	454
Auto & Truck	8,000	10,601	(2,601)
Professional Training	\$ 6,600	4,611	\$ 1,989

(Continued)

CITY OF SIMPSONVILLE, SOUTH CAROLINA

SCHEDULE OF GENERAL FUND EXPENDITURES - REVISED BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2006

	REVISED BUDGET	ACTUAL	VARIANCE
RECREATION AND PARKS (CONTINUED)			
Recreation (Continued):			
Current (Continued):			
Contractual Services:			
Inmate Labor	\$ 2,100	2,314	\$ (214)
Recreation	52,000	63,580	(11,580)
Due, Subscriptions, and Memberships	600	558	42
Office and Printing	2,000	1,632	368
Supplies:			
Recreation	84,000	72,920	11,080
Electric and Lighting	2,000	904	1,096
Cement and Masonry	500	-	500
Office	1,800	1,665	135
Other	4,500	5,084	(584)
Safety	300	166	134
Landscaping	5,000	2,435	2,565
Telephone, Modem and Fax	10,000	12,450	(2,450)
IT Communications	-	377	(377)
Temporary Employees	12,500	3,492	9,008
Small Equipment	800	226	574
Utilities	55,000	55,482	(482)
Physical Examinations and Drug / Alcohol Testing	500	210	290
Advertising	1,200	511	689
Postage	750	704	46
Uniforms	3,000	2,570	430
Employee Uniform Allowance	1,600	1,020	580
Printing	800	482	318
Repairs & Maintenance:			
Facilities	4,200	2,730	1,470
Buildings	6,300	11,551	(5,251)
Equipment	8,000	6,290	1,710
Contingency	1,000	738	262
Capital Outlay	-	4,233	(4,233)
Chemicals	1,000	-	1,000
Equipment:			
Tools	1,500	260	1,240
Rent	750	579	171
Total Recreation	552,200	565,978	(13,778)
Heritage Park:			
Current:			
Salaries	172,100	89,058	83,042
Overtime	4,500	3,111	1,389
Bonuses	300	-	300
Tax - Payroll	13,500	6,881	6,619
Retirement	5,100	4,248	852
Insurance - Group	13,000	12,042	958
Insurance - Worker's Compensation	3,000	3,934	(934)
Auto & Truck	4,000	611	3,389
Professional Training	\$ 1,200	1,225	\$ (25)

(Continued)

CITY OF SIMPSONVILLE, SOUTH CAROLINA

SCHEDULE OF GENERAL FUND EXPENDITURES - REVISED BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2006

	REVISED BUDGET	ACTUAL	VARIANCE
RECREATION AND PARKS (CONTINUED)			
Heritage Park (Continued):			
Current (Continued):			
Contractual Services:			
Inmate Labor	\$ 3,000	3,000	\$ -
Due, Subscriptions, and Memberships	600	615	(15)
Office and Printing	50	25	25
Supplies:			
Recreation	-	67	(67)
Electric and Lighting	3,000	2,990	10
Cement and Masonry	-	1,950	(1,950)
Office	1,500	1,369	131
Other	3,300	4,200	(900)
Safety	600	569	31
Landscaping	15,000	44,727	(29,727)
Telephone, Modem and Fax	4,000	2,814	1,186
Utilities	75,000	95,515	(20,515)
Physical Examinations and Drug / Alcohol Testing	350	105	245
Advertising	1,500	729	771
Postage	200	156	44
Uniforms	1,200	1,999	(799)
Printing	1,000	913	87
Repairs & Maintenance:			
Facilities	2,000	2,262	(262)
Buildings	3,000	3,614	(614)
Equipment	4,500	6,456	(1,956)
Radios	-	-	-
Contingency	1,000	638	362
Firearms / Ammunition	-	-	-
Chemicals	1,500	9,199	(7,699)
Equipment:			
Tools	1,000	872	128
Promotional	-	4,264	(4,264)
Cost of Concession Goods Sold	80,000	72,686	7,314
Capital Outlay	15,000	(62,918)	77,918
Total Heritage Park	435,000	319,926	115,074
TOTAL RECREATION AND PARKS	987,200	885,904	101,296
TOTAL EXPENDITURES	\$ 10,221,800	10,187,856	\$ 33,944

CITY OF SIMPSONVILLE, SOUTH CAROLINA

SCHEDULE OF FINES, ASSESSMENTS, AND SURCHARGES

YEAR ENDED JUNE 30, 2006

Court Fines

Court Fines Collected	\$	162,477
Court Fines Retained by the City		162,477
Total Court Fines Remitted to the State Treasurer	\$	-

Court Assessments

Court Assessments Collected	\$	254,135
Court Assessments Retained by the City		25,214
Court Assessments Remitted to the State Treasurer	\$	228,921

Victim Services

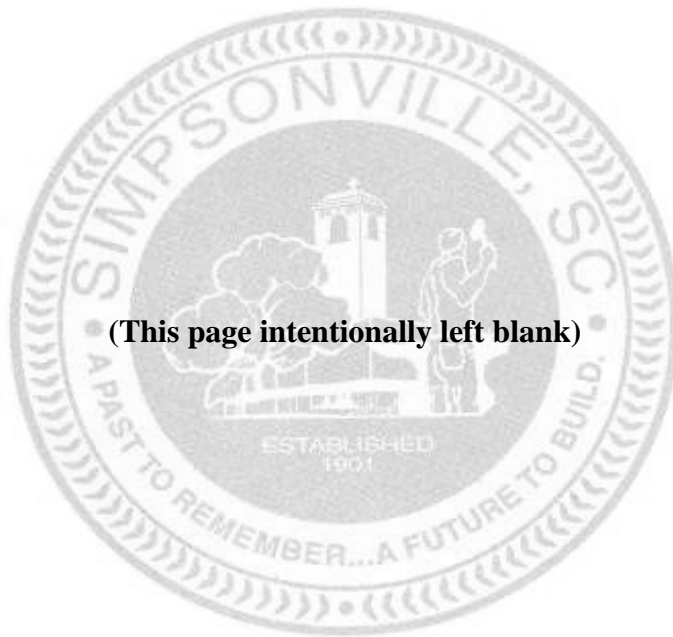
Court Assessments Allocated to Victim Services	\$	25,214
Victim Services Expenditures		8,031
Funds Available for Carryforward	\$	17,183

STATISTICAL SECTION

This part of the City of Simpsonville’s comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City’s overall financial health.

Contents	Page
Financial Trends <i>These schedules contain trend information to help the reader understand how the City’s financial performance and well-being have changed over time.</i>	67
Revenue Capacity <i>These schedules contain information to help the reader assess the City’s most significant local revenue source, the property tax.</i>	75
Debt Capacity <i>These schedules present information to help the reader assess the affordability of the City’s current levels of outstanding debt and the City’s ability to issue additional debt in the future.</i>	79
Demographic and Economic Information <i>These schedules offer demographic and economic indicators to help the reader understand the environment within the City’s financial activities take place.</i>	84
Operating Information <i>These schedules contain service and infrastructure data to help the reader understand how the information in the City’s financial report related to the services the city provides and the activities it performs.</i>	87

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.



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NET ASSETS BY COMPONENT

LAST THREE FISCAL YEARS
(Accrual Basis of Accounting)

UNAUDITED

	Fiscal Year		
	2004	2005	2006
Governmental Activities			
Invested in Capital Assets, Net of Related Debt	\$ 17,922,370	18,639,103	\$ 17,373,611
Restricted	161,226	-	339,862
Unrestricted	1,191,804	483,822	1,692,697
Total Governmental Activities Net Assets	<u>19,275,400</u>	<u>19,122,925</u>	<u>19,406,170</u>
Primary Government			
Invested in Capital Assets, Net of Related Debt	17,922,370	18,639,103	17,373,611
Restricted	161,226	-	339,862
Unrestricted	1,191,804	483,822	1,692,697
Total Primary Government Net Assets	<u>\$ 19,275,400</u>	<u>19,122,925</u>	<u>\$ 19,406,170</u>

(A) GASB 34 was not implemented until the 2004 fiscal year; net asset information is not available prior to that fiscal year.

CHANGES IN NET ASSETS

LAST THREE FISCAL YEARS
(Accrual Basis of Accounting)

UNAUDITED

	Fiscal Year		
	2004	2005	2006
Expenses			
Governmental Activities:			
General Government	\$ 1,349,029	1,218,642	\$ 2,057,419
Justice and Legal	-	-	-
Health and Human Services	-	-	-
Public Safety	4,431,552	4,763,954	4,495,325
Public Service	2,174,271	2,511,132	2,731,964
Parks and Recreation	1,058,845	1,070,130	1,282,466
Interest and Other Charges	495,663	538,508	711,440
Total Governmental Activities Expenses	<u>9,509,360</u>	<u>10,102,366</u>	<u>11,278,614</u>
Program Revenues			
Governmental Activities:			
Charges for Services:			
General Government	644,272	1,021,742	1,508,138
Health and Human Services	-	-	-
Public Safety	144,062	216,581	257,659
Public Works	175,550	413,047	470,913
Parks and Recreation	-	96,640	95,231
Operating Grants and Contributions	508,372	362,913	511,303
Capital Grants and Contributions	-	-	-
Total Governmental Activities Program Revenues	<u>1,472,256</u>	<u>2,110,923</u>	<u>2,843,244</u>
Total Primary Government Program Revenues	<u>\$ 8,037,104</u>	<u>7,991,443</u>	<u>\$ 8,435,370</u>

(Continued)

CHANGES IN NET ASSETS (CONTINUED)

LAST THREE FISCAL YEARS

(Accrual Basis of Accounting)

UNAUDITED

	Fiscal Year		
	2004	2005	2006
Net (Expense)/Revenue			
Governmental Activities	\$(8,037,104)	(7,991,443)	\$(8,435,370)
Total Primary Government Net (Expense)/Revenue	<u>(8,037,104)</u>	<u>(7,991,443)</u>	<u>(8,435,370)</u>
General Revenues and Other Changes in Net Assets			
Governmental Activities:			
Taxes by Source:			
Property Tax	3,917,605	4,121,781	4,509,198
Accommodations Tax	747,092	925,893	1,116,394
MASC Telecommunications and Insurance Taxes	1,168,256	1,244,729	1,480,884
Franchise Fees	588,477	775,039	787,461
Unrestricted State Grants	113,469	364,373	397,018
Unrestricted Investment Earnings	14,577	37,808	35,419
Miscellaneous Revenues	-	-	-
Intergovernmental Revenue	-	-	-
Unrestricted Investment Earnings	-	-	-
[Input Name of Other Revenue Source]	-	-	-
Miscellaneous	-	168,869	217,014
Gains on Disposal/Sale of Capital Assets	-	-	-
Transfers	-	-	-
Total Governmental Activities	<u>6,549,476</u>	<u>7,638,492</u>	<u>8,543,388</u>
Change in Net Assets:			
Governmental Activities	(1,487,628)	(352,951)	108,018
Prior Period Adjustments		200,476	175,227
Total Primary Government	<u>\$(1,487,628)</u>	<u>(152,475)</u>	<u>\$ 283,245</u>

(A) GASB 34 was not implemented until the 2004 fiscal year; change in net asset information is not available prior to that fiscal year.

GOVERNMENTAL ACTIVITIES TAX REVENUE BY SOURCE

LAST THREE FISCAL YEARS
(Accrual Basis of Accounting)

UNAUDITED

	Fiscal Year		
	2004	2005	2006
Property Tax	\$ 3,917,605	4,121,781	\$ 4,509,198
Hospitality & Accommodations Tax	747,092	925,893	1,116,394
MASC Telecommunications and Insurance Taxes	1,756,733	1,244,729	1,480,884
Franchise Fees		775,039	787,461
Unrestricted State Grants	113,469	364,373	397,018
Unrestricted Investment Earnings	14,577	37,808	35,419
Miscellaneous Revenues	-	168,869	217,014
Total	<u>\$ 6,549,476</u>	<u>7,638,492</u>	<u>\$ 8,543,388</u>

(A) GASB 34 was not implemented until the 2004 fiscal year; change in net asset information is not available prior to that fiscal year.

FUND BALANCES OF GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS
(Modified Accrual Basis of Accounting)

UNAUDITED

	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
General Fund										
Reserved	\$ 2,500,000	2,800,000	-	3,000,000	936,395	-	-	868,561	1,139,681	\$ -
Unreserved	563,047	380,929	3,825,868	15,700	2,415,928	2,961,303	2,590,778	1,247,665	728,841	2,077,903
Total General Fund	3,063,047	3,180,929	3,825,868	3,015,700	3,352,323	2,961,303	2,590,778	2,116,226	1,868,522	2,077,903
All Other Governmental Funds										
Reserved										
Special Revenue Funds	12,302	-	-	-	3,776,199	3,729,291	2,771,906	161,226	(191,155)	212,967
Capital Projects Funds	687,075	219,337	-	-	-	-	-	-	9,067	(992,017)
Debt Service Funds	-	-	-	-	-	-	-	921,384	-	-
Total All Other Governmental Funds	699,377	219,337.00	-	-	3,776,199.00	3,729,291.00	2,771,906	1,082,610	(182,088)	(779,050)
Total All Governmental Funds	\$ 3,762,424	3,400,266	3,825,868	3,015,700	7,128,522	6,690,594	5,362,684	3,198,836	1,686,434	\$ 1,298,853

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS
(Modified Accrual Basis of Accounting)

UNAUDITED

	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Revenues										
Taxes by Source:										
Property Tax	\$ 2,593,932	3,028,740	3,167,972	3,337,949	3,514,611	4,234,921	3,933,218	3,928,550	4,109,348	\$ 4,506,548
Accommodations Tax	-	-	-	-	377,470	638,476	696,513	747,092	925,893	1,017,938
MASC Telecommunications and Insurance	430,188	552,564	603,198	700,485	876,765	937,393	978,130	1,119,143	1,244,729	1,480,884
Franchise	-	-	-	-	-	-	-	-	775,039	787,461
Intergovernmental	362,232	1,203,209	632,731	565,926	608,955	907,578	724,087	598,060	727,286	1,006,777
Charges for Services	-	-	-	-	47,277	43,760	10,316	178,965	413,047	470,913
Fines and Forfeitures	255,065	265,357	189,189	86,421	221,742	144,439	161,261	144,066	228,842	246,307
Licenses and Fees	1,068,087	1,087,223	1,236,610	1,265,336	1,223,042	1,233,042	1,502,222	1,275,547	1,046,996	1,520,817
Investment Earnings	144,541	186,632	146,101	116,140	334,650	196,145	120,297	14,577	37,808	35,314
Miscellaneous	20,007	29,524	233,491	117,393	146,382	279,258	68,741	26,681	227,994	311,023
Total Revenues	4,874,052	6,353,249	6,209,292	6,189,650	7,350,894	8,615,012	8,194,785	8,032,681	9,736,982	11,383,982
Expenditures										
Current:										
General Government	609,679	741,889	1,051,233	1,032,684	1,155,649	983,582	1,218,761	1,305,418	1,185,460	1,412,882
Public Safety	2,097,492	2,339,300	2,418,981	2,794,155	3,020,281	3,426,842	3,797,223	4,023,450	4,373,203	4,915,917
Public Service	1,076,483	1,042,764	935,740	1,154,720	1,178,685	1,513,217	1,525,374	1,577,701	1,837,692	2,048,782
Parks and Recreation	311,376	397,097	605,505	600,238	541,456	579,088	592,448	632,704	839,791	948,822
[Input Name of Other Functions]	-	-	-	-	786,513	63,836	40,388	-	-	-
Contingencies	11,812	32,552	7,100	9,919	29,150	13,703	2,850	-	-	-
Capital Outlay	2,016,472	2,001,555	973,543	865,804	2,594,136	2,211,170	1,342,574	6,090,631	3,506,755	1,880,171
Debt Service:										
Principal	60,098	2,072,275	88,302	397,494	520,371	943,021	895,887	1,004,638	1,203,356	1,354,815
Interest and Fiscal Charges	37,862	87,975	164,293	144,804	185,422	446,054	448,194	492,681	465,639	527,377
Bond Issuance Costs	-	-	-	-	179,179	-	-	238,636	40,000	24,453
Total Expenditures	6,221,274	8,715,407	6,244,697	6,999,818	10,190,842	10,180,513	9,863,699	15,365,859	13,451,896	13,113,219
Excess of Revenues Over (Under) Expenditures	\$(1,347,222)	(2,362,158)	(35,405)	(810,168)	(2,839,948)	(1,565,501)	(1,668,914)	(7,333,178)	(3,714,914)	\$(1,729,237)

(Continued)

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS (CONTINUED)

LAST TEN FISCAL YEARS
(Modified Accrual Basis of Accounting)

UNAUDITED

	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Other Financing Sources (Uses)										
Transfers In	\$ -	-	-	-	-	-	-	12,092,039	1,895,777	\$ 3,064,511
Transfers Out	-	-	-	-	-	-	-	(12,092,039)	(1,895,777)	(3,064,511)
Premium on Bonds Sold	2,000,000	2,000,000	-	-	5,490,000	525,000	-	-	-	-
Proceeds from Capital Lease	469,108	-	461,007	-	1,443,500	572,500	353,678	-	860,000	-
Issuance of Note Payable	-	-	-	-	-	-	-	-	103,150	-
Issuance of Certificated of Participation	-	-	-	-	-	-	-	-	1,340,000	1,047,500
Issuance of Refunding Debt	-	-	-	-	-	-	-	12,015,000	-	-
Payment to Refunded Debt Escrow Agent	-	-	-	-	-	-	-	(8,057,032)	-	-
Sale of Capital Assets	-	-	-	-	19,270	30,073	54,100	929,656	-	-
Prior Period Adjustment	-	-	-	-	-	-	-	281,706	(100,638)	294,156
Total Other Financing Sources (Uses)	2,469,108	2,000,000	461,007	-	6,952,770	1,127,573	407,778	5,169,330	2,202,512	1,341,656
Net Change in Fund Balances	1,121,886	(362,158)	425,602	(810,168)	4,112,822	(437,928)	(1,261,136)	(2,163,848)	(1,512,402)	(387,581)
Capital Asset Expenditures	\$ 2,016,472	2,001,555	973,543	865,804	2,594,136	2,211,170	1,342,574	6,090,631	3,506,755	\$ 1,880,171
Debt Service as a										
Percentage of Noncapital Expenditures	2.3%	32.2%	4.8%	8.8%	11.6%	17.4%	15.8%	18.7%	17.2%	17.0%

Note: Changes in 2006 were primarily due to recognition of cash in the Special Revenue Fund and monies due the General Fund from Capital Projects Fund.

GENERAL GOVERNMENTAL TAX REVENUE BY SOURCE

LAST TEN FISCAL YEARS
(Modified Accrual Basis of Accounting)

UNAUDITED

	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Property Tax	\$ 2,593,932	3,028,740	3,167,972	3,337,949	3,514,611	4,234,921	3,933,218	3,928,550	4,109,348	\$ 4,506,548
Accommodations Tax	-	-	-	-	377,470	638,476	696,513	747,092	925,893	1,017,938
MA SC Telecommunications and Insurance	430,188	552,564	603,198	700,485	876,765	937,978	978,130	1,119,143	1,244,729	1,480,884
Franchise	-	-	-	-	-	-	-	-	775,039	787,461
Total	\$ 3,024,120	3,581,304	3,771,170	4,038,434	4,768,846	5,811,375	5,607,861	5,794,785	7,055,009	\$ 7,792,831

ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY

LAST TEN FISCAL YEARS

UNAUDITED

Fiscal Year Ended June 30	Assessed Real Property		Assessed Pers. Prop.	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Tax Value	Assessed Value as a Percentage of Actual Value
	Residential Property	Commercial Property	Total				
1997	\$ 9,706,140	9,125,300	9,393,900	28,225,340	48.7	\$ 551,306,833	5.1%
1998	10,154,144	9,339,366	9,478,647	28,972,157	53.2	567,487,150	5.1%
1999	10,774,979	9,465,321	11,065,375	31,305,675	53.2	611,552,742	5.1%
2000	11,376,990	10,368,080	12,230,281	33,975,351	53.2	661,064,100	5.1%
2001	11,801,751	10,681,269	12,028,800	34,511,820	53.2	673,544,925	5.1%
2002	14,330,873	12,970,271	9,936,630	37,237,774	50.7	740,053,508	5.0%
2003	15,430,557	13,694,805	9,656,848	38,782,210	50.7	774,958,142	5.0%
2004	14,916,355	15,366,165	10,316,099	40,598,619	50.7	800,946,608	5.1%
2005	16,227,943	15,947,037	9,324,058	41,499,038	50.7	826,883,492	5.0%
2006	\$ 16,775,493	17,326,317	9,140,120	43,241,930	50.7	\$ 860,494,608	5.0%

Source: Greenville County Tax Receipt Reports

Note: Property in the City was last reassessed for fiscal year 2000. Tax rates are per \$1,000 of assessed value. Beginning in fiscal year 2003, the state legislature decreased the vehicle tax assessment rate by .75% per year until the rate is lowered to 6% in fiscal year 2008.

PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS

LAST TEN FISCAL YEARS

UNAUDITED

	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
City Direct Rates:										
Basic Rate	\$48.70	53.20	53.20	53.20	53.20	50.70	50.70	50.70	50.70	\$50.70
County Rates:										
Greenville County	55.90	55.90	55.90	55.90	49.90	49.90	49.90	49.90	49.90	49.90
School District Rates										
Greenville County Schools	125.60	134.60	141.60	145.60	138.90	140.10	144.10	144.10	147.80	147.90
Fire District Rates:										
Simpsonville Fire District	\$23.40	23.40	23.40	23.40	23.40	23.40	23.40	23.40	23.40	\$23.40

Source: Greenville County Millage Rate Sheets

Note: Overlapping rates are those of local and county governments that apply to property owners within the City of Simpsonville. Not all overlapping rates apply to all of the City of Simpsonville property owners (i.e., the rates for fire/special purpose districts apply only to the proportion of the City of Simpsonville's property owners whose property is located within the geographic boundaries of the fire/special purpose district).

PRINCIPAL PROPERTY TAXPAYERS

CURRENT YEAR AND NINE YEARS AGO

UNAUDITED

Taxpayer	2006			1997		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Verizon South. Inc.	\$ 941,960	1	2.2%	n/a	n/a	n/a
Wares Delaware Corp.	631,440	2	1.5%	n/a	n/a	n/a
Duke Energy	596,790	3	1.4%	n/a	n/a	n/a
Developers Diversified Finance	508,130	4	1.2%	n/a	n/a	n/a
Cedar Pines Apartment	468,410	5	1.1%	n/a	n/a	n/a
PCA Limited Partnership	450,000	6	1.0%	n/a	n/a	n/a
Piedmont Natural Gas	395,650	7	0.9%	n/a	n/a	n/a
Mid America Runaways Bay Ltd.	343,200	8	0.8%	n/a	n/a	n/a
Garrett Simpsonville Center	318,370	9	0.7%	n/a	n/a	n/a
Belk Simpson	314,830	10	0.7%	n/a	n/a	n/a
Totals	<u>\$ 4,968,780</u>		<u>11.5%</u>	<u>n/a</u>		<u>n/a</u>

PROPERTY TAX LEVIES AND COLLECTIONS

LAST TEN FISCAL YEARS

UNAUDITED

Fiscal Year Ended June 30	Original Tax Levy for		Adjustments to Original Tax Levy for		Adjusted Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
	Fiscal Year	Fiscal Year	Fiscal Year	Fiscal Year		Amount	Percentage of Levy		Amount	Percentage of Levy
1997	\$ 1,285,470	n/a	n/a	n/a	1,285,470	1,256,204	97.7%	83,436	\$ 1,275,569	99.2%
1998	1,474,190	n/a	n/a	n/a	1,474,190	1,440,445	97.7%	91,933	1,459,332	99.0%
1999	1,664,720	n/a	n/a	n/a	1,664,720	1,604,190	96.4%	24,134	1,657,545	99.6%
2000	1,814,878	n/a	n/a	n/a	1,814,878	1,689,605	93.1%	74,820	1,798,853	99.1%
2001	1,836,029	n/a	n/a	n/a	1,836,029	1,717,906	93.6%	101,040	1,818,946	99.1%
2002	1,981,050	n/a	n/a	n/a	1,981,050	1,897,761	95.8%	98,366	1,966,425	99.3%
2003	2,081,347	n/a	n/a	n/a	2,081,347	1,935,771	93.0%	107,505	2,075,340	99.7%
2004	2,058,350	n/a	n/a	n/a	2,058,350	1,966,385	95.5%	74,124	2,040,509	99.1%
2005	2,104,001	n/a	n/a	n/a	2,104,001	2,049,860	97.4%	98,214	2,090,858	99.4%
2006	\$ 2,192,365	n/a	n/a	n/a	2,192,365	2,169,593	99.0%	98,874	\$ 2,175,551	99.2%

Source: Greenville County Auditor's Office

RATIOS OF OUTSTANDING DEBT BY TYPE

LAST TEN FISCAL YEARS

UNAUDITED

Fiscal Year Ended June 30	Governmental Activities			Total Primary Government	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Other Debt	Capital Leases			
1997	\$ 2,037,000	-	441,010	2,478,010	0.8%	\$ 180
1998	2,003,000	-	402,735	2,405,735	0.7%	171
1999	1,960,000	-	362,241	2,322,241	0.7%	165
2000	1,750,000	-	1,762,898	3,512,898	1.0%	249
2001	2,380,000	4,640,000	2,186,289	9,206,289	2.4%	641
2002	2,635,000	4,500,000	2,153,337	9,288,337	2.3%	625
2003	2,320,000	4,335,000	1,719,234	8,374,234	1.9%	555
2004	2,595,000	8,070,000	2,244,805	12,909,805	2.8%	844
2005	2,515,000	9,293,150	2,565,230	14,373,380	2.9%	927
2006	\$ 2,155,000	9,635,498	1,987,123	13,777,621	2.5%	\$ 841

Note: Details regarding Simpsonville's outstanding debt can be found in the notes to the basic financial statements. See the Schedule of Demographic and Economic Statistics for personal income and population data.

RATIOS OF GENERAL BONDED DEBT OUTSTANDING

LAST TEN FISCAL YEARS

UNAUDITED

Fiscal Year Ended June 30	General Obligation Bonds	Less: Amounts Available in Debt Service Funds	Total	Percentage of Estimated Actual Taxable Value of Property	Per Capita
1997	\$ 2,037,000	-	2,037,000	0.4%	\$ 148
1998	2,003,000	-	2,003,000	0.4%	143
1999	1,960,000	-	1,960,000	0.3%	139
2000	1,750,000	-	1,750,000	0.3%	124
2001	2,380,000	-	2,380,000	0.4%	166
2002	2,635,000	-	2,635,000	0.4%	177
2003	2,320,000	-	2,320,000	0.3%	154
2004	2,595,000	550,000	3,145,000	0.4%	206
2005	2,515,000	-	2,515,000	0.3%	162
2006	\$ 2,155,000	-	2,155,000	0.3%	\$ 132

Note: Details regarding Simpsonville's outstanding debt can be found in the notes to the basic financial statements. See the Schedule of Assessed Value and Estimated Actual Value of Taxable Property for property value data. See the Schedule of Demographic and Economic Statistics for population data.

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

AS OF JUNE 30, 2006

UNAUDITED

Governmental Unit	Governmental Activities Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
County:			
Greenville County	\$ 58,385,000	3.3%	\$ 1,926,705
School District:			
Greenville County Schools	1,114,660	8.0%	89,173
Special Purpose District:			
Memorial Auditorium District	\$ 9,620,000	3.3%	317,460
Subtotal, Overlapping Debt			<u>2,333,338</u>
City of Simpsonville			<u>2,155,000</u>
Total Direct and Overlapping Debt			<u><u>\$ 4,488,338</u></u>

Sources: Assessed value data used to estimate applicable percentages and amount of debt outstanding provided by the applicable government.

Note 1: The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of the Simpsonville's taxable assessed value that is within the government's boundaries and dividing it by the total taxable assessed value.

Note 2: Overlapping rates are those of county and local governments that apply to property owners within the Simpsonville. Not all overlapping rates apply to all of the Simpsonville property owners (i.e., the rates for fire/special purpose districts apply only to the proportion of the property owners whose property is located within the geographic boundaries of the fire/special purpose district).

LEGAL DEBT MARGIN INFORMATION

LAST TEN FISCAL YEARS

UNAUDITED

	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Debt Limit	\$2,258,027	2,317,773	2,504,454	2,718,028	2,760,946	2,979,022	3,105,697	3,247,890	3,319,923	\$ 3,459,354
Total Net Debt Applicable to Debt Limit	2,037,000	2,003,000	1,960,000	1,750,000	2,380,000	2,635,000	2,320,000	2,595,000	2,515,000	2,155,000
Legal Debt Margin	\$ 221,027	314,773	544,454	968,028	380,946	344,022	785,697	652,890	804,923	\$ 1,304,354
Total Net Debt Applicable to Debt Limit as a Percentage of Debt Limit	90.2%	86.4%	78.3%	64.4%	86.2%	88.5%	74.7%	79.9%	75.8%	62.3%

Legal Debt Margin Calculation for Fiscal Year 2006

Total Assessed Value	\$43,241,930
Debt Limit (8% of Total Assessed Value)	3,459,354
Amount of Debt Applicable to Debt Limit:	
Total Bonded Debt	2,155,000
Less: Debt Service Fund Balance	-
Less: Debt Issued Through Referendum	-
Total Amount of Debt Applicable to Debt Limit	2,155,000
Legal Debt Margin	\$ 1,304,354

Note: Article Eight (8), Section Seven (7) of the South Carolina Constitution, as amended, provides that no government shall incur any bonded debt which shall exceed eight percent (8%) of the assessed value of the property therein without voter approval.

PLEDGED REVENUE COVERAGE

CURRENT YEAR

UNAUDITED

Fiscal Year Ended June 30	[Input Name of Revenue Bond - If Applicable]				
	Charges and Other Revenue	Less: Operating Expenses	Net Available Revenue	Debt Service Interest	Coverage
2006	\$ 470,913	278,528	192,385	\$ -	

Note: In 2006 the City of Simpsonville issued a Sewer Revenue Bond with a face value of \$370,000. There were no payments due on 2006. See notes to financial statements.

Note: Operating expenses do not include interest or depreciation.

DEMOGRAPHIC AND ECONOMIC STATISTICS

LAST TEN FISCAL YEARS

UNAUDITED

Fiscal Year Ended June 30	(1) Population	(2) Personal Income	(3) Per Capita Personal Income	(4) Median Age	(7) Unemployment Rate
1997	13,748	\$ 311,130,988	\$ 22,631	32.6	2.7%
1998	14,038	330,398,368	23,536	33.7	2.0%
1999	14,087	344,779,325	24,475	33.7	2.3%
2000	14,136	359,817,744	25,454	33.7	1.2%
2001	14,352	376,266,384	26,217	33.9	2.4%
2002	14,850	405,672,300	27,318	33.9	2.8%
2003	15,100	435,423,600	28,836	33.7	4.6%
2004	15,300	461,371,500	30,155	33.5	4.5%
2005	15,500	497,658,500	32,107	33.5	5.2%
2006	16,380	\$ 551,252,520	\$ 33,654	33.5	4.8%

(1) Based on 2000 Census plus estimated growth rate and annexations

PRINCIPAL EMPLOYERS

CURRENT YEAR AND NINE YEARS AGO

UNAUDITED

Employer	2006			1997		
	Number of Employees	Rank	Percentage of Total City Employment	Number of Employees	Rank	Percentage of Total City Employment
Greenville Hospital System	7,792	1	4.04%	5,922	2	3.12%
School District of Greenville Cour	7,207	2	3.73%	6,294	1	3.31%
SC Budget and Control Board	2,524	3	1.31%	2,461	6	1.30%
General Electric Company	2,200	4	1.14%	2,000	8	1.05%
St. Francis Health System	2,027	5	1.05%	-	-	-
Bob Jones University	1,800	6	0.93%	-	-	-
Sealed Air Corp-Cryovac Divisior	1,700	7	0.88%	1,650	9	0.87%
Greenville County Government	1,627	8	0.84%	-	-	-
Flour Corporation	1,520	9	0.79%	2,500	4	1.32%
Michelin Corporation	1,468	10	0.76%	1,150	10	0.61%
Bi-Lo	-	-	-	2,567	3	1.35%
JPS	-	-	-	2,464	5	1.30%
Kemet Electronics	-	-	-	2,350	7	1.24%
Totals	<u>29,865</u>		<u>15.47%</u>	<u>29,358</u>		<u>15.45%</u>

Source: Greenville County 2006 Audit

OPERATING INDICATORS BY FUNCTION/PROGRAM

LAST TEN FISCAL YEARS

UNAUDITED

Function/Program	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
General Government										
Business Licenses	1,062	1,112	1,189	1,132	965	1,175	1,246	1,256	1,192	1,360
Building Permits Issued	400	463	435	524	518	466	1,205	654	609	744
Building Inspections Conducted	3,547	3,933	4,097	3,572	3,152	3,728	4,094	3,966	3,515	3,693
Justice and Legal										
Number of Cases	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Jail Bookings	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Public Safety - Police										
Physical Arrests	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Parking and Traffic Violations	n/a	n/a	n/a	n/a	n/a	n/a	n/a	4,139	3,807	4,191
Public Safety - Fire										
Emergency Responses	n/a	n/a	n/a	n/a	n/a	1,209	1,266	12,384	1,485	1,613
Fires Extinguished	n/a	n/a	n/a	n/a	134	128	115	110	125	112
Inspections	n/a	n/a	n/a	n/a	n/a	1,205	1,531	1,361	1,308	1,428
Public Service										
Potholes Repaired	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Roads Maintained (in Miles)	n/a	175	175	175	178	178	179	179	185	188
Parks and Recreation										
Recreational Participants	n/a	n/a	n/a	1,552	1,572	1,578	1,565	1,847	2,039	2,103

Source: City Departmental Records

FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION

LAST TEN FISCAL YEARS

UNAUDITED

Function	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Governmental Activities										
General Government	n/a	5	5	5	6	6	6	6	6	6
Justice and Legal	n/a	3	3	3	3	3	3	3	3	3
Public Safety	n/a	74	74	77	88	91	90	93	93	93
Public Works	n/a	29	29	33	40	42	41	44	44	44
Parks and Recreation	n/a	4	4	4	5	6	6	6	12	12
Total	n/a	115	115	122	142	148	146	152	158	158

87

Source: Payroll Records

Note: The opening of Heritage Park on April 2, 2005 added 6 full-time equivalent employees

CAPITAL ASSET STATISTICS BY FUNCTION

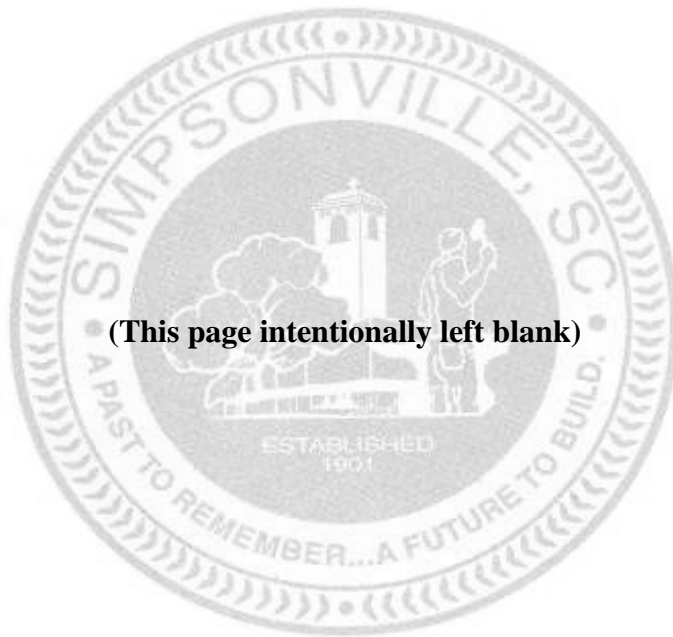
LAST TEN FISCAL YEARS

UNAUDITED

Function	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Justice and Legal										
Correction/Jail Cell Facility Capacity	4	4	4	4	4	4	4	4	4	4
Public Safety - Police										
Number of Police Stations	1	1	1	1	1	1	1	1	1	1
Number of Patrol Units	n/a	25	25	25	25	25	27	27	29	29
Public Safety - Fire										
Number of Fire Stations	3	3	3	3	3	3	4	4	4	4
Number of Fire Trucks	5	5	5	5	6	6	6	6	8	8
∞ Public Service										
Streets (in Miles)	45	46	47	49	50	52	53	55	57	59
Traffic Signals	n/a	11	11	11	11	11	16	16	16	17
Parks and Recreation										
Parks Acreage	31	31	35	35	35	35	35	35	125	125
Parks	7	7	8	8	8	8	8	8	9	9
Ball fields	6	6	6	6	6	6	6	6	12	12
Solid Waste										
Collection/Refuse Trucks	3	4	4	4	5	5	5	5	5	6

Sources: Various City of Simpsonville departments.

COMPLIANCE SECTION



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

The Honorable Mayor, Members of City Council,
and City Administrator
City of Simpsonville
Simpsonville, South Carolina

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Simpsonville, South Carolina (the "City") as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements and have issued our report thereon dated October 6, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the basic financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we considered to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of basic financial statement amounts. However, providing an opinion on compliance with those provisions was not an object of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings as item 2006-1.

We noted certain other matters that we reported to management of the City in a separate letter dated October 6, 2006.

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



Greene, Finney & Horton, LLP
October 6, 2006

CITY OF SIMPSONVILLE, SOUTH CAROLINA

SCHEDULE OF FINDINGS

YEAR ENDED JUNE 30, 2006

Findings - 2006 Financial Statements Audit

2006-1: NONCOMPLIANCE WITH LAWS AND REGULATIONS

- Condition:** The City of Simpsonville's ("City") bank deposits were under collateralized by approximately \$939,254 at June 30, 2006.
- Criteria:** State law requires all monies deposited by a government entity at a financial institution be collateralized for any amount in excess of FDIC insurance.
- Effect:** The City was not fully collateralized at June 30, 2006.
- Cause:** Management was unaware that the bank deposits were under collateralized.
- Recommendation:** We recommend that the City coordinate with the bank in order to maintain sufficient collateral on these deposits at all times.
- Response:** Management is working with the financial institutions to address this problem and to ensure that proper collateral is in place going forward.