

**CITY OF SIMPSONVILLE, SOUTH CAROLINA**  
**FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

PREPARED BY THE CITY ADMINISTRATOR'S OFFICE

Russell B. Hawes  
City Administrator



CITY OF SIMPSONVILLE, SOUTH CAROLINA

TABLE OF CONTENTS

YEAR ENDED DECEMBER 31, 2008

---

**INTRODUCTORY SECTION**

	<u>Page Number</u>
Table of Contents	i
Listing of Principal Officials	ii

**FINANCIAL SECTION**

**INDEPENDENT AUDITORS' REPORT**

Management's Discussion and Analysis	3
--------------------------------------	---

**Basic Financial Statements:**

*Government-Wide Financial Statements:*

Statement of Net Assets	14
Statement of Activities	15

*Fund Financial Statements:*

Balance Sheet - Governmental Funds	16
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	17
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	18
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	19
Statement of Net Assets - Proprietary Fund	20
Statement of Revenues, Expenses, and Changes in Net Assets - Proprietary Fund	21
Statement of Cash Flows - Proprietary Fund	22
Statement of Net Assets - Fiduciary Fund	23
Statement of Changes in Fiduciary Net Assets - Fiduciary Fund	24

<i>Notes to the Basic Financial Statements</i>	25
--	----

**Required Supplementary Information:**

Budgetary Comparison Schedules

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budgets and Actual - General Fund	48
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budgets and Actual - Special Revenue Fund	49

**Other Supplementary Information:**

General Fund

Schedule of General Fund Expenditures - Revised Budget and Actual	52
Schedule of Fines, Assessments, and Surcharges	61

**COMPLIANCE SECTION**

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 <i>Government Auditing Standards</i>	63
Schedule of Findings and Responses	65

**CITY OF SIMPSONVILLE, SOUTH CAROLINA**

**LISTING OF PRINCIPAL OFFICIALS**

**YEAR ENDED JUNE 30, 2008**

Established

1901

MAYOR

Dennis Waldrop

CITY COUNCIL MEMBERS

Ronald Bridges

Brown Garrett

Patty Sanders

Tammy Bagwell

George Lee Curtis

Bruce Larson

CITY ADMINISTRATOR

Russell Hawes

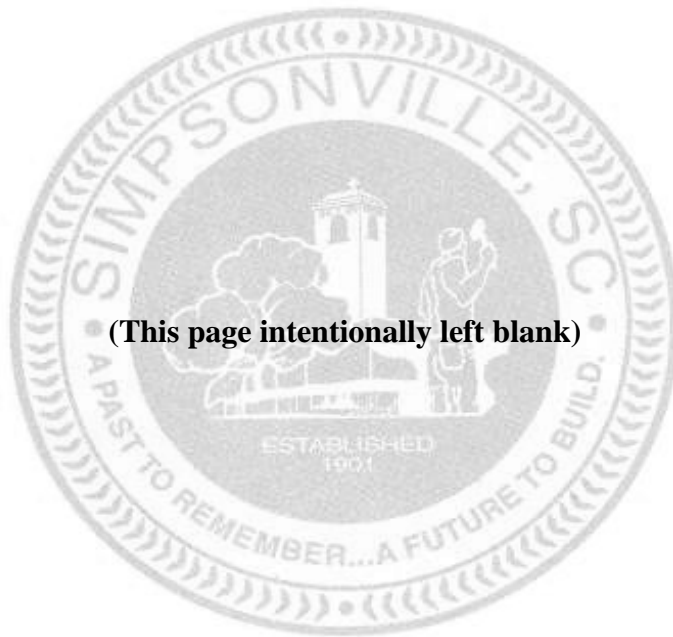
CITY ATTORNEY

David Holmes

MUNICIPAL JUDGES

Rick Moore

Leslie Sharff



**(This page intentionally left blank)**



**GREENE FINNEY & HORTON**  
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

**INDEPENDENT AUDITORS' REPORT**

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

We have audited the accompanying financial statements of the governmental activities, the business-type 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, 2008, 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 opinions 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 opinions.

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 business-type 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, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 2008 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The accompanying management's discussion and analysis and budgetary comparison schedules, 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's basic financial statements. The introductory section and other supplementary information as listed in the table of contents are presented for purposes of additional analysis and are not a required part 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, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and accordingly, we express no opinion on it.

*Greene, Finney & Horton LLP*

Greene, Finney & Horton, LLP

November 18, 2008

## CITY OF SIMPSONVILLE, SOUTH CAROLINA

### MANAGEMENT'S DISCUSSION AND ANALYSIS

#### YEAR ENDED JUNE 30, 2008

---

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, 2008. 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 \$25,376,000 (*net assets*). Of this amount, approximately \$1,474,000 (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 \$4,950,000, as revenues of approximately \$16,073,000 exceeded expenses of approximately \$11,123,000.
- As of the close of the fiscal year, the City's governmental funds reported combined ending fund balances of approximately \$744,000, a decrease of approximately \$1,195,000.
- At the end of the fiscal year, unreserved fund balance for the General Fund was approximately \$669,000, or approximately 6% of total General Fund expenditures for the year ended June 30, 2008.
- The City's capital assets increased by approximately \$9,266,000 (29%) to \$41,507,000 at June 30, 2008. The increase in capital assets was primarily due to the increase in construction in progress of \$3,356,000 related to the Heritage Park Amphitheatre and the Streetscape project of \$2,990,000 and \$367,000, respectively, and the increase in infrastructure of \$4,865,000. This increase was partially offset by depreciation of \$1,427,000.
- The City's long term obligations increased by approximately \$3,198,000 (22%) during the current fiscal year. The key factors in this increase were the issuances of (a) 2007 and 2008 Junior Lien Series for \$2,500,000 and \$1,400,000, respectively and (b) 2007 GO Bonds for \$1,045,000. These increases were offset by principal and other payments of approximately \$1,747,000.
- The City's Governmental Activities revenues were approximately \$12,951,000 for 2008, compared to approximately \$11,192,000 for the prior year. This increase is primarily due to increases in capital grants and contributions, unrestricted donations and contributions, and property taxes of \$274,000, \$554,000, and \$361,000, respectively.
- The City's Governmental Activities expenditures were approximately \$10,495,000 for 2008, compared to approximately \$11,796,000 for the prior year. This decrease is primarily due to decreases in public works of \$2,250,000 partially offset by an increase in general government of \$826,000 and public safety of \$474,000.
- Business-type activity revenue and expenses were approximately \$3,122,000 and \$628,000, respectively, for 2008.

#### OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three parts – *Introductory Section*, *Financial Section* (which includes management's discussion and analysis, the basic financial statements, required supplementary information, and other supplementary information), 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, 2008

---

### OVERVIEW OF 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.

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes, business licenses and permits, and state and federal grant funds (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include basic services such as Public Safety, Public Works, Parks and Recreation, and General Administration. The business-type activity of the City is Sewer.

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, proprietary, and fiduciary 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.

**Proprietary Funds.** The City maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for sewer operations. This is a change from the prior year when the sewer operations were accounted for within the General Fund. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail; therefore, the proprietary funds financial statements provide more detailed information for the sewer operations, which are considered major funds of the City. The basic financial statements of the proprietary funds can be found as listed in the table of contents.



**CITY OF SIMPSONVILLE, SOUTH CAROLINA**

**MANAGEMENT’S DISCUSSION AND ANALYSIS**

**YEAR ENDED JUNE 30, 2008**

**OVERVIEW OF 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 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				
	Government-Wide Basic Statements	Fund Basic Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire City government (except fiduciary funds).	The activities of the City that are not proprietary or fiduciary.	Activities the City operates similar to private businesses.	Instances in which the City is the trustee or agent for someone else’s resources.
Required financial statements	<ul style="list-style-type: none"> <li>▪ Statement of net assets.</li> <li>▪ Statement of activities.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Balance sheet.</li> <li>▪ Statement of revenues, expenditures, and changes in fund balances.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Statement of net assets.</li> <li>▪ Statement of revenues, expenses, and changes in net assets.</li> <li>▪ Statement of cash flows.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Statement of fiduciary net assets.</li> <li>▪ Statement of changes in fiduciary net assets (if applicable).</li> </ul>
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.	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 financial and capital, and short-term and long-term.	All assets and liabilities, both short-term and long-term.
Type of inflow/outflow information	All revenues and expenses during the 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.	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, 2008**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

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 \$25,378,800 at the close of the most recent fiscal year.

This table provides a summary of the City's net assets as of June 30, 2008 and 2007.

**City of Simpsonville  
Net Assets – Primary Government**

	Governmental Activities		Business-Type Activities		Total	
	June 30, 2008	June 30, 2007	June 30, 2008	June 30, 2007	June 30, 2008	June 30, 2007
<b>Assets:</b>						
Current Assets	\$ 2,407,552	3,335,124	1,008,075	949,093	3,415,627	\$ 4,284,217
Capital Assets, Net	35,725,556	28,866,608	5,781,158	3,373,775	41,506,714	32,240,383
Total Assets	38,133,108	32,201,732	6,789,233	4,322,868	44,922,341	36,524,600
<b>Liabilities:</b>						
Other Liabilities	1,646,592	1,398,948	11,957	9,416	1,658,549	1,408,364
Long-Term Liabilities	17,574,334	14,346,335	313,534	343,534	17,887,868	14,689,869
Total Liabilities	19,220,926	15,745,283	325,491	352,950	19,546,417	16,098,233
<b>Net Assets:</b>						
Invested in Capital Assets						
Net of Related Debt	18,430,994	15,570,428	5,471,158	3,033,775	23,902,152	18,604,203
Restricted	-	355,787	-	-	-	355,787
Unrestricted	481,188	530,234	992,584	936,143	1,473,772	1,466,377
Total Net Assets	\$ 18,912,182	16,456,449	6,463,742	3,969,918	25,375,924	\$ 20,426,367

The net assets of the City's governmental activities increased by approximately \$2,456,000 or 13% to approximately \$18,912,000 at June 30, 2008, compared to an approximately \$16,456,000 at June 30, 2007. Unrestricted net assets, the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements, decreased from approximately \$530,000 at June 30, 2007 to approximately \$481,000 at June 30, 2008. The decrease in unrestricted net assets is primarily due to expenditures exceeding revenues.

The net assets of the City's business-type activities increased by approximately \$2,494,000 or 63% to approximately \$6,464,000 at June 30, 2008, compared to approximately \$3,970,000 at June 30, 2007. This increase in net assets is due to revenues exceeding expenses.

The largest portion of the City's net assets (approximately \$23,902,000 or 95%) 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 generally be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

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

**CITY OF SIMPSONVILLE, SOUTH CAROLINA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**YEAR ENDED JUNE 30, 2008**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)**

This table shows the changes in net assets for the years ended June 30, 2008 and 2007.

	City of Simpsonville					
	Statement of Activities – Primary Government					
	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
<b>Revenues:</b>						
<b>Program Revenues:</b>						
Charges for Services	\$ 2,041,258	1,967,610	686,456	767,310	2,727,714	\$ 2,734,920
Operating Grants and Contributions	311,778	321,185	-	-	311,778	321,185
Capital Grants and Contributions	342,452	68,704	2,435,540	272,535	2,777,992	341,239
<b>General Revenues:</b>						
Property Taxes	5,000,728	4,639,605	-	-	5,000,728	4,639,605
Hospitality and Accommodation Taxes	1,274,349	1,199,782	-	-	1,274,349	1,199,782
MASC Telecommunications and Insurance Taxes	1,642,218	1,394,002	-	-	1,642,218	1,394,002
Franchise Fees	892,459	836,748	-	-	892,459	836,748
Unrestricted State Grants	467,349	419,589	-	-	467,349	419,589
Unrestricted Investment Earnings	114,637	71,793	-	-	114,637	71,793
Unrestricted Donations and Contributions	553,650	-	-	-	553,650	-
Other	309,971	273,409	-	-	309,971	273,409
<b>Total Revenues</b>	<b>12,950,849</b>	<b>11,192,427</b>	<b>3,121,996</b>	<b>1,039,845</b>	<b>16,072,845</b>	<b>12,232,272</b>
<b>Program Expenses:</b>						
General Government	1,884,087	1,057,852	-	-	1,884,087	1,057,852
Public Safety	6,037,966	5,564,184	-	-	6,037,966	5,564,184
Public Works	143,939	2,393,753	-	-	143,939	2,393,753
Recreation and Parks	1,670,735	2,098,220	-	-	1,670,735	2,098,220
Interest and Other Charges	758,389	682,171	-	-	758,389	682,171
Sewer	-	-	628,172	407,449	628,172	407,449
<b>Total Expenses</b>	<b>10,495,116</b>	<b>11,796,180</b>	<b>628,172</b>	<b>407,449</b>	<b>11,123,288</b>	<b>12,203,629</b>
Special Item - Gain on Retirement Plan Termination	-	105,983	-	-	-	105,983
<b>Change in Net Assets</b>	<b>2,455,733</b>	<b>(497,770)</b>	<b>2,493,824</b>	<b>632,396</b>	<b>4,949,557</b>	<b>134,626</b>
<b>Net Assets, Beginning of Year</b>	<b>16,456,449</b>	<b>16,954,219</b>	<b>3,969,918</b>	<b>3,337,522</b>	<b>20,426,367</b>	<b>20,291,741</b>
<b>Net Assets, End of Year</b>	<b>\$ 18,912,182</b>	<b>16,456,449</b>	<b>6,463,742</b>	<b>3,969,918</b>	<b>25,375,924</b>	<b>\$ 20,426,367</b>

**Governmental Activities.** The City's net assets increased from 2007 to 2008 by approximately \$2,456,000 or 15%, compared to approximately \$(498,000) for 2007. This increase is due to real property acquisition, new infrastructure, and building completion at Heritage Park during the year.

**Business-Type Activities.** The City's net assets increased from 2007 to 2008 by approximately \$2,494,000 or 63%. The primary reason for this increase was development of new sewer infrastructure coming into the City and now being maintained by the City.

## CITY OF SIMPSONVILLE, SOUTH CAROLINA

### MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2008

---

#### 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, 2008, the City's governmental funds reported a combined ending fund balances of approximately \$744,000. Of this amount, approximately \$574,000 is unreserved fund balance, which is available for spending at the government's discretion.

#### General Fund Revenues

The General Fund is the principal fund that accounts for the daily operations of the City. Total revenue at June 30, 2008 was approximately \$11,102,000 compared to approximately \$10,179,000 in the prior year. Taxes and licenses, permits, and fees make up 83% of all General Fund revenues or approximately \$9,265,000. The remaining General Fund revenue sources totaled approximately \$1,837,000 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 the reassessment of property, and development and growth in the City. A portion of the increase may also be attributed to the newly instituted building permit administration fee of ½ percent of total building cost.

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 48.6 mills. The assessed value is 4% of market value for owner occupied property, 6% for commercial property, and 10.5% for industrial property. Local property taxes accounted for 44%, or approximately \$4,924,000, of total General Fund revenue for the fiscal period ending June 30, 2008.

#### General Fund Expenditures

General Fund expenditures for the year ended June 30, 2008 totaled approximately \$10,518,000 compared to approximately \$9,846,000 for the prior year. The increase reflects the increase in costs for fuel and asphalt. It is also reflective of grant funded capital projects that were completed this year. These include the downtown Streetscape project funded by a federal grant and infrastructure improvements at Heritage Park funded through a state competitive grant.

The Public Safety and Public Works functions accounted for approximately 73% of all General Fund expenditures (excluding capital outlay). Actual expenditures for these functions, excluding capital outlay, were approximately \$5,506,000 for Public Safety and \$2,212,000 for Public Works. The remaining 27% of General Fund expenditures (excluding capital outlay) came from the areas of Recreation and Parks of \$1,221,000 and General Government of \$1,531,000. The City also had Capital Outlay in the General Fund of approximately \$48,000 for 2008.

#### 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 \$1,754,000, partially offset by transfers in from the Special Revenue Fund of approximately \$356,000. General Fund revenue did exceed expenditures by approximately \$583,000. The total decrease in the General Fund was approximately \$770,000 for 2008, leaving the fund balance for the General Fund at approximately \$813,000 at June 30, 2008. Unreserved fund balance for the General Fund was approximately \$669,000, or approximately 6% of total General Fund expenditures.

**Proprietary Funds.** The City's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Net Assets of the Enterprise Funds at the end of the year amounted to approximately \$6,464,000. Factors concerning the operations of this fund have already been addressed in the discussion of the City's business-type activities.

**CITY OF SIMPSONVILLE, SOUTH CAROLINA**

**MANAGEMENT’S DISCUSSION AND ANALYSIS**

**YEAR ENDED JUNE 30, 2008**

**FINANCIAL ANALYSIS OF THE CITY’S FUNDS (CONTINUED)**

**General Fund Budgetary Highlights:** During the fiscal year, the City received an \$80,000 competitive grant for infrastructure improvement at Heritage Park. The City also realized the prior year’s revenue that was deferred in an amendment to the 2007 budget. This amount, approximately \$300,000 in 2008, was grant revenue from the Federal Highway Administration for the Downtown Streetscape project.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets:** As of June 30, 2008, the City had invested a net amount of approximately \$41,507,000 in capital assets.

This table shows 2008 Capital Asset balances (net of depreciation) compared to 2007:

**City of Simpsonville  
Capital Assets – Primary Government**

	Governmental Activities		Business-Type Activites		Total	
	2008	2007	2008	2007	2008	2007
Land	\$ 6,582,994	5,214,912	-	-	6,582,994	\$ 5,214,912
Construction in Progress	3,356,323	-	-	-	3,356,323	-
Infrastructure	10,438,066	8,323,115	5,621,857	3,354,870	16,059,923	11,677,985
Buildings and Improvements	12,229,395	12,402,805	-	-	12,229,395	12,402,805
Equipment	738,093	623,320	159,301	18,905	897,394	642,225
Furniture and Fixtures	19,764	24,675	-	-	19,764	24,675
Vehicles	2,360,921	2,277,781	-	-	2,360,921	2,277,781
Capital Assets, Net	<u>\$ 35,725,556</u>	<u>28,866,608</u>	<u>5,781,158</u>	<u>3,373,775</u>	<u>41,506,714</u>	<u>\$ 32,240,383</u>

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

- Depreciation expense of approximately \$1,427,000.
- Land and building & improvements increase related to Heritage Park of approximately \$1,838,000.
- Infrastructure improvements of approximately \$2,451,000.
- Vehicle purchases of approximately \$479,000.
- Sewer infrastructure improvements of approximately \$2,414,000.
- Construction in progress related to the Heritage Park Amphitheatre of \$2,990,000 and the Streetscape project of \$367,000 totaling approximately \$3,356,000.

See Note III D of 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, 2008**

**CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)**

**Long-Term Obligations:** As of June 30, 2008, the City had total long-term obligations of approximately \$17,888,000 of which approximately \$16,846,000 consisted of long-term debt. Of this debt, \$3,225,000 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 \$13,311,000 (net of a deferred loss on refunding of approximately \$429,000). In addition, the City had other long-term obligations of approximately \$893,000 for outstanding capital leases and approximately \$149,000 for compensated absence liabilities.

**City of Simpsonville  
Long-Term Obligations - Primary Government**

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Debt:						
General Obligation Bonds	\$ 3,225,000	2,540,000	-	-	3,225,000	\$ 2,540,000
Certificates of Participation, Net	13,311,254	9,868,593	-	-	13,311,254	9,868,593
Note Payable	-	427,500	310,000	340,000	310,000	767,500
Total Debt	16,536,254	12,836,093	310,000	340,000	16,846,254	13,176,093
Capital Leases	892,685	1,364,847	-	-	892,685	1,364,847
Accrued Compensated Absences	145,395	145,395	3,534	3,534	148,929	148,929
Total	\$ 17,574,334	14,346,335	313,534	343,534	17,887,868	\$ 14,689,869

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

- The City’s GOBs increased \$685,000 (27%) during the current year. This increase was due to the issuance of the 2007A Series for \$1,045,000 partially offset by principal payments of \$360,000.
- The City’s COPS increased by approximately \$3,443,000 (35%) during the current year. This increase was due to the issuance of the 2007 Series for \$2,500,000 and the 2008 Series for \$1,400,000 partially offset by net principal payments of approximately \$457,000.

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, 2008 was approximately \$4,080,000. The debt limit effective July 1, 2008 rose to \$4,760,000. The City had non-referendum bonded debt of \$3,225,000 which resulted in the City having an unused legal debt margin of approximately \$1,535,000.

See Note III F of 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, 2008**

---

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

Economic factors that were considered in preparing the FY 09 budget were as follows:

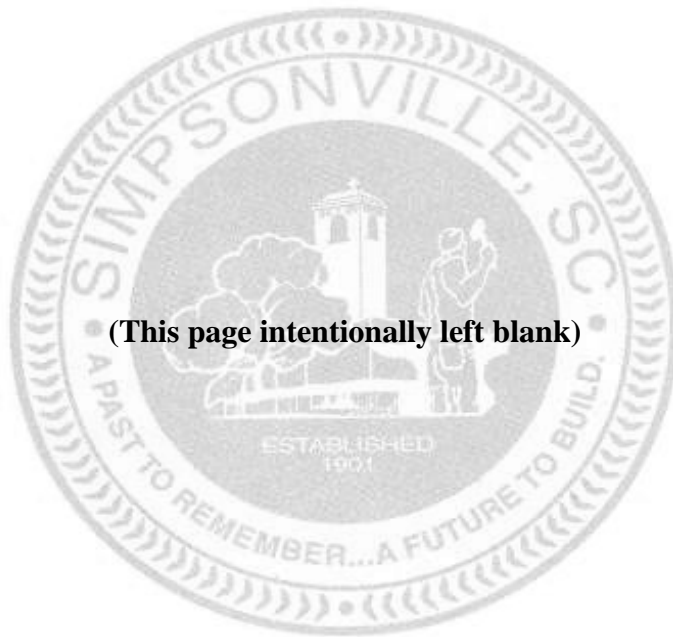
- The unemployment rate in the City is in the 4.8% to 5.0% range. The City's unemployment rate compares more favorably than that of the County's at 5.2% and that of the State of South Carolina at approximately 5.5%.
- Inflation in the region averages 3.1% and is comparable to the national index of 3.0%.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

The adopted FY 09 operating budget for all funds is \$14,807,000. Highlights of FY 09 operating budget were as follows:

- The City's budget is balanced, with an increase of 2.9 mills approved in the City's millage rate.
- Large growth in the City's tax base and approximately 15% reassessment growth
- Excellent loss experience saving the city money in the areas of liability insurance, health insurance and worker's comp
- Increase in debt service expenses due to new 2007 Series COPs and 2007A Series G.O. Bond.

**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.



**(This page intentionally left blank)**



# **BASIC FINANCIAL STATEMENTS**

CITY OF SIMPSONVILLE, SOUTH CAROLINA

STATEMENT OF NET ASSETS

JUNE 30, 2008

	PRIMARY GOVERNMENT			COMPONENT UNIT
	Governmental Activities	Business-Type Activities	Totals	Simpsonville Industrial Development Corporation
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 544,763	-	544,763	\$ -
Cash and Cash Equivalents, Restricted	1,227,738	-	1,227,738	66,837
Investments, Restricted	83,310	-	83,310	-
Property Taxes Receivable, Net	169,128	-	169,128	-
Accounts Receivable	836,575	180,213	1,016,788	-
Due From County Treasurer	95,891	-	95,891	-
Internal Balances	(827,862)	827,862	-	-
Other Assets	143,632	-	143,632	-
Debt Issuance Costs, Net	134,377	-	134,377	-
Capital Assets:				
Non-Depreciable	9,939,317	-	9,939,317	-
Depreciable, Net	25,786,239	5,781,158	31,567,397	-
<b>TOTAL ASSETS</b>	<b>38,133,108</b>	<b>6,789,233</b>	<b>44,922,341</b>	<b>66,837</b>
<b>LIABILITIES</b>				
Accounts Payable and Accrued Liabilities	1,380,108	8,659	1,388,767	-
Accrued Interest Payable	266,484	3,298	269,782	-
Non-Current Liabilities:				
Due Within One Year	1,499,613	33,534	1,533,147	-
Due in More Than One Year	16,074,721	280,000	16,354,721	-
<b>TOTAL LIABILITIES</b>	<b>19,220,926</b>	<b>325,491</b>	<b>19,546,417</b>	<b>-</b>
<b>NET ASSETS</b>				
Invested in Capital Assets, Net of Related Debt	18,430,994	5,471,158	23,902,152	-
Unrestricted	481,188	992,584	1,473,772	66,837
<b>TOTAL NET ASSETS</b>	<b>\$ 18,912,182</b>	<b>6,463,742</b>	<b>25,375,924</b>	<b>\$ 66,837</b>

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, 2008

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		Totals	Component Unit Simpsonville Industrial Development Corporation
					Governmental Activities	Business-Type Activities		
<b>PRIMARY GOVERNMENT:</b>								
Governmental Activities:								
General Government	\$ 1,884,087	1,766,700	100,000	-	(17,387)	-	(17,387)	\$ -
Public Safety	6,037,966	170,680	106,021	-	(5,761,265)	-	(5,761,265)	-
Public Works	143,939	-	25,757	342,452	224,270	-	224,270	-
Recreation and Parks	1,670,735	103,878	80,000	-	(1,486,857)	-	(1,486,857)	-
Interest and Other Charges	758,389	-	-	-	(758,389)	-	(758,389)	-
<b>Total Governmental Activities</b>	<b>10,495,116</b>	<b>2,041,258</b>	<b>311,778</b>	<b>342,452</b>	<b>(7,799,628)</b>	<b>-</b>	<b>(7,799,628)</b>	<b>-</b>
<b>BUSINESS-TYPE ACTIVITIES</b>								
Sewer	628,172	686,456	-	2,435,540	-	2,493,824	2,493,824	-
<b>Total Business-Type Activities</b>	<b>628,172</b>	<b>686,456</b>	<b>-</b>	<b>2,435,540</b>	<b>-</b>	<b>2,493,824</b>	<b>2,493,824</b>	<b>-</b>
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>11,123,288</b>	<b>2,727,714</b>	<b>311,778</b>	<b>2,777,992</b>	<b>(7,799,628)</b>	<b>2,493,824</b>	<b>(5,305,804)</b>	<b>-</b>
<b>COMPONENT UNITS</b>								
Simpsonville Ind. Development Corp.	90	-	-	-	-	-	-	(90)
<b>TOTAL COMPONENT UNITS</b>	<b>\$ 90</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(90)</b>
General Revenues:								
Taxes:								
Property Taxes Levied for General Purposes					5,000,728	-	5,000,728	-
Hospitality and Accommodations Taxes					1,274,349	-	1,274,349	-
MASC Telecommunications and Insurance Taxes					1,642,218	-	1,642,218	-
Franchise Fees					892,459	-	892,459	-
Unrestricted State Grants					467,349	-	467,349	-
Unrestricted Investment Earnings					114,637	-	114,637	2,325
Unrestricted Donations and Contributions					553,650	-	553,650	-
Gain on Disposal of Capital Assets					6,789	-	6,789	-
Miscellaneous Revenue					303,182	-	303,182	-
<b>Total General Revenues</b>					<b>10,255,361</b>	<b>-</b>	<b>10,255,361</b>	<b>2,325</b>
<b>CHANGE IN NET ASSETS</b>					<b>2,455,733</b>	<b>2,493,824</b>	<b>4,949,557</b>	<b>2,235</b>
NET ASSETS, Beginning of Year					16,456,449	3,969,918	20,426,367	64,602
<b>NET ASSETS, End of Year</b>					<b>18,912,182</b>	<b>6,463,742</b>	<b>25,375,924</b>	<b>\$ 66,837</b>

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, 2008

	<u>GENERAL</u>	<u>SPECIAL REVENUE</u>	<u>CAPITAL PROJECTS</u>	<u>DEBT SERVICE</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 518,907	25,856	-	-	\$ 544,763
Cash and Cash Equivalents, Restricted	145,056	418,117	664,565	-	1,227,738
Investments, Restricted	-	83,310	-	-	83,310
Receivables, Net:					
Taxes	169,128	-	-	-	169,128
Accounts	836,575	-	-	-	836,575
Due From:					
County Treasurer	95,891	-	-	-	95,891
Other Funds	1,261,071	-	-	-	1,261,071
Other Assets	143,632	-	-	-	143,632
<b>TOTAL ASSETS</b>	<b><u>3,170,260</u></b>	<b><u>527,283</u></b>	<b><u>664,565</u></b>	<b><u>-</u></b>	<b><u>4,362,108</u></b>
<b>LIABILITIES</b>					
Accounts Payable	332,884	-	-	-	332,884
Retainage Payable	193,887	-	-	-	193,887
Accrued Salaries and Fringe Benefits	414,608	-	-	-	414,608
Accrued Expenditures	438,729	-	-	-	438,729
Due To Other Funds	827,862	622,406	638,665	-	2,088,933
Deferred Revenue	149,485	-	-	-	149,485
<b>TOTAL LIABILITIES</b>	<b><u>2,357,455</u></b>	<b><u>622,406</u></b>	<b><u>638,665</u></b>	<b><u>-</u></b>	<b><u>3,618,526</u></b>
<b>FUND BALANCES</b>					
Fund Balances					
Reserved:					
Other Assets	143,632	-	-	-	143,632
Capital Projects	-	-	25,900	-	25,900
Unreserved:					
Undesignated	669,173	(95,123)	-	-	574,050
<b>TOTAL FUND BALANCES</b>	<b><u>812,805</u></b>	<b><u>(95,123)</u></b>	<b><u>25,900</u></b>	<b><u>-</u></b>	<b><u>743,582</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>\$ 3,170,260</u></b>	<b><u>527,283</u></b>	<b><u>664,565</u></b>	<b><u>-</u></b>	<b><u>\$ 4,362,108</u></b>

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, 2008**

---

**TOTAL FUND BALANCES - GOVERNMENTAL FUNDS** **\$ 743,582**

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 \$52,580,223 and the accumulated depreciation was \$16,854,667.	35,725,556
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.	149,485
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 \$49,259.	134,377
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.	(266,484)
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 \$115,254. Long-term liabilities consisted of the following:	
Long-Term Debt (Including Capital Leases)	(17,857,685)
Long-Term Debt - Deferred Loss on Refunding, Net	428,746
Compensated Absences (Sick Pay and Vacations)	(145,395)
	<u>(17,574,334)</u>

**TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES** **\$ 18,912,182**

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, 2008

	<u>GENERAL</u>	<u>SPECIAL REVENUE</u>	<u>CAPITAL PROJECTS</u>	<u>DEBT SERVICE</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<b>REVENUES</b>					
Taxes:					
Local	\$ 4,924,494	-	-	-	\$ 4,924,494
Hospitality and Accommodations	-	1,180,113	-	-	1,180,113
MASC Telecommunication and Insurance	1,642,218	-	-	-	1,642,218
Franchise	892,459	-	-	-	892,459
Licenses, Permits, and Fees	1,805,451	-	-	-	1,805,451
Grants	554,230	-	-	-	554,230
Fines	150,340	-	-	-	150,340
Shared Revenue:					
County	100,000	-	-	-	100,000
State	561,586	-	-	-	561,586
Interest	82,228	5,883	26,525	-	114,636
Other	388,649	-	-	-	388,649
<b>TOTAL REVENUES ALL SOURCES</b>	<b>11,101,655</b>	<b>1,185,996</b>	<b>26,525</b>	<b>-</b>	<b>12,314,176</b>
<b>EXPENDITURES</b>					
Current:					
General Government	1,530,712	-	-	-	1,530,712
Public Safety	5,505,964	-	-	-	5,505,964
Public Works	2,211,741	-	-	-	2,211,741
Recreation and Parks	1,221,422	-	-	-	1,221,422
Capital Outlay	48,373	-	5,523,813	-	5,572,186
Debt Service:					
Principal	-	-	-	1,744,663	1,744,663
Interest and Fiscal Charges	-	11,812	-	571,059	582,871
Bond Issuance Costs	-	-	129,500	-	129,500
<b>TOTAL EXPENDITURES</b>	<b>10,518,212</b>	<b>11,812</b>	<b>5,653,313</b>	<b>2,315,722</b>	<b>18,499,059</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>583,443</b>	<b>1,174,184</b>	<b>(5,626,788)</b>	<b>(2,315,722)</b>	<b>(6,184,883)</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Proceeds on Disposal of Capital Assets	6,789	-	-	-	6,789
Issuance of General Obligation Debt	-	-	1,045,000	-	1,045,000
Issuance of Certificates of Participation	-	-	3,900,000	-	3,900,000
Insurance Proceeds	37,710	-	-	-	37,710
Transfers In	356,000	-	1,150,209	2,315,722	3,821,931
Transfers Out	(1,754,316)	(1,625,094)	(442,521)	-	(3,821,931)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(1,353,817)</b>	<b>(1,625,094)</b>	<b>5,652,688</b>	<b>2,315,722</b>	<b>4,989,499</b>
<b>NET CHANGES IN FUND BALANCES</b>	<b>(770,374)</b>	<b>(450,910)</b>	<b>25,900</b>	<b>-</b>	<b>(1,195,384)</b>
FUND BALANCE, Beginning of Year	1,583,179	355,787	-	-	1,938,966
<b>FUND BALANCES, End of Year</b>	<b>\$ 812,805</b>	<b>(95,123)</b>	<b>25,900</b>	<b>-</b>	<b>\$ 743,582</b>

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, 2008**

---

**TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS** **\$ (1,195,384)**

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.	76,234
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.	1,744,663
Debt and certificates of participation proceeds provide current financial resources to governmental fund, but issuing debt increases long-term liabilities in the Statement of Net Assets.	(4,945,000)
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.	(44,071)
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.	(11,996)
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)
Contributed capital assets are not recognized in the governmental funds as no current financial resource has been received, but are recognized in the Statement of Activities as a General Revenue.	553,650
Governmental funds report capital asset additions as expenditures (\$7,570,141). However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense (\$1,264,843). This is the amount by which depreciation exceeded capital asset additions in the current period.	<u>6,305,298</u>

**TOTAL CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES** **\$ 2,455,733**

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 - PROPRIETARY FUND

JUNE 30, 2008

	<u>Business-Type Activities</u> <u>Sewer</u>
<b>ASSETS</b>	
Current Assets	
Receivables, Net of Allowance for Doubtful Accounts	
Utility Services	\$ 180,213
Due From Other Funds	827,862
Total Current Assets	<u>1,008,075</u>
Noncurrent Assets	
Depreciable Capital Assets, Net	5,781,158
Total Noncurrent Assets	<u>5,781,158</u>
<b>TOTAL ASSETS</b>	<u><b>6,789,233</b></u>
<b>LIABILITIES</b>	
Current Liabilities	
Accrued Salaries and Fringe Benefits	8,659
Compensated Absences - Current Portion	3,534
Accrued Interest Payable	3,298
Sewer Revenue Bond Payable - Current Portion	30,000
Total Current Liabilities	<u>45,491</u>
Noncurrent Liabilities	
Sewer Revenue Bond Payable - Noncurrent Portion	280,000
Total Non-Current Liabilities	<u>280,000</u>
<b>TOTAL LIABILITIES</b>	<u><b>325,491</b></u>
<b>NET ASSETS</b>	
Invested in Capital Assets, Net of Related Debt	5,471,158
Unrestricted	992,584
<b>TOTAL NET ASSETS</b>	<u><b>\$ 6,463,742</b></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, EXPENSES, AND CHANGES IN NET ASSETS - PROPRIETARY FUND

YEAR ENDED JUNE 30, 2008

	<u>Business-Type Activities</u> <u>Sewer</u>
<b>OPERATING REVENUES</b>	
Charges for Service	
Sewer Maintenance Fees	\$ 686,456
<b>TOTAL OPERATING REVENUES</b>	<b>686,456</b>
<b>OPERATING EXPENSES</b>	
Personnel Services	293,145
Contractual Services	138,294
Materials and Supplies	1,346
Other Operating Expenses	20,066
Depreciation	162,129
<b>TOTAL OPERATING EXPENSES</b>	<b>614,980</b>
<b>OPERATING INCOME (LOSS)</b>	<b>71,476</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>	
Grant	200,000
Interest Expense	(13,192)
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<b>186,808</b>
Capital Contributions - Infrastructure	2,235,540
<b>CHANGE IN NET ASSETS</b>	<b>2,493,824</b>
NET ASSETS, Beginning of Year	3,969,918
<b>NET ASSETS, End of Year</b>	<b>\$ 6,463,742</b>

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 CASH FLOWS - PROPRIETARY FUND

YEAR ENDED JUNE 30, 2008

	<u>Business-Type Activities</u> <u>Sewer</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash Received from Customers	\$ 861,507
Cash Payments for Goods and Services	(159,706)
Cash Payments to Employees	(290,604)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b><u>411,197</u></b>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>	
Transfers to Other Funds	(234,033)
<b>NET CASH USED IN NON-CAPITAL FINANCING ACTIVITIES</b>	<b><u>(234,033)</u></b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Acquisition of Capital Assets	(333,972)
Receipts from Capital Grants	200,000
Principal Payments on Revenue Bond Payable	(30,000)
Interest Payments	(13,192)
<b>NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b><u>(177,164)</u></b>
<b>NET INCREASE (DECREASE) IN RESTRICTED AND UNRESTRICTED CASH AND CASH EQUIVALENTS</b>	<b>-</b>
RESTRICTED AND UNRESTRICTED CASH AND CASH EQUIVALENTS, Beginning of Year	<u>-</u>
<b>RESTRICTED AND UNRESTRICTED CASH AND CASH EQUIVALENTS, End of Year</b>	<b><u>\$ -</u></b>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating Income	\$ 71,476
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation Expense	162,129
Change in:	
Decrease in Accounts Receivable	175,051
Increase in Accrued Salaries and Fringe Benefits	2,541
<b>Net Cash Provided by Operating Activities</b>	<b><u>\$ 411,197</u></b>
Noncash Investing, Capital, and Financing Activities	
Acquisition of Capital Assets through Developer Contributions	<u>\$ 2,235,540</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 NET ASSETS - FIDUCIARY FUND**  
**JUNE 30, 2008**

---

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	<b>PENSION TRUST FUND</b>
	<u>                    </u>
<b>ADDITIONS</b>	
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>
<b>TOTAL ADDITIONS ALL SOURCES</b>	<u>-</u>
<b>DEDUCTIONS</b>	
Pension Benefits	-
Administrative Expense	-
Transfers Out	1,429,141
TOTAL DEDUCTIONS	<u>1,429,141</u>
<b>NET INCREASE (DECREASE) IN ADDITIONS OVER DEDUCTIONS</b>	<b>(1,429,141)</b>
NET ASSETS, Beginning of Year	<u>1,429,141</u>
<b>NET ASSETS, End of Year</b>	<u><u>\$ -</u></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, 2008

---

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.

All activities for which the Council exercises oversight responsibility have been incorporated into the basic financial statements to form the reporting entity. The City’s basic financial statements include the accounts of all City operations, including, but not limited to, general governmental services (City administration and community/economic development), public safety (police and fire), public works (sanitation and environmental services), parks and recreation, and sewer services.

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.

CITY OF SIMPSONVILLE, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2008

---

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 (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*, which rely to a significant extent on fees and charges for support.

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.

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.

CITY OF SIMPSONVILLE, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2008

---

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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 a budgeted 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 not a budgeted 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 not a budgeted fund.

**Proprietary Fund Types** are accounted for based on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The City applies all applicable GASB pronouncements, as well as the requirements of Financial Accounting Standards Board ("FASB") Statements and Interpretations, Accounting Principles Board ("APB") Opinions, and Accounting Research Bulletins ("ARBs"), issued on or before November 30, 1989, unless they conflict with or contradict GASB pronouncements. The City has elected not to follow the aforementioned guidance issued after November 30, 1989, as allowed by GAAP.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of enterprise funds are primarily charges for services and fees. Operating expenses for enterprise funds include the expense for providing goods and services, administrative expenses, maintenance, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. Proprietary Fund types include the following funds:

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

CITY OF SIMPSONVILLE, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2008

---

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

The City has one major Enterprise Fund:

The **Sewer Fund, a budgeted fund**, is used to account for the City's sewer operations.

*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 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.

*Investments*

The City'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 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



CITY OF SIMPSONVILLE, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2008

---

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities and Equity (Continued)

1. Cash, Cash Equivalents, and Investments (Continued)

*Investments (Continued)*

- (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'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.
- Repurchase agreements are a type of transaction in which a money market participant acquires immediately available funds by selling securities and simultaneously agreeing to repurchase the same or similar securities after a specified time at a given price, which typically includes interest at an agreed-upon rate. The City's repurchase agreements are considered cash and cash equivalents as they are purchased with maturities of less than three months.
- South Carolina Pooled Investment Fund (the "Pool") investments are invested with the South Carolina State Treasurer's Office, which established the South Carolina Pool pursuant to Section 6-6-10 of the South Carolina Code. The Pool is an investment trust fund, in which public monies in excess of current needs, which are under the custody of any city treasurer or any governing body of a political subdivision of the State, may be deposited. The Pool is a 2a 7-like pool which is not registered with the Securities and Exchange Commission ("SEC") as an investment company, but has a policy that it will operate in a manner consistent with the SEC's Rule 2a 7 of the Investment Company Act of 1940. In accordance with GASB Statement No. 31, "*Accounting and Financial Reporting for Certain Investments and for External Investment Pools*", investments are carried at fair value determined annually based upon quoted market prices. The total fair value of the Pool is apportioned to the entities with funds invested on an equal basis for each share owned, which are acquired at a cost of \$1.

CITY OF SIMPSONVILLE, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2008

---

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, 2008, 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 1<sup>st</sup> on all property other than vehicles and are payable without penalty until January 15<sup>th</sup> of the following year. Penalties are assessed on unpaid taxes on the following dates:

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

Current year real and personal property taxes become delinquent on March 16<sup>th</sup>. Unpaid property taxes become a lien against the property as of June 1<sup>st</sup> 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). Trade receivables are comprised of amounts due from entities and individuals for a variety of types of fees, charges, and services, including sewer fees and charges.

3. *Other Assets - Inventories and Prepaid Items*

Inventories of the City (fuel) are stated at cost (first-in, first-out method) and 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. As of June 30, 2008, the City has recorded \$75,000 in prepaid management fees to a third party for management of the Heritage Park Amphitheatre.

4. *Capital Assets*

General capital assets are those assets not specifically related to activities reported in the Proprietary Fund. These assets generally result from expenditures 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. Capital assets utilized by the Proprietary Fund are reported both in the business-type activities column of the government-wide Statement of Net Assets and in the respective fund financial statements.

CITY OF SIMPSONVILLE, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2008

---

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, and Equity (Continued)

4. Capital Assets (Continued)

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.

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, including donated infrastructure from developers.

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 - 20 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. The portion applicable to the Proprietary Fund is also recorded in the Proprietary Fund financial statements. The governmental funds will also recognize compensated absences for termination and retirements that occurred prior to year end and are expected to be paid within a short time subsequent to year end, if they are material.

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. The portion applicable to the Proprietary Fund is also recorded in the Proprietary Fund financial statements. All current payables and accrued liabilities from governmental funds are reported in the governmental fund financial statements.

CITY OF SIMPSONVILLE, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2008

---

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, and Equity (Continued)

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

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.

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, if material, 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, if applicable, are included in other assets.

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 Revenues in the governmental funds represent receivables for revenues that are not considered to be available to liquidate liabilities of the current period.

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.

CITY OF SIMPSONVILLE, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2008

---

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**C. Assets, Liabilities, and Equity (Continued)**

**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.

**10. 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.

**11. 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 and Special Revenue 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 budgets for the General Fund and Special Revenue Fund are 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 and Special Revenue Fund.

CITY OF SIMPSONVILLE, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2008

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES

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 Primary Government’s bank balances of \$354,807 as of June 30, 2008 (which had a carrying value of <\$1,322,961>), \$62,850 was exposed to custodial credit risk as they were uninsured and uncollateralized. In addition, none of the City’s discretely presented Component Unit’s bank balance of \$66,837 was exposed to custodial credit risk.

*Investments*

As of June 30, 2008, the City had the following investments, all with the Primary Government:

Investment Type	Credit Rating ^	Fair Value	Weighted Average Maturity (Years)
Repurchase Agreement	Unrated	\$ 2,008,445	Less than 1 YR
SC Pooled Investment Fund	Unrated	4,335	N/A
First American Treasury Obligation Fund	AAAm, Aaa,AAA	157,874	Less than 1 YR
First American Government Obligation Fund	AAAm, Aaa, NR	840,118	Less than 1 YR
United States Treasury Bill	N/A, AAA,NR	168,000	Less than 1 YR
Total		<u>\$ 3,178,772</u>	

^ 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.

**Custodial Credit Risk for Investments:** Custodial credit risk for investments is the risk that, in the event of a bank failure, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City does not have an investment policy for custodial credit risk but follows the investment policy statutes of the State of South Carolina. As of June 30, 2008, \$2,008,445 of the City’s security investments were exposed to custodial credit risk as they were held by the counterparties’ trust departments but not in the name of the City.

**Concentration of Credit Risk for Investments:** The City places no limit on the amount it may invest in any one issuer. Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds and external investment pools are excluded from this disclosure requirement. More than 5% of the City’s investments are in the following issuers: Repurchase Agreement with Suntrust (63%), Open Ended Mutual Fund with US Bank (16%), and Money Market Mutual Fund with US Bank (21%). Investments in external investment pools are excluded from this disclosure requirement.

*Reconciliation to the Financial Statements*

The following table is a reconciliation of cash and investments for all fund types of the Primary Government:

Statement of Net Assets		Footnotes	
Cash and Cash Equivalents	\$ 544,763	Carrying Value of Deposits	\$ (1,322,961)
Restricted Cash and Cash Equivalents	1,227,738	Fair Value of Investments	3,178,772
Investments	<u>83,310</u>		
Total Deposits and Investments	<u>\$ 1,855,811</u>	Total Deposits and Investments	<u>\$ 1,855,811</u>

CITY OF SIMPSONVILLE, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2008

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

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 1<sup>st</sup> based on an assessed value of approximately \$51.0 million at the rate of 48.6 mills for the City and 22.7 mills for the Fire Service District of the County. These taxes are due without penalty through January 15<sup>th</sup>. Property taxes receivable includes an allowance for uncollectibles of approximately \$143,000 at June 30, 2008. 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, 2008, the City had deferred delinquent property taxes for the General Fund of approximately \$149,000.

C. Interfund Receivables, Payables, and Transfers

*Interfund Receivables and Payables*

Interfund balances at June 30, 2008 (which are expected to be paid or received within one year), consisted of the following individual fund receivables and payables:

Fund	Receivables	Payables
<b>Major Funds:</b>		
General Fund	\$ 1,261,071	\$ 827,862
Special Revenue Fund	-	622,406
Capital Projects Fund	-	638,665
Sewer Enterprise Fund	827,862	-
Totals	<u>\$ 2,088,933</u>	<u>\$ 2,088,933</u>

The General Fund receivable at year end from the Capital Projects Fund was for the remainder of construction costs funded by the General Fund for Heritage Park. These amounts were later repaid. 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, but were due from the Special Revenue Fund. The General Fund Payable at year end to the Sewer Fund was for cash held in the General Fund on behalf of the Sewer Fund.

*Interfund Transfers*

Interfund transfers for the year ended June 30, 2008, consisted of the following:

Fund	Transfers In	Transfers Out
<b>Major Funds:</b>		
General Fund	\$ 356,000	\$ 1,754,316
Special Revenue Fund	-	1,625,094
Capital Projects Fund	1,150,209	442,521
Debt Service Fund	2,315,722	-
Totals	<u>\$ 3,821,931</u>	<u>\$ 3,821,931</u>

CITY OF SIMPSONVILLE, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2008

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

C. Interfund Receivables, Payables, and Transfers (Continued)

*Interfund Transfers (Continued)*

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 to make debt service payments on general obligation debt and capital leases. General Fund and Special Revenue 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.

D. Capital Assets

Capital asset activity for the City for governmental activities for the year ended June 30, 2008, was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
<b>Governmental Activities:</b>					
Capital Assets, Non-Depreciable:					
Land	\$ 5,214,912	1,368,082	-	-	\$ 6,582,994
Construction in Progress	-	3,356,323	-	-	3,356,323
Total Capital Assets, Non-Depreciable	<u>5,214,912</u>	<u>4,724,405</u>	<u>-</u>	<u>-</u>	<u>9,939,317</u>
Capital Assets, Depreciable:					
Infrastructure	16,621,782	2,450,978	-	-	19,072,760
Buildings and Improvements	15,178,137	212,015	-	-	15,390,152
Equipment	1,487,886	257,620	-	-	1,745,506
Furniture and Fixtures	112,220	-	-	-	112,220
Vehicles	5,925,495	478,773	84,000	-	6,320,268
Total Capital Assets, Depreciable	<u>39,325,520</u>	<u>3,399,386</u>	<u>84,000</u>	<u>-</u>	<u>42,640,906</u>
Less: Accumulated Depreciation for:					
Infrastructure	8,298,667	336,027	-	-	8,634,694
Buildings and Improvements	2,775,332	385,425	-	-	3,160,757
Equipment	864,566	142,847	-	-	1,007,413
Furniture and Fixtures	87,545	4,911	-	-	92,456
Vehicles	3,647,714	395,633	84,000	-	3,959,347
Total Accumulated Depreciation	<u>15,673,824</u>	<u>1,264,843</u>	<u>84,000</u>	<u>-</u>	<u>16,854,667</u>
Total Capital Assets, Depreciable, Net	<u>23,651,696</u>	<u>2,134,543</u>	<u>-</u>	<u>-</u>	<u>25,786,239</u>
Total Governmental Activities Capital Assets, Net	<u>\$ 28,866,608</u>	<u>6,858,948</u>	<u>-</u>	<u>-</u>	<u>\$ 35,725,556</u>

The cost of equipment recorded under capital lease was approximately \$3,900,000. Accumulated amortization was approximately \$2,600,000 at June 30, 2008. Amortization of assets recorded under capital lease obligations has been included with depreciation expense.



CITY OF SIMPSONVILLE, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2008

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

D. Capital Assets (Continued)

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

<b>Governmental Activities:</b>	<u>Depreciation Expense</u>
General Government	\$ 382,008
Public Safety	392,272
Public Works	142,058
Recreation and Parks	348,505
Total Depreciation Expense - Governmental Activities	<u>\$ 1,264,843</u>

Capital asset activity for the City for business-type activities for the year ended June 30, 2008, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balance</u>
<b>Business-Type Activities:</b>					
Capital Assets, Depreciable:					
Infrastructure	\$ 6,481,715	2,413,792	-	-	\$ 8,895,507
Equipment	119,407	155,720	-	-	275,127
Total Capital Assets, Depreciable	<u>6,601,122</u>	<u>2,569,512</u>	<u>-</u>	<u>-</u>	<u>9,170,634</u>
Less: Accumulated Depreciation for:					
Infrastructure	3,126,845	146,805	-	-	3,273,650
Equipment	100,502	15,324	-	-	115,826
Total Accumulated Depreciation	<u>3,227,347</u>	<u>162,129</u>	<u>-</u>	<u>-</u>	<u>3,389,476</u>
Total Capital Assets, Depreciable, Net	<u>3,373,775</u>	<u>2,407,383</u>	<u>-</u>	<u>-</u>	<u>5,781,158</u>
Total Business-Type Activities Capital Assets, Net	<u>\$ 3,373,775</u>	<u>2,407,383</u>	<u>-</u>	<u>-</u>	<u>\$ 5,781,158</u>

The infrastructure increases were contributions from developers for completed infrastructure within the City limits.

E. Short-Term Obligations

The City issued a Tax Anticipation Note (“TAN”) on July 12, 2007 for \$1,500,000 through a local bank. This TAN was issued to provide the City cash reserves until the 2008 property taxes are levied and collected. The City repaid the TAN on April 14, 2008 with interest of \$45,705.

The following is a summary of the changes in the City’s short-term obligations for 2008:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
<b>Governmental Activities:</b>				
Tax Anticipation Note	\$ -	1,500,000	1,500,000	\$ -
Total Governmental Activities	<u>\$ -</u>	<u>1,500,000</u>	<u>1,500,000</u>	<u>\$ -</u>

CITY OF SIMPSONVILLE, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2008

---

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

F. 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.

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, 2008 are as follows:

**General Obligation Bonds**

- 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 1<sup>st</sup> and October 1<sup>st</sup>. 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 1<sup>st</sup> and October 1<sup>st</sup>. 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 1<sup>st</sup> and October 1<sup>st</sup>. Debt issuance cost of approximately \$40,000 was expensed in 2003 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 construction of Heritage Park.
- 2006 Series – issued in January 2006 for \$250,000 with annual installments varying from \$30,000 and \$40,000 beginning April 1, 2008 and ending on April 1, 2013 with interest at 3.82%. Interest is payable semi-annually on April 1<sup>st</sup> and October 1<sup>st</sup>. Debt issuance cost of approximately \$15,000 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.
- 2007 Series – issued in April 2007 for \$785,000 with annual installments varying from \$40,000 to \$70,000 beginning on April 1, 2008 and ending on April 1, 2022 with interest at 4.04%. Interest is payable semi-annually on April 1 and October 1. Debt issuance cost of approximately \$35,000 was expensed in 2008 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 paving city roads.

CITY OF SIMPSONVILLE, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2008

---

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

F. Long-Term Obligations (Continued)

**General Obligation Bonds (Continued)**

- 2007A Series – issued in October 2007 for \$1,045,000 with annual installments varying from \$45,000 to \$170,000 beginning on April 1, 2008 and ending on April 1, 2017 with interest at 3.82%. Interest is payable semi-annually on April 1 and October 1. Debt issuance cost of approximately \$45,000 was expensed in 2008 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 various items of equipment and to satisfy the \$427,500 note payable to the School District of Greenville County for the purchase of a school building.

**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 1<sup>st</sup> and July 1<sup>st</sup>. 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 was expensed in 2004 rather than being amortized over the life of the bond due to the immaterial amount of debt issuance costs. 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.
- 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 1<sup>st</sup> and July 1<sup>st</sup> with interest at 3.89%. Debt issuance cost of \$40,000 was expensed in 2005 rather than being amortized over the life of the bond due to the immaterial amount of debt issuance cost. The proceeds from the 2005 COPS were used to pay the final costs associated with the construction of Heritage Park.
- 2006 Series – issued in November 2006 for \$2,005,000 with annual principal installments varying from \$30,000 to \$280,000 beginning January 1, 2008 and ending January 1, 2022. Interest is payable semi-annually on January 1 and July 1 with interest at 3.75%. Debt issuance cost of \$60,000 was expensed in 2008 rather than being amortized over the life of the bond due to the immaterial amount of debt issuance cost. The proceeds from the 2006 COPS were primarily used to pay back the \$942,000 owed to the General Fund and fund the amphitheatre at Heritage Park.
- 2007 Series– issued in December 2007 for \$2,500,000 with annual principal installments varying from \$85,000 to \$170,000 beginning January 1, 2009 and ending January 1, 2028. Interest is payable semi-annually on January 1 and July 1 with interest at 3.69%. Debt issuance cost of \$70,000 was expensed in 2008 rather than being amortized over the life of the bond due to the immaterial amount of debt issuance cost. The proceeds from the 2007 COPS were primarily used to fund certain improvements at Heritage Park (amphitheatre) and the City’s Cultural Arts Center.
- 2008 Series – issued in April 2008 for \$1,400,000 with annual principal installments varying from \$75,000 to \$120,000 beginning January 1, 2009 and ending January 1, 2023. Interest is payable semi-annually on January 1 and July 1 with interest at 3.56%. Debt issuance cost of \$70,000 was expensed in 2008 rather than being amortized over the life of the bond due to the immaterial amount of debt issuance cost. The proceeds from the 2008 COPS were primarily used to fund certain improvements at Heritage Park.

CITY OF SIMPSONVILLE, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2008

---

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

F. Long-Term Obligations (Continued)

Revenue Bond

- Sewer Revenue Bond - issued in January 6, 2006 for \$370,000 with annual installments varying from \$30,000 to \$45,000 beginning April 1, 2008 and ending on April 1, 2016. Interest is payable semi-annually on April 1 and October 1 with interest at 3.88%. Debt issuance cost \$15,788 were 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 the 2006 revenue bond was used to complete the new Bi-Lo Line and will be complete a new line in Hunter's Woods.

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%.
- \$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, 2008, 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.
- \$860,000 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. 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, 2008, 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.

CITY OF SIMPSONVILLE, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2008

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

F. Long-Term Obligations (Continued)

The following is a summary of changes in the City's long-term obligations for the year ended June 30, 2008.

Long-Term Obligations	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities:</b>					
Debt:					
General Obligation Bonds:					
2000 Series	\$ 565,000	-	60,000	505,000	\$ 60,000
2001 Series	370,000	-	35,000	335,000	35,000
2003 Series	600,000	-	45,000	555,000	50,000
2006 Series	220,000	-	35,000	185,000	35,000
2007 Series	785,000	-	40,000	745,000	40,000
2007A Series	-	1,045,000	145,000	900,000	155,000
	<u>2,540,000</u>	<u>1,045,000</u>	<u>360,000</u>	<u>3,225,000</u>	<u>375,000</u>
Certificates of Participation:					
2004 Series	7,210,000	-	335,000	6,875,000	345,000
2004 Series - Deferred Loss	(456,407)	-	(27,661)	(428,746)	-
2005 Series	1,110,000	-	120,000	990,000	125,000
2006 Series	2,005,000	-	30,000	1,975,000	35,000
2007 JR Lien Series	-	2,500,000	-	2,500,000	85,000
2008 JR Lien Series	-	1,400,000	-	1,400,000	75,000
	<u>9,868,593</u>	<u>3,900,000</u>	<u>457,339</u>	<u>13,311,254</u>	<u>665,000</u>
Note Payable Greenville County School District	427,500	-	427,500	-	-
<b>Total Debt</b>	<b>12,836,093</b>	<b>4,945,000</b>	<b>1,244,839</b>	<b>16,536,254</b>	<b>1,040,000</b>
Capital Leases:					
April 2001 MEL	239,350	-	157,561	81,789	81,789
April 2003 MEL	34,505	-	34,505	-	-
May 2004 MEL	339,942	-	166,809	173,133	114,634
March 2005 MEL	751,050	-	113,287	637,763	117,795
<b>Total Capital Leases</b>	<b>1,364,847</b>	<b>-</b>	<b>472,162</b>	<b>892,685</b>	<b>314,218</b>
Accrued Compensated Absences	145,395	-	-	145,395	145,395
<b>Total Governmental Activities</b>	<b>\$ 14,346,335</b>	<b>4,945,000</b>	<b>1,717,001</b>	<b>17,574,334</b>	<b>\$ 1,499,613</b>
<b>Business-Type Activities</b>					
Sewer Revenue Bond, Series 2006	\$ 340,000	-	30,000	310,000	\$ 30,000
Accrued Compensated Absences	3,534	-	-	3,534	3,534
<b>Total Business-Type Activities</b>	<b>\$ 343,534</b>	<b>-</b>	<b>30,000</b>	<b>313,534</b>	<b>\$ 33,534</b>

CITY OF SIMPSONVILLE, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2008

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

F. Long-Term Obligations (Continued)

All long-term obligations are funded from resources from the General, Special Revenue, and Sewer Funds. Normal interest cost for the year ended June 30, 2008, was approximately \$583,000 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, 2008.

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, 2008, the City had \$3,225,000 of bonded debt subject to the 8% limit of approximately \$4,080,000 resulting in an unused legal debt margin of approximately \$855,000.

The annual requirements to amortize debt outstanding for the City's governmental and business-type activities at June 30, 2008, were as follows:

Years Ending June 30	Bonds		Certificates of Participation		Totals
	Principal	Interest	Principal	Interest	
<b>Governmental Activities</b>					
2009	\$ 375,000	133,470	665,000	443,385	\$ 1,616,855
2010	385,000	118,019	685,000	434,479	1,622,498
2011	405,000	102,110	705,000	411,647	1,623,757
2012	415,000	85,309	730,000	388,139	1,618,448
2013	305,000	68,126	755,000	363,827	1,491,953
2014-2018	1,080,000	164,874	4,190,000	1,422,379	6,857,253
2019-2023	260,000	26,866	4,685,000	677,921	5,649,787
2024-2028	-	-	1,325,000	105,789	1,430,789
Totals	\$ 3,225,000	698,774	13,740,000	4,247,566	\$ 21,911,340
<b>Business-Type Activities</b>					
2009	\$ 30,000	12,028	-	-	\$ 42,028
2010	35,000	10,864	-	-	45,864
2011	35,000	9,506	-	-	44,506
2012	40,000	8,148	-	-	48,148
2013	40,000	6,596	-	-	46,596
2014-2016	130,000	10,282	-	-	140,282
Totals	\$ 310,000	57,424	-	-	\$ 367,424

CITY OF SIMPSONVILLE, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2008

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

F. Long-Term Obligations (Continued)

As of June 30, 2008, future minimum lease payments under capital leases were as follows:

Years Ending June 30	Capital Leases		
	Principal	Interest	Totals
<b>Governmental Activities</b>			
2009	\$ 314,218	31,427	\$ 345,645
2010	180,983	21,497	202,480
2011	127,359	15,820	143,179
2012	132,427	10,751	143,178
2013	137,698	5,480	143,178
Totals	<u>\$ 892,685</u>	<u>84,975</u>	<u>\$ 977,660</u>

*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, 2008 was approximately \$3,600,000.

G. 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.

CITY OF SIMPSONVILLE, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2008

---

IV. OTHER INFORMATION (CONTINUED)

A. Retirement Plans (Continued)

**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. Employees covered under PORS were required to contribute 6.50% of their salary. Employees covered under SCRS were required to contribute 6.25% of their salary through June 30, 2008. The City was required to contribute 10.30% of gross earnings under PORS. The City was required to contribute 8.05% under SCRS. In addition to the above rates, participating employers of the South Carolina Retirement System contribute .20% 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 approximately \$237,000, PORS of \$332,000; SCRS of \$193,000, PORS of \$312,000; and SCRS of \$165,000, PORS of \$287,000, for the years ended June 30, 2008, 2007, and 2006 respectively. Only the South Carolina State Budget and Control Board has authority to establish and amend the funding policy.

**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 was completed in August of 2008. As a result of the advanced funding of the plan by the City, there was a surplus of funds after this distribution which was returned to the City.

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.

The City is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, and natural disasters. The City has joined together with other municipalities in the state to form the South Carolina Municipal Insurance and Risk Financing Fund (“SCMIRF”), which is a public entity risk pool currently operating as a common risk management and insurance program. The City obtains its general risk insurance through SCMIRF. It pays an annual premium for this coverage. For the year ended June 30, 2008, the City made premium payments totaling approximately \$221,000. SCMIRF is self-sustaining through member premiums and reinsures through commercial companies. SCMIRF’s net assets from its most recently issued audited financial statements at December 31, 2007, totaled approximately \$19,426,000. 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.

The City has also joined together with other municipalities in the state to form the South Carolina Municipal Insurance Trust (“SCMIT”), a public entity risk pool operating as a common risk management and insurance program for worker’s compensation. The City pays a quarterly premium to SCMIT. In the year ended June 30, 2008, the City made premium payments totaling approximately \$218,000. The Trust uses reinsurance agreements to reduce its exposure to large workers’ compensation losses. SCMIT’s net assets from its most recently issued audited financial statements at December 31, 2007, totaled approximately \$15,342,000. 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.



**CITY OF SIMPSONVILLE, SOUTH CAROLINA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2008**

---

**IV. OTHER INFORMATION (CONTINUED)**

**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**

For the fiscal year ended June 30, 2008, there were expenditures in excess of the revised budget. These overages were covered by existing fund balance.

**E. Litigation**

The City is routinely the subject of litigation by a variety of plaintiffs. The City management believes that such amounts claimed by these plaintiffs, net of the applicable insurance coverage, are immaterial.

**F. 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.

**G. Post-Retirement Health Care Benefits**

Employees retiring from the City with a minimum of 20 years service, or who have a total of ten years of medical coverage under the City's group health insurance program, shall be eligible to participate in the Retiree Insurance Plan, at the retiree's expense, until age 65 or Medicare eligible whichever comes first. The City retains the right to terminate or modify these benefits at any time subject to applicable law. Currently, the City has one employee that meets the eligibility requirements.

In 2004, GASB issued Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions. This Statement establishes standards for the measurement, recognition, and display of Other Post Employment Benefits ("OPEB") expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information in the financial reports of state and local government employers. The City is required to adopt Statement No. 45 in fiscal 2010 and is in the process of engaging an actuary to determine the impact of adopting this Statement will have on the City. Management is not able at the present to quantify the City's OPEB liability under Statement No. 45.

**H. Simpsonville Fire Service Area Agreement**

In July 2005, the City entered into a new agreement with Greenville County whereby the City will provide fire protection services to the unincorporated area of Greenville County known as the Simpsonville Fire Service Area. The County will pay the City operating and debt service fees based on millage (presently 22.7 mills). This agreement expires in June 2015 but is automatically renewed each year thereafter for one year terms; however, either party may terminate the agreement subject to a 90 day written notice to the other party prior to the annual June 30 expiration date.

In addition, the County issued a \$990,000 general obligation bond, with the proceeds to be used to provide funding for the costs of (i) the acquisition and equipping of a rescue truck and fire engines; and (ii) the acquisition of property for the constructing of a fire substation, all to be owned and operated by the City, among other uses. In accordance with the terms of this agreement and the bond documents, the City has no obligation whatsoever for the repayment of this indebtedness.

**CITY OF SIMPSONVILLE, SOUTH CAROLINA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2008**

---

**IV. OTHER INFORMATION (CONTINUED)**

**I. Subsequent Event**

The City issued a Tax Anticipation Note on July 12, 2008 for \$1,500,000, which is due April 14, 2009 at an annual interest rate of 3.96%. The City issued a second Tax Anticipation Note on October 1, 2008 for \$500,000 which is due April 15, 2009 at an annual interest rate of 3.48%. The City issued a third Tax Anticipation Note on November 6, 2008 for \$550,000 which is also due April 15, 2009 at an annual interest rate of 5.00%.

In October 2008, the City issued Series 2008 General Obligation Bonds in the amount of \$755,000 at an annual interest rate of 3.99%.

## 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, 2008

	GENERAL FUND			
	ORIGINAL BUDGET	REVISED BUDGET	ACTUAL	VARIANCE
<b>REVENUES</b>				
Taxes:				
Property	\$ 5,055,000	5,055,000	4,924,494	\$ (130,506)
MASC Telecommunication and Insurance	1,550,000	1,550,000	1,642,218	92,218
Franchise	875,000	875,000	892,459	17,459
Licenses, Permits, and Fees	2,119,000	2,119,000	1,805,451	(313,549)
Grants	659,000	709,000	554,230	(154,770)
Fines	276,000	276,000	150,340	(125,660)
Shared Revenue:				
County	100,000	100,000	100,000	-
State	520,000	520,000	561,586	41,586
Interest	60,000	60,000	82,228	22,228
Other	544,000	544,000	388,649	(155,351)
<b>TOTAL REVENUES ALL SOURCES</b>	<b>11,758,000</b>	<b>11,808,000</b>	<b>11,101,655</b>	<b>(706,345)</b>
<b>EXPENDITURES</b>				
Current:				
General Government:				
Mayor and City Council	99,000	99,000	85,814	13,186
City Administration	1,335,000	1,333,000	1,444,898	(111,898)
Public Safety:				
Police Department	2,784,000	2,801,000	2,786,435	14,565
Fire Department	2,688,000	2,672,000	2,719,529	(47,529)
Public Works	2,254,000	2,321,000	2,211,741	109,259
Recreation and Parks	1,112,000	1,112,000	1,221,422	(109,422)
Capital Outlay	65,000	65,000	48,373	16,627
<b>TOTAL EXPENDITURES</b>	<b>10,337,000</b>	<b>10,403,000</b>	<b>10,518,212</b>	<b>(115,212)</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>1,421,000</b>	<b>1,405,000</b>	<b>583,443</b>	<b>(821,557)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds on Disposal of Capital Assets	-	-	6,789	6,789
Insurance Proceeds	-	-	37,710	37,710
Transfers In	356,000	356,000	356,000	-
Transfers Out	(1,777,000)	(1,761,000)	(1,754,316)	6,684
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(1,421,000)</b>	<b>(1,405,000)</b>	<b>(1,353,817)</b>	<b>51,183</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>-</b>	<b>-</b>	<b>(770,374)</b>	<b>(770,374)</b>
FUND BALANCE, Beginning of Year	1,583,179	1,583,179	1,583,179	-
<b>FUND BALANCE, End of Year</b>	<b>\$ 1,583,179</b>	<b>1,583,179</b>	<b>812,805</b>	<b>\$ (770,374)</b>

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.

CITY OF SIMPSONVILLE, SOUTH CAROLINA

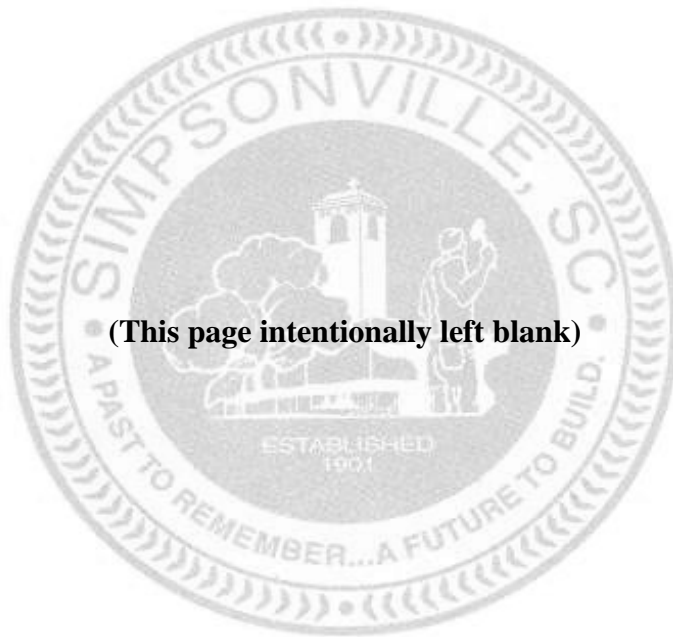
SPECIAL REVENUE FUND

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

YEAR ENDED JUNE 30, 2008

	<b>SPECIAL REVENUE FUND</b>			
	<b>ORIGINAL BUDGET</b>	<b>REVISED BUDGET</b>	<b>ACTUAL</b>	<b>VARIANCE</b>
<b>REVENUES</b>				
Taxes:				
Hospitality and Accommodations	\$ 1,180,000	1,180,000	1,180,113	\$ 113
Interest	-	-	5,883	5,883
<b>TOTAL REVENUES ALL SOURCES</b>	<b>1,180,000</b>	<b>1,180,000</b>	<b>1,185,996</b>	<b>5,996</b>
<b>EXPENDITURES</b>				
Debt Service:				
Interest and Fiscal Charges	-	-	11,812	(11,812)
<b>TOTAL EXPENDITURES</b>	<b>-</b>	<b>-</b>	<b>11,812</b>	<b>(11,812)</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>1,180,000</b>	<b>1,180,000</b>	<b>1,174,184</b>	<b>(5,816)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers Out	(1,180,000)	(1,180,000)	(1,625,094)	(445,094)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(1,180,000)</b>	<b>(1,180,000)</b>	<b>(1,625,094)</b>	<b>(445,094)</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>-</b>	<b>-</b>	<b>(450,910)</b>	<b>(450,910)</b>
FUND BALANCE, Beginning of Year	355,787	355,787	355,787	-
<b>FUND BALANCE, End of Year</b>	<b>\$ 355,787</b>	<b>355,787</b>	<b>(95,123)</b>	<b>\$ (450,910)</b>

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.



**(This page intentionally left blank)**

## Other Supplementary Information

CITY OF SIMPSONVILLE, SOUTH CAROLINA

SCHEDULE OF GENERAL FUND EXPENDITURES - REVISED BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2008

	<b>REVISED BUDGET</b>	<b>ACTUAL</b>	<b>VARIANCE</b>
<b>MAYOR AND CITY COUNCIL</b>			
Current:			
Salaries	\$ 46,000	46,779	\$ (779)
Tax - Payroll	3,500	3,249	251
Retirement	3,300	2,653	647
Insurance - Group	17,000	16,194	806
Insurance - Worker's Compensation	500	1,017	(517)
Auto & Truck	300	631	(331)
Professional Training	300	257	43
Contingency	4,000	1,076	2,924
Discretionary Funds	21,000	10,188	10,812
Due, Subscriptions, and Memberships	500	800	(300)
Local Meetings and Meals	600	326	274
Office and Printing	1,200	491	709
Supplies:			
Supplies - Other	-	377	(377)
Telephone, Modem and Fax	800	1,696	(896)
Temporary Employees	-	80	(80)
<b>TOTAL MAYOR AND CITY COUNCIL</b>	<b>99,000</b>	<b>85,814</b>	<b>13,186</b>
<b>CITY ADMINISTRATION</b>			
<b>Administration:</b>			
Current:			
Salaries	358,200	365,784	(7,584)
Overtime	500	55	445
Bonuses	2,800	2,750	50
Tax - Payroll	27,300	26,385	915
Retirement	32,500	33,987	(1,487)
Unemployment	1,000	-	1,000
Insurance - Group	30,600	34,759	(4,159)
Insurance - Worker's Compensation	5,500	8,050	(2,550)
Auto & Truck	2,200	4,247	(2,047)
Professional Training	15,000	12,074	2,926
Contractual Services:			
Professional	59,000	71,564	(12,564)
Due, Subscriptions, and Memberships	11,000	7,872	3,128
Office and Printing	38,000	34,583	3,417
Supplies:			
Office	6,600	5,005	1,595
Other	1,200	1,153	47
Telephone, Modem and Fax	12,000	12,628	(628)
IT Communications	200	1,232	(1,032)
Temporary Employees	200	180	20
Small Equipment	4,000	6,656	(2,656)
Utilities	108,000	109,238	(1,238)
Tort Liability	215,000	217,178	(2,178)
Physical Examinations and Drug / Alcohol Testing	\$ -	615	\$ (615)

(Continued)



CITY OF SIMPSONVILLE, SOUTH CAROLINA

SCHEDULE OF GENERAL FUND EXPENDITURES - REVISED BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2008

	REVISED BUDGET	ACTUAL	VARIANCE
<b>CITY ADMINISTRATION (CONTINUED)</b>			
<b>Administration (Continued):</b>			
Current (Continued):			
Local Meetings and Meals	\$ 3,000	3,026	\$ (26)
Leases:			
Leases - Equipment	23,600	24,241	(641)
Bank Fees	2,400	6,158	(3,758)
Building Inspection Fees	105,000	94,554	10,446
Advertising	2,200	5,173	(2,973)
Community Relations	62,000	75,154	(13,154)
County Stormwater Fees	-	8,039	(8,039)
Honor Flight	-	55,038	(55,038)
Employee Recognition	2,800	8,933	(6,133)
Miscellaneous	1,500	3,586	(2,086)
Postage	6,000	5,067	933
Business Services	1,500	2,279	(779)
Printing	2,700	2,051	649
Repairs & Maintenance:			
Buildings	9,000	8,991	9
Equipment	1,500	3,771	(2,271)
Contingency	-	1,218	(1,218)
<b>Total Administration</b>	<b>1,154,000</b>	<b>1,263,274</b>	<b>(109,274)</b>
<b>Court:</b>			
Current:			
Salaries	127,000	128,797	(1,797)
Overtime	400	50	350
Bonuses	800	1,050	(250)
Tax - Payroll	9,700	8,958	742
Retirement	11,600	12,372	(772)
Insurance - Group	12,600	13,853	(1,253)
Insurance - Worker's Compensation	3,000	3,369	(369)
Auto & Truck	1,000	139	861
Professional Training	1,800	790	1,010
Office and Printing	200	160	40
Supplies:			
Office	600	159	441
Other	200	6	194
Telephone, Modem and Fax	3,200	2,496	704
IT Communications	3,000	2,880	120
Printing	600	-	600
Repairs & Maintenance:			
Equipment	600	-	600
Current (Continued) :			
Jurors, Bailiffs and Witnesses	2,300	6,545	(4,245)
Contingency	400	-	400
<b>Total Court</b>	<b>179,000</b>	<b>181,624</b>	<b>(2,624)</b>
<b>TOTAL CITY ADMINISTRATION</b>	<b>\$ 1,333,000</b>	<b>1,444,898</b>	<b>\$ (111,898)</b>

(Continued)

CITY OF SIMPSONVILLE, SOUTH CAROLINA

SCHEDULE OF GENERAL FUND EXPENDITURES - REVISED BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2008

	REVISED BUDGET	ACTUAL	VARIANCE
<b>POLICE DEPARTMENT</b>			
<b>Operations:</b>			
Current:			
Salaries	\$ 1,457,400	1,463,346	\$ (5,946)
Overtime	140,000	125,990	14,010
Bonuses	15,000	13,700	1,300
Tax - Payroll	123,000	116,489	6,511
Retirement	169,900	167,507	2,393
Unemployment	3,000	-	3,000
Insurance - Group	186,000	176,281	9,719
Insurance - Worker's Compensation	79,500	93,557	(14,057)
Auto & Truck	77,900	110,684	(32,784)
Professional Training	20,000	14,810	5,190
Contractual Services:			
Inmate Labor	2,000	1,499	501
Due, Subscriptions, and Memberships	2,500	950	1,550
Office and Printing	4,900	5,889	(989)
Supplies:			
Office	7,000	6,247	753
Other	3,500	3,162	338
Safety	1,500	1,430	70
Police	1,000	648	352
Telephone, Modem and Fax	19,000	22,949	(3,949)
IT Communications	2,200	1,210	990
Small Equipment	1,200	91	1,109
Utilities	24,000	24,915	(915)
Tuition Reimbursement	5,000	-	5,000
Physical Examinations and Drug / Alcohol Testing	10,000	8,920	1,080
Local Meetings and Meals	800	752	48
Leases:			
Equipment	2,600	1,501	1,099
Advertising	200	-	200
Community Relations	2,400	2,214	186
Miscellaneous	-	64	(64)
Postage	1,000	1,190	(190)
Uniforms	27,000	27,454	(454)
Employee Uniform Allowance	7,000	7,000	-
Printing	2,000	1,339	661
Repairs & Maintenance:			
Buildings	8,000	3,391	4,609
Equipment	4,000	6,015	(2,015)
Radios	6,000	10,856	(4,856)
Small Tools and Equipment	500	548	(48)
Contingency	3,000	2,730	270
Firearms / Ammunition	7,000	7,052	(52)
Chemicals	500	-	500
Informant Fees	\$ 500	-	\$ 500

(Continued)

CITY OF SIMPSONVILLE, SOUTH CAROLINA

SCHEDULE OF GENERAL FUND EXPENDITURES - REVISED BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2008

	<b>REVISED BUDGET</b>	<b>ACTUAL</b>	<b>VARIANCE</b>
<b>POLICE DEPARTMENT (CONTINUED)</b>			
<b>Operations (Continued):</b>			
Current (Continued):			
Housing:			
Inmate	\$ 32,000	27,512	\$ 4,488
Juvenile	9,000	950	8,050
Police Services	4,000	4,302	(302)
Capital Outlay	50,000	48,373	1,627
<b>Total Operations</b>	<b>2,523,000</b>	<b>2,513,517</b>	<b>9,483</b>
<b>Dispatch:</b>			
Current:			
Salaries	225,700	222,809	2,891
Overtime	11,000	9,758	1,242
Bonuses	2,400	2,350	50
Tax - Payroll	16,900	17,177	(277)
Retirement	17,800	20,328	(2,528)
Insurance - Group	34,600	35,961	(1,361)
Insurance - Worker's Compensation	5,200	5,454	(254)
Professional Training	2,000	2,282	(282)
Due, Subscriptions, and Memberships	400	186	214
Office and Printing	1,000	200	800
Supplies:			
Other	500	138	362
IT Communications	4,500	3,933	567
Physical Examinations and Drug / Alcohol Testing	2,000	600	1,400
Repairs & Maintenance:			
Equipment	2,000	69	1,931
Radios	1,000	-	1,000
Contingency	1,000	46	954
<b>Total Dispatch</b>	<b>328,000</b>	<b>321,291</b>	<b>6,709</b>
<b>TOTAL POLICE DEPARTMENT</b>	<b>2,851,000</b>	<b>2,834,808</b>	<b>16,192</b>

**FIRE DEPARTMENT**

Current:			
Salaries	1,719,400	1,747,771	(28,371)
Overtime	-	7,323	(7,323)
Bonuses	19,100	17,350	1,750
Tax - Payroll	131,500	126,818	4,682
Retirement	184,000	187,079	(3,079)
Unemployment	4,000	1,960	2,040
Insurance - Group	215,000	211,414	3,586
Insurance - Worker's Compensation	81,000	90,771	(9,771)
Auto & Truck	31,200	44,680	(13,480)
Professional Training	36,000	37,886	(1,886)
Due, Subscriptions, and Memberships	3,300	3,450	(150)
Office and Printing	\$ 8,000	8,286	\$ (286)

(Continued)

CITY OF SIMPSONVILLE, SOUTH CAROLINA

SCHEDULE OF GENERAL FUND EXPENDITURES - REVISED BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2008

	<b>REVISED BUDGET</b>	<b>ACTUAL</b>	<b>VARIANCE</b>
<b>FIRE DEPARTMENT (CONTINUED)</b>			
Current (Continued):			
Supplies:			
Office	\$ 4,800	6,376	\$ (1,576)
Other	6,000	6,729	(729)
Safety	37,700	37,648	52
Landscaping	750	692	58
Telephone, Modem and Fax	15,200	9,448	5,752
IT Communications	200	67	133
Small Equipment	2,000	1,397	603
Utilities	26,000	29,270	(3,270)
Physical Examinations and Drug / Alcohol Testing	14,000	14,799	(799)
Local Meetings and Meals	1,500	1,448	52
Leases:			
Equipment	-	157	(157)
Advertising	500	340	160
Community Relations	2,000	1,584	416
Postage	400	244	156
Uniforms	26,500	25,799	701
Printing	650	312	338
Repairs & Maintenance:			
Buildings	42,000	41,358	642
Equipment	45,000	39,329	5,671
Radios	7,000	9,652	(2,652)
Contingency	1,500	1,500	-
Chemicals	1,200	964	236
Equipment:			
Tools	1,000	974	26
Tuition Reimbursement	3,600	4,654	(1,054)
<b>TOTAL FIRE DEPARTMENT</b>	<b>2,672,000</b>	<b>2,719,529</b>	<b>(47,529)</b>

**PUBLIC WORKS**

**Sanitation, Maintenance and Administration:**

Current:			
Salaries	1,001,300	879,026	122,274
Overtime	18,000	33,959	(15,959)
Bonuses	10,300	10,100	200
Tax - Payroll	76,200	67,011	9,189
Retirement	90,300	85,706	4,594
Unemployment	2,000	-	2,000
Insurance - Group	157,000	131,000	26,000
Insurance - Worker's Compensation	47,200	48,569	(1,369)
Auto & Truck	134,000	208,702	(74,702)
Professional Training	4,000	5,188	(1,188)
Contractual Services:			
Inmate Labor	60,000	64,882	(4,882)
Professional	12,000	13,456	(1,456)
Due, Subscriptions, and Memberships	\$ 600	591	\$ 9

(Continued)

CITY OF SIMPSONVILLE, SOUTH CAROLINA

SCHEDULE OF GENERAL FUND EXPENDITURES - REVISED BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2008

	<b>REVISED BUDGET</b>	<b>ACTUAL</b>	<b>VARIANCE</b>
<b>PUBLIC WORKS (CONTINUED)</b>			
<b>Sanitation, Maintenance and Administration (Continued):</b>			
Office and Printing	\$ 2,000	2,717	\$ (717)
Supplies:			
Electric and Lighting	15,000	18,555	(3,555)
Cement and Masonry	13,000	12,139	861
Asphalt and Paving	116,000	7,383	108,617
Office	2,500	2,331	169
Other	3,500	3,500	-
Safety	4,000	2,992	1,008
Landscaping	6,500	6,842	(342)
Telephone, Modem and Fax	19,000	22,244	(3,244)
Temporary Employees	-	4,159	(4,159)
Small Equipment	600	517	83
Utilities	18,000	19,084	(1,084)
Physical Examinations and Drug / Alcohol Testing	1,500	1,710	(210)
Leases:			
Equipment	-	954	(954)
Advertising	1,000	205	795
Employee Recognition	800	726	74
Miscellaneous	2,000	2,001	(1)
Postage	300	21	279
Uniforms	15,000	17,640	(2,640)
Employee Uniform Allowance	500	500	-
Printing	300	-	300
Repairs & Maintenance:			
Facilities	7,500	7,337	163
Buildings	10,800	11,521	(721)
Equipment	4,000	884	3,116
Radios	2,500	-	2,500
Contingency	2,000	2,440	(440)
Chemicals	1,500	1,502	(2)
Inmate Health Care	2,000	195	1,805
Current (Continued):			
Equipment:			
Tools	6,000	9,972	(3,972)
Rent	800	790	10
Cost of Waste Cans	30,000	9,940	20,060
Grant Expenditures	-	13,775	(13,775)
Cost of Rollaway Cans	6,000	6,274	(274)
Tipping Fees	2,500	4,606	(2,106)
<b>Total Sanitation, Maintenance and Administration</b>	<b>\$ 1,910,000</b>	<b>1,743,646</b>	<b>\$ 166,354</b>

(Continued)

CITY OF SIMPSONVILLE, SOUTH CAROLINA

SCHEDULE OF GENERAL FUND EXPENDITURES - REVISED BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2008

	REVISED BUDGET	ACTUAL	VARIANCE
<b>PUBLIC WORKS (CONTINUED)</b>			
<b>Fleet:</b>			
Current:			
Salaries	\$ 133,500	134,612	\$ (1,112)
Overtime	1,700	3,157	(1,457)
Bonuses	1,200	1,450	(250)
Tax - Payroll	10,400	9,728	672
Retirement	12,400	12,536	(136)
Insurance - Group	17,800	17,982	(182)
Insurance - Worker's Compensation	6,000	6,124	(124)
Auto & Truck	50,000	54,466	(4,466)
Office	300	286	14
Other	500	540	(40)
Safety	200	46	154
Miscellaneous	1,000	996	4
Uniforms	2,000	3,594	(1,594)
Repairs & Maintenance:			
Equipment	170,000	220,365	(50,365)
Radios	1,000	-	1,000
Contingency	1,000	-	1,000
Chemicals	1,500	1,886	(386)
Equipment:			
Tools	500	327	173
<b>Total Fleet</b>	<b>411,000</b>	<b>468,095</b>	<b>(57,095)</b>
<b>TOTAL PUBLIC WORKS</b>	<b>2,321,000</b>	<b>2,211,741</b>	<b>109,259</b>

**RECREATION AND PARKS**

**Recreation:**

Current:			
Salaries	233,400	219,627	13,773
Overtime	5,000	6,465	(1,465)
Bonuses	2,800	2,950	(150)
Tax - Payroll	18,200	16,985	1,215
Retirement	21,700	19,085	2,615
Unemployment	500	-	500
Insurance - Group	27,200	24,649	2,551
Insurance - Worker's Compensation	8,000	6,988	1,012
Insurance - General	5,000	5,165	(165)
Auto & Truck	8,000	16,758	(8,758)
Professional Training	6,600	7,536	(936)
Contractual Services:			
Inmate Labor	1,800	1,800	-
Recreation	60,000	72,965	(12,965)
Due, Subscriptions, and Memberships	1,200	1,046	154
Office and Printing	\$ 2,000	1,220	\$ 780

(Continued)

CITY OF SIMPSONVILLE, SOUTH CAROLINA

SCHEDULE OF GENERAL FUND EXPENDITURES - REVISED BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2008

	<b>REVISED BUDGET</b>	<b>ACTUAL</b>	<b>VARIANCE</b>
<b>RECREATION AND PARKS (CONTINUED)</b>			
<b>Recreation (Continued):</b>			
Current (Continued):			
Supplies:			
Recreation	\$ 95,000	102,935	\$ (7,935)
Electric and Lighting	1,800	1,844	(44)
Cement and Masonry	500	209	291
Office	2,500	2,343	157
Other	5,000	5,893	(893)
Safety	300	269	31
Landscaping	4,500	4,001	499
Telephone, Modem and Fax	11,000	7,161	3,839
IT Communications	-	975	(975)
Temporary Employees	1,000	745	255
Small Equipment	1,300	486	814
Utilities	60,000	65,208	(5,208)
Physical Examinations and Drug / Alcohol Testing	500	310	190
Leases:			
Equipment	1,200	798	402
Advertising	1,500	1,489	11
Postage	800	792	8
Uniforms	2,400	1,734	666
Employee Uniform Allowance	2,000	1,495	505
Printing	1,000	821	179
Repairs & Maintenance:			
Facilities	5,000	4,036	964
Buildings	8,000	18,329	(10,329)
Equipment	5,000	5,783	(783)
Contingency	1,000	1,041	(41)
Capital Outlay	15,000	16,677	(1,677)
Chemicals	800	174	626
Equipment:			
Tools	1,500	1,727	(227)
<b>Total Recreation</b>	<b>630,000</b>	<b>650,514</b>	<b>(20,514)</b>
<b>Heritage Park:</b>			
Current:			
Salaries	140,500	142,276	(1,776)
Overtime	8,000	6,411	1,589
Bonuses	1,100	1,050	50
Tax - Payroll	11,400	11,216	184
Retirement	11,700	5,187	6,513
Unemployment	-	28	(28)
Insurance - Group	14,600	13,484	1,116
Insurance - Worker's Compensation	5,100	4,419	681
Auto & Truck	4,000	1,701	2,299
Professional Training	\$ 1,500	1,461	\$ 39

(Continued)

CITY OF SIMPSONVILLE, SOUTH CAROLINA

SCHEDULE OF GENERAL FUND EXPENDITURES - REVISED BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2008

	REVISED BUDGET	ACTUAL	VARIANCE
<b>RECREATION AND PARKS (CONTINUED)</b>			
<b>Heritage Park (Continued):</b>			
Contractual Services:			
Inmate Labor	\$ 3,000	3,000	\$ -
Due, Subscriptions, and Memberships	600	717	(117)
Office and Printing	1,000	886	114
Supplies:			
Recreation	5,500	10,522	(5,022)
Electric and Lighting	9,000	8,008	992
Cement and Masonry	10,000	565	9,435
Office	2,000	2,452	(452)
Other	5,000	7,909	(2,909)
Safety	600	475	125
Landscaping	30,000	24,509	5,491
Telephone, Modem and Fax	4,000	7,971	(3,971)
Utilities	125,000	139,941	(14,941)
Physical Examinations and Drug / Alcohol Testing	400	105	295
Advertising	1,500	1,798	(298)
Miscellaneous	-	118	(118)
Postage	600	410	190
Uniforms	2,800	1,520	1,280
Employee Uniform Allowance	800	207	593
Printing	1,000	869	131
Repairs & Maintenance:			
Facilities	9,000	9,811	(811)
Buildings	6,500	10,629	(4,129)
Equipment	12,000	13,097	(1,097)
Contingency	800	836	(36)
Chemicals	5,000	15,437	(10,437)
Equipment:			
Tools	1,000	1,791	(791)
Hospitality Food	-	4,782	(4,782)
Promotional	2,000	6,700	(4,700)
Cost of Concession Goods Sold	60,000	77,226	(17,226)
<b>Total Heritage Park</b>	<b>497,000</b>	<b>539,524</b>	<b>(42,524)</b>
<b>Amphitheatre:</b>			
Current:			
Office Supplies	-	1,111	(1,111)
Telephone, Modem and Fax	-	3,513	(3,513)
IT Communications	-	355	(355)
Small Equipment	-	1,900	(1,900)
Rent	-	505	(505)
Professional Fees	-	24,000	(24,000)
<b>Total Amphitheatre</b>	<b>-</b>	<b>31,384</b>	<b>(31,384)</b>
<b>TOTAL RECREATION AND PARKS</b>	<b>1,127,000</b>	<b>1,221,422</b>	<b>(94,422)</b>
<b>TOTAL EXPENDITURES</b>	<b>\$ 10,403,000</b>	<b>10,518,212</b>	<b>\$ (115,212)</b>



**CITY OF SIMPSONVILLE, SOUTH CAROLINA**

**SCHEDULE OF FINES, ASSESSMENTS, AND SURCHARGES**

**YEAR ENDED JUNE 30, 2008**

---

**Court Fines**

Court Fines Collected	\$	312,691
Court Fines Retained by the City		79,620
<b>Total Court Fines Remitted to the State Treasurer</b>	<b>\$</b>	<b>233,071</b>

**Court Assessments**

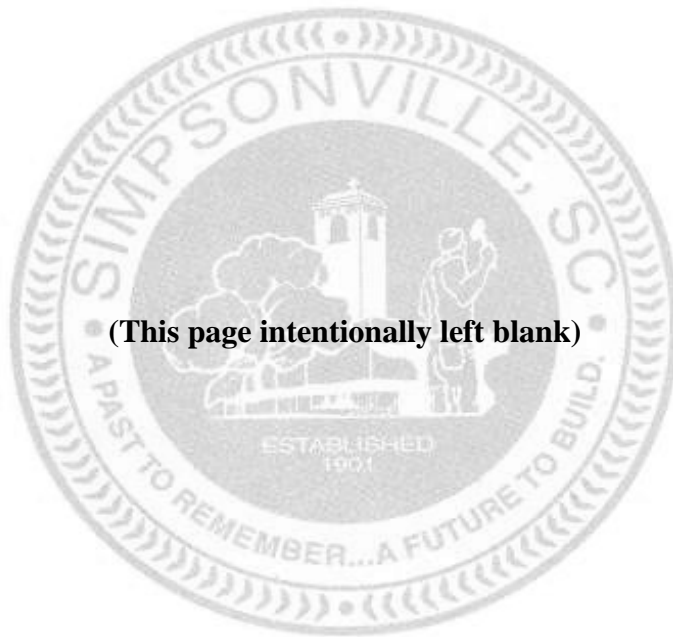
Court Assessments Collected	\$	92,593
Court Assessments Retained by the City		10,322
<b>Court Assessments Remitted to the State Treasurer</b>	<b>\$</b>	<b>82,271</b>

**Court Surcharges**

Court Surcharges Collected	\$	133,496
Court Surcharges Retained by the City		70,767
<b>Total Court Surcharges Remitted to State Treasurer</b>	<b>\$</b>	<b>62,729</b>

**Victim Services**

Court Assessments Allocated to Victim Services	\$	12,472
Victim Services Expenditures		18,583
<b>Net Funds Used from Carry Forwards and Assessments</b>	<b>\$</b>	<b>(6,111)</b>



**(This page intentionally left blank)**

**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, the business-type 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, 2008, which collectively comprise the City's basic financial statements and have issued our report thereon dated November 18, 2008. 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 as a basis for designing our auditing procedures for the purpose of expressing our opinions on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's basic financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of basic financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as item 2008-1.

We noted certain matters that we reported to management of the City in a separate letter dated November 18, 2008.

The City's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the City's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, City Council, others within the City, and other government entities with oversight responsibility and is not intended to be and should not be used by anyone other than these specified parties.

*Greene, Finney & Horton LLP*

Greene, Finney & Horton, LLP  
Mauldin, South Carolina  
November 18, 2008

**CITY OF SIMPSONVILLE, SOUTH CAROLINA**

**SCHEDULE OF FINDINGS AND RESPONSES**

**YEAR ENDED JUNE 30, 2008**

---

**Findings - 2008 Financial Statements Audit**

2008-1: NONCOMPLIANCE WITH LAWS AND REGULATIONS

- Condition:** The City of Simpsonville’s (“City”) bank deposits were under collateralized by approximately \$63,000 at June 30, 2008.
- 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, 2008.
- 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.