

## 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, 2009, 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, 2009, 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 December 7, 2009, 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.

Greenwood, South Carolina  
December 7, 2009

ERLWITT DAVIS LLC

**CITY OF SIMPSONVILLE, SOUTH CAROLINA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2009**

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, 2009. 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 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 \$26,024,650 (*net assets*). Of this amount, \$1,202,337 (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 \$648,726 as revenues of \$13,820,824 exceeded expenses of \$13,172,098.
- As of the close of the fiscal year, the City's governmental funds reported combined ending fund balances of \$936,101, an increase of \$192,519.
- At the end of the fiscal year, unreserved fund balance for the General Fund was \$666,460, or approximately 6% of total General Fund expenditures for the year ended June 30, 2009.
- The City's capital assets decreased by \$5,277 (.01%) to \$41,501,437 at June 30, 2009. The decrease in capital assets was primarily due to completion of the Heritage Park Amphitheatre and the Streetscape projects, with approximate additional costs incurred during the fiscal year of \$568,300 and equipment and vehicle purchases of \$923,200. These increases were substantially offset by depreciation of \$1,510,387.
- The City's long term obligations decreased by \$1,073,756 (6%) during the current fiscal year. The key factors in this decrease were the issuances of 2008 Series GO Bonds for \$755,000, offset by principal and other payments of \$1,814,815.
- The City's Governmental Activities revenues were \$13,218,511 for 2009, compared to \$12,950,849 for the prior year. This increase is primarily due to increases in capital grants and property taxes of approximately \$1,883,000 and \$646,000, respectively and decreases in hospitality taxes, telecommunications and insurance taxes unrestricted donations and miscellaneous revenues of approximately \$142,000, \$163,000, \$553,000 and \$234,000, respectively.
- The City's Governmental Activities expenditures were \$12,614,288 for 2009, compared to \$10,495,116 for the prior year. This increase is primarily due to increases in public works of \$2,156,000, general government of \$237,000 and recreation of \$186,000, partially offset by decreases in public safety of \$307,000 and interest and fiscal charges of \$152,000.
- Business-type activity revenues and expenses were \$602,313 and \$557,810, respectively, for 2009, compared to revenues and expenses of \$3,121,996 and \$628,172, 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.

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.

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## **OVERVIEW OF FINANCIAL STATEMENTS, Continued**

### **Fund financial statements, continued**

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.

### **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.

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**OVERVIEW OF FINANCIAL STATEMENTS, Continued**

**Other information, continued**

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 City of Simpsonville's Government-wide and Fund Financial Statements**

	Government-wide Statements	Fund Statements	
		Governmental Funds	Proprietary 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.
Required financial statements	Statement of net assets Statement of activities	<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>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

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**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 \$26,024,650 at the close of the most recent fiscal year.

This table provides a summary of the City's net assets as of June 30, 2009 and 2008.

<b>City of Simpsonville</b>						
<b>Net Assets – Primary Government</b>						
	<b>Governmental activities</b>		<b>Business-type activities</b>		<b>Total</b>	
	<b>30-Jun-09</b>	<b>30-Jun-08</b>	<b>30-Jun-09</b>	<b>30-Jun-08</b>	<b>30-Jun-09</b>	<b>30-Jun-08</b>
<b>Assets:</b>						
Current assets	\$ 2,480,839	\$ 2,407,552	\$ 206,664	\$ 1,008,075	\$ 2,687,503	\$ 3,415,627
Capital assets, net	35,898,979	35,725,556	5,602,458	5,781,158	41,501,437	41,506,714
<b>Total assets</b>	<b>38,379,818</b>	<b>38,133,108</b>	<b>5,809,122</b>	<b>6,789,233</b>	<b>44,188,940</b>	<b>44,922,341</b>
<b>Liabilities:</b>						
Other liabilities	1,280,462	1,646,592	2,716	11,957	1,283,178	1,658,549
Long-term liabilities	16,532,042	17,574,334	282,070	313,534	16,814,112	17,887,868
<b>Total liabilities</b>	<b>17,812,504</b>	<b>19,220,926</b>	<b>284,786</b>	<b>325,491</b>	<b>18,097,290</b>	<b>19,546,417</b>
<b>Net assets:</b>						
Invested in capital assets, net of related debt	19,499,855	18,430,994	5,322,458	5,471,158	24,822,313	23,902,152
Restricted	-	-	-	-	-	-
Unrestricted	1,000,459	481,188	201,878	992,584	1,202,337	1,473,772
<b>Total net assets</b>	<b>\$ 20,500,314</b>	<b>\$ 18,912,182</b>	<b>\$ 5,524,336</b>	<b>\$ 6,463,742</b>	<b>\$ 26,024,650</b>	<b>\$ 25,375,924</b>

The net assets of the City's governmental activities increased by \$1,588,132 or 8.4% to \$20,500,314 at June 30, 2009, compared to an \$18,912,182 at June 30, 2008. 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, increased from \$481,188 at June 30, 2008 to \$1,000,459 at June 30, 2009. The increase in unrestricted net assets is primarily due the transfer of funds from the business-type sewer fund during the fiscal year.

The net assets of the City's business-type activities decreased by \$939,406 or 15% to \$5,524,336 at June 30, 2009, compared to \$6,463,742 at June 30, 2008. This decrease in net assets is due to transfers to other funds exceeding transfers in from other funds.

The largest portion of the City's net assets (\$24,822,313 or 95%) reflects its investment in capital assets (Le., 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.

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**GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued**

This table shows the changes in net assets for the years ended June 30, 2009 and 2008.

City of Simpsonville						
Net Assets – Primary Government						
	Governmental activities		Business-type activities		Total	
	30-Jun-09	30-Jun-08	30-Jun-09	30-Jun-08	30-Jun-09	30-Jun-08
<b>Revenues:</b>						
<b>Program revenues:</b>						
Charges for services	\$ 2,035,597	\$ 2,041,258	\$ 600,603	\$ 686,456	\$ 2,636,200	\$ 2,727,714
Operating grants and contributions	183,278	311,778	-	-	183,278	311,778
Capital grants and contributions	1,225,236	342,452	-	2,435,540	1,225,236	2,777,992
<b>General Revenues:</b>						
Property taxes	5,646,655	5,000,728	-	-	5,646,655	5,000,728
Hospitality and accommodation taxes	1,131,741	1,274,349	-	-	1,131,741	1,274,349
MASC telecommunications and insurance taxes	1,479,570	1,642,218	-	-	1,479,570	1,642,218
Franchise fees	943,828	892,459	-	-	943,828	892,459
Unrestricted state aid to subdivisions	450,697	467,349	-	-	450,697	467,349
Unrestricted investment earnings	17,709	114,637	1,527	-	19,236	114,637
Unrestricted donations and contributions	-	553,650	-	-	-	553,650
Other	104,200	309,971	183	-	104,383	309,971
<b>Total revenues</b>	<b>13,218,511</b>	<b>12,950,849</b>	<b>602,313</b>	<b>3,121,996</b>	<b>13,820,824</b>	<b>16,072,845</b>
<b>Program expenses:</b>						
General government	2,053,126	1,884,087	-	-	2,053,126	1,884,087
Public safety	5,798,629	6,037,966	-	-	5,798,629	6,037,966
Public works	2,299,782	143,939	-	-	2,299,782	143,939
Recreation and parks	1,856,827	1,670,735	-	-	1,856,827	1,670,735
Interest and other charges	605,924	758,389	11,446	-	617,370	758,389
Sewer	-	-	546,364	628,172	546,364	628,172
<b>Total expenses</b>	<b>12,614,288</b>	<b>10,495,116</b>	<b>557,810</b>	<b>628,172</b>	<b>13,172,098</b>	<b>11,123,288</b>
Transfers in / transfers out, net	983,909	-	(983,909)	-	-	-
<b>Change in net assets</b>	<b>1,588,132</b>	<b>2,455,733</b>	<b>(939,406)</b>	<b>2,493,824</b>	<b>648,726</b>	<b>4,949,557</b>
Net assets, beginning of year	18,912,182	16,456,449	6,463,742	3,969,918	25,375,924	20,426,367
<b>Net assets, end of year</b>	<b>\$ 20,500,314</b>	<b>\$ 18,912,182</b>	<b>\$ 5,524,336</b>	<b>\$ 6,463,742</b>	<b>\$ 26,024,650</b>	<b>\$ 25,375,924</b>

**Governmental activities**

The City's net assets increased from 2008 to 2009 by \$1,588,132 or 8.4%, compared to approximately \$2,456,000 for 2008. The increase for fiscal year end June 30, 2009 is due to decrease in liabilities for the City and the transfer from business-type activities.

**Business-type activities**

The City's net assets decreased from 2008 to 2009 by \$939,406 or 15%. The primary reason for this decrease in net assets is due to transfers to other funds exceeding transfers in from other funds.



## 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, 2009, the City's governmental funds reported a combined ending fund balances of \$936,101. Of this amount, \$900,935 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, 2009 was \$11,154,796 compared to approximately \$11,102,000 in the prior year. Taxes and licenses, permits, and fees make up 83% of all General Fund revenues or approximately \$9,262,000. The remaining General Fund revenue sources totaled approximately \$1,893,000 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 in the City.

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 51.5 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 50%, or \$5,530,903, of total General Fund revenue for the fiscal period ending June 30, 2009.

### General fund expenditures

General Fund expenditures for the year ended June 30, 2009 totaled \$11,238,301 compared to \$10,518,212 for the prior year. The increase reflects capital outlay funded partially with proceeds of a bond issue, and completion of improvements at Heritage Park funded through state grants.

The Public Safety and Public Works functions accounted for approximately 70% of all General Fund expenditures (excluding capital outlay). Actual expenditures for these functions, excluding capital outlay, were \$5,473,652 for Public Safety and \$2,174,587 for Public Works. The remaining 30% of General Fund expenditures (excluding capital outlay) came from the areas of Recreation and Parks of \$1,437,988, General Government of \$1,639,625 and interest and fiscal charges of \$57,906. The City also had Capital Outlay in the General Fund of \$454,543 for 2009.

### General fund balance

The total fund balance for the General Fund decreased primarily due to a deficiency of \$83,505 of revenues under expenditures. Also impacting the decrease in total fund balance were transfers to the Special Revenue and Debt Service Funds of \$2,135,035, partially offset by total transfers in from these funds and the Sewer Fund of approximately \$1,312,758, along with funds received from the issuance of general obligation debt of \$755,000. The total decrease in the General Fund was \$111,179 for 2009, leaving the fund balance for the General Fund at \$701,626 at June 30, 2009. Unreserved fund balance for the General Fund was \$666,460, or approximately 6% of total General Fund expenditures.

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**FINANCIAL ANALYSIS OF THE CITY'S FUNDS, Continued**

**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 \$5,521,000. Factors concerning the operations of this fund have already been addressed in the discussion of the City's business-type activities.

**General fund budgetary highlights**

During the fiscal year, the City issued general obligation bonds in the amount of \$755,000 to fund needed capital outlay projects. Additionally, a transfer from the sewer fund in conjunction with stringent budgetary controls over expenditures aided in the preservation of the general fund balance during the fiscal year.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital assets**

As of June 30, 2009, the City had invested a net amount of \$41,501,437 in capital assets.

This table shows 2009 Capital Asset balances (net of depreciation) compared to 2008:

	<b>Governmental activities</b>		<b>Business-type activities</b>		<b>Total</b>	
	<b>30-Jun-09</b>	<b>30-Jun-08</b>	<b>30-Jun-09</b>	<b>30-Jun-08</b>	<b>30-Jun-09</b>	<b>30-Jun-08</b>
Land	\$ 6,627,706	\$ 6,582,994	\$ -	\$ -	\$ 6,627,706	\$ 6,582,994
Construction in progress	-	3,356,323	-	-	-	3,356,323
Infrastructure	10,556,355	10,438,066	5,469,604	5,621,857	16,025,959	16,059,923
Buildings and improvements	15,194,510	12,229,395	-	-	15,194,510	12,229,395
Equipment	713,452	738,093	132,854	159,301	846,306	897,394
Furniture and fixtures	21,213	19,764	-	-	21,213	19,764
Vehicles	2,785,743	2,360,921	-	-	2,785,743	2,360,921
Capital assets, net	<b>\$ 35,898,979</b>	<b>\$ 35,725,556</b>	<b>\$ 5,602,458</b>	<b>\$ 5,781,158</b>	<b>\$ 41,501,437</b>	<b>\$ 41,506,714</b>

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

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

- Depreciation expense of \$1,510,387.
- Land and building & improvements increase related to Heritage Park of approximately \$3,925,000, of which 3,356,000 was in construction in progress at the beginning of the fiscal year, and \$568,000 was expended to complete.
- Vehicle and equipment purchases of approximately \$872,000.

See Note 6 of the notes to the basic financial statements for additional information regarding the City's capital assets.

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**GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued**

**Long-term obligations**

As of June 30, 2009, the City had total long-term obligations of \$16,814,112 of which approximately \$16,558,915 consisted of long-term debt. Of this debt, \$3,605,000 was General Obligation Bond ("GOBs") debt which is backed by the full faith and credit of the City. The City also has Certificates of Participation ("COPs") debt outstanding at yearend of \$12,673,915 (net of a deferred loss on refunding of approximately \$401,000). In addition, the City had other long-term obligations of \$120,209 for outstanding capital leases and approximately \$134,988 for compensated absence liabilities.

<b>City of Simpsonville</b>						
<b>Long-Term Obligations - Primary Government</b>						
	<b>Governmental activities</b>		<b>Business-type activities</b>		<b>Total</b>	
	<b>30-Jun-09</b>	<b>30-Jun-08</b>	<b>30-Jun-09</b>	<b>30-Jun-08</b>	<b>30-Jun-09</b>	<b>30-Jun-08</b>
Debt:						
General obligation bonds	\$ 3,605,000	\$ 3,225,000	\$ -	\$ -	\$ 3,605,000	\$ 3,225,000
Certificates of participation, net	12,673,915	13,311,254	-	-	12,673,915	13,311,254
Note payable	-	-	280,000	310,000	280,000	310,000
Total debt	16,278,915	16,536,254	280,000	310,000	16,558,915	16,846,254
Capital leases	120,209	892,685	-	-	120,209	892,685
Accrued compensated absences	132,918	145,395	2,070	3,534	134,988	148,929
<b>Total</b>	<b>\$ 16,532,042</b>	<b>\$ 17,574,334</b>	<b>\$ 282,070</b>	<b>\$ 313,534</b>	<b>\$ 16,814,112</b>	<b>\$ 17,887,868</b>

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

- The City's GOBs increased \$380,000 (12%) during the current year. This increase was due to the issuance of the 2008 Series for \$755,000 partially offset by principal payments of \$375,000.
- The City's COPs decreased by \$637,339 (5%) during the current year. This decrease was due to net principal payments of \$665,000, less amortization of the deferred loss on the defeased 2000 COP of \$27,661, with no issuance of additional COP debt.

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, 2009 was approximately \$4,783,000. The City had non-referendum bonded debt of \$3,605,000 which resulted in the City having an unused legal debt margin of approximately \$1,178,000.

See Note 8 of the notes to the basic financial statements for additional information regarding the City's long-term obligations.

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

Economic factors that were considered in preparing the FY 10 budget were as follows:

- The unemployment rate in the City is in the 10.5% to 10.9% range. The City's unemployment rate compares favorably with that of the County at 10.7% and more favorably than that of the State of South Carolina at approximately 12.1%.

The adopted FY 10 operating budget for all funds is \$13,510,040. Highlights of FY 10 operating budget were as follows:

- The City's budget is balanced, with an increase of 10.0 mills approved in the City's operating millage rate and 2.8 mills for debt service for the recently issued general obligation bond.
- Growth in the City's tax base of approximately 1% growth in assessed values.

## **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.

## **BASIC FINANCIAL STATEMENTS**

*CITY OF SIMPSONVILLE, SOUTH CAROLINA*  
*STATEMENT OF NET ASSETS*  
*JUNE 30, 2009*

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Simpsonville Industrial Development Corporation
<b>ASSETS</b>				
Cash and cash equivalents	\$ 519,646	\$ 169,849	\$ 689,495	\$ -
Cash and cash equivalents, restricted	839,549	-	839,549	341
Investments, restricted	71,327	-	71,327	-
Property taxes receivable, net	301,434	-	301,434	-
Accounts receivable	416,829	84,200	501,029	-
Due from County Treasurer	73,270	-	73,270	-
Internal balances	69,885	(69,885)	-	-
Due from (to) component unit	(67,000)	-	(67,000)	67,000
Other assets	41,101	22,500	63,601	-
Debt issuance costs, net	147,798	-	147,798	-
Capital assets:				
Non-depreciable	6,627,706	-	6,627,706	-
Depreciable, net	29,271,273	5,602,458	34,873,731	-
Total assets	38,312,818	5,809,122	44,121,940	67,341
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities	1,064,703	-	1,064,703	-
Accrued interest payable	215,759	2,716	218,475	-
Long-term liabilities:				
Due within one year	1,389,597	37,070	1,426,667	-
Due in more than one year	15,142,445	245,000	15,387,445	-
Total liabilities	17,812,504	284,786	18,097,290	-
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	19,499,855	5,322,458	24,822,313	
Unrestricted	1,000,459	201,878	1,202,337	67,341
Total net assets	\$ 20,500,314	\$ 5,524,336	\$ 26,024,650	\$ 67,341

The accompanying notes are an integral part of these financial statements.

**CITY OF SIMPSONVILLE, SOUTH CAROLINA**  
**STATEMENT OF ACTIVITIES**  
For the year ended June 30, 2009

	Net (Expense) Revenue and Changes in Net Assets					Component Unit
	Program Revenues		Primary Government		Total	
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business type Activities	
<b>PRIMARY GOVERNMENT</b>						
Governmental activities						
General government	\$ 2,053,126	\$ 1,619,909	\$ 100,636	\$ (332,581)	\$ -	\$ (332,581)
Public safety	5,798,629	156,833	6,013	(4,455,941)	-	(4,455,941)
Public works	2,299,782	130,536	20,043	(2,103,809)	-	(2,103,809)
Recreation	1,856,827	128,319	56,586	(1,671,922)	-	(1,671,922)
Economic development	-	-	-	(605,924)	-	(605,924)
Interest and fiscal charges	605,924	-	-	-	-	-
Total governmental activities	12,614,288	2,035,597	183,278	(9,170,177)	-	(9,170,177)
Business-type activities						
Sewer	557,810	600,603	-	-	42,793	42,793
Total business-type activities	557,810	600,603	-	-	42,793	42,793
Total primary government	\$ 13,172,098	\$ 2,636,200	\$ 183,278	\$ (9,170,177)	\$ 42,793	\$ (9,127,384)
<b>COMPONENT UNITS</b>						
Simpsonville Ind. Development Corporation	30	-	-	-	-	(30)
Total component units	\$ 30	\$ -	\$ -	\$ -	\$ -	\$ (30)

General revenues	5,646,655	-	-	-	-	5,646,655
Property taxes levied for general purposes	1,131,741	-	-	-	-	1,131,741
Hospitality and accommodations taxes	1,479,570	-	-	-	-	1,479,570
MASC telecommunications and insurance taxes	943,828	-	-	-	-	943,828
Franchise fees	450,697	-	-	-	-	450,697
State aid to subdivisions	17,709	-	-	-	1,481	19,190
Unrestricted investment earnings	68,810	-	-	-	-	35,390
Loss on disposal of capital assets	-	-	-	-	229	69,039
Miscellaneous revenues	983,909	-	-	-	(983,909)	-
Transfers	-	-	-	-	-	-
Total general revenues	10,758,309	-	-	-	-	9,776,110
Change in net assets	1,588,132	-	-	-	(939,406)	648,726
Net assets beginning of year	18,912,182	-	-	-	6,463,742	25,375,924
Net assets end of year	\$ 20,500,314	\$ -	\$ -	\$ -	\$ 5,524,336	\$ 26,024,650

The accompanying notes are an integral part of these financial statements.

**CITY OF SIMPSONVILLE, SOUTH CAROLINA**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2009**

	<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	\$ 510,559	\$ 9,087	\$ -	\$ -	\$ 519,646
Cash and cash equivalents, restricted	257,438	582,111	-	-	839,549
Investments, restricted	-	71,327	-	-	71,327
Receivables, net:					
Taxes	301,434	-	-	-	301,434
Accounts	416,829	-	-	-	416,829
Due from:					
County treasurer	73,270	-	-	-	73,270
Other funds	503,870	-	-	-	503,870
Other assets	35,166	5,935	-	-	41,101
Total assets	<u>\$ 2,098,566</u>	<u>\$ 668,460</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,767,026</u>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES</b>					
Accounts payable	\$ 450,990	\$ -	\$ -	\$ -	\$ 450,990
Accrued salaries and fringe benefits	417,910	-	-	-	417,910
Accrued expenses	195,803	-	-	-	195,803
Due to other funds	-	60,282	373,703	-	433,985
Due to component unit	67,000	-	-	-	67,000
Deferred revenue	265,237	-	-	-	265,237
Total liabilities	<u>1,396,940</u>	<u>60,282</u>	<u>373,703</u>	<u>-</u>	<u>1,830,925</u>
<b>FUND BALANCES</b>					
Reserved:					
Other assets	35,166	-	-	-	35,166
Unreserved:					
Undesignated (deficit)	666,460	608,178	(373,703)	-	900,935
Total fund (deficit) balances	<u>701,626</u>	<u>608,178</u>	<u>(373,703)</u>	<u>-</u>	<u>936,101</u>
Total liabilities and fund balances	<u>\$ 2,098,566</u>	<u>\$ 668,460</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,767,026</u>

The accompanying notes are an integral part of these financial statements.



*CITY OF SIMPSONVILLE, SOUTH CAROLINA*  
*RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES*  
*TO NET ASSETS OF GOVERNMENTAL ACTIVITIES*  
*JUNE 30, 2009*

Total fund balances - Governmental funds	\$	936,101
Amounts reported for 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 in the funds. These assets consist of:		
Land		6,627,706
Buildings and improvements		18,813,106
Infrastructure		19,555,656
Furniture and fixtures		119,631
Machinery and equipment		1,855,506
Vehicles		6,999,866
Accumulated depreciation		<u>(18,072,492)</u>
Total capital assets		<u>35,898,979</u>
Property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds.		
		265,237
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 \$214,136 is shown net of accumulated amortization of \$66,338		
		147,798
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 interest due but unpaid at year end.		
		(215,759)
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 \$142,915		
Long-term liabilities consisted of the following:		
Long-term debt		(16,680,000)
Long-term debt - deferred loss on refunding, net		401,085
Capital leases		(120,209)
Compensated absences (Sick pay and vacations)		<u>(132,918)</u>
Total long-term liabilities		<u>(16,532,042)</u>
Net assets of governmental activities	\$	<u><u>20,500,314</u></u>

The accompanying notes are an integral part of these financial statements.

**CITY OF SIMPSONVILLE, SOUTH CAROLINA**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
For the year ended June 30, 2009

	General	Special Revenue	Capital Projects	Debt Service	Total Governmental Funds
<b>REVENUES</b>					
Taxes:					
Local	\$ 5,530,903	\$ -	\$ -	\$ -	\$ 5,530,903
Hospitality and accommodations	-	1,067,620	-	-	1,067,620
MASC telecommunication and insurance	1,479,570	-	-	-	1,479,570
Franchise	943,828	-	-	-	943,828
Licenses, permits, and fees	1,307,375	-	-	-	1,307,375
Grants	470,378	-	-	-	470,378
Fines	119,085	-	-	-	119,085
Shared revenue:					
County	100,636	-	-	-	100,636
State	514,818	-	-	-	514,818
Interest	10,348	2,911	4,450	-	17,709
Other	677,855	92	-	-	677,947
Total revenues	<u>11,154,796</u>	<u>1,070,623</u>	<u>4,450</u>	<u>-</u>	<u>12,229,869</u>
<b>EXPENDITURES</b>					
Current:					
General government	1,639,625	19,977	-	-	1,659,602
Public safety	5,473,652	-	-	-	5,473,652
Public works	2,174,587	-	-	-	2,174,587
Recreation and parks	1,437,988	-	-	-	1,437,988
Capital outlay	454,543	-	404,053	-	858,596
Debt service:					
Principal	-	-	-	1,554,788	1,554,788
Interest and fiscal charges	57,906	3,988	-	594,755	656,649
Total expenditures	<u>11,238,301</u>	<u>23,965</u>	<u>404,053</u>	<u>2,149,543</u>	<u>13,815,862</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(83,505)</u>	<u>1,046,658</u>	<u>(399,603)</u>	<u>(2,149,543)</u>	<u>(1,585,993)</u>
Other financing sources:					
Proceeds from the sale of capital assets	22,441	-	-	-	22,441
Issuance of general obligation debt	755,000	-	-	-	755,000
Insurance proceeds	17,162	-	-	-	17,162
Transfers in	1,312,758	766,904	-	2,453,543	4,533,205
Transfers out	(2,135,035)	(1,110,261)	-	(304,000)	(3,549,296)
Total other financing sources (uses)	<u>(27,674)</u>	<u>(343,357)</u>	<u>-</u>	<u>2,149,543</u>	<u>1,778,512</u>
Net change in fund balances	(111,179)	703,301	(399,603)	-	192,519
Fund (deficits) balances, beginning of year	812,805	(95,123)	25,900	-	743,582
Fund (deficits) balances, end of year	<u>\$ 701,626</u>	<u>\$ 608,178</u>	<u>\$ (373,703)</u>	<u>\$ -</u>	<u>\$ 936,101</u>

The accompanying notes are an integral part of these financial statements.

*CITY OF SIMPSONVILLE, SOUTH CAROLINA  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
For the year ended June 30, 2009*

Net change in fund balances - Total government funds	\$	192,519
Amounts reported for governmental activities in the statement of activities are different because of the following:		
Because some revenue will not be collected for several months after the City's fiscal year ends, they are not considered "available" revenues and are deferred in the governmental funds. Deferred revenues increased by this amount.		115,752
Repayment of debt principal and capital leases is an expenditure on the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.		
Long term debt		1,040,000
Capital leases		772,476
Accrued compensated absences are not recognized in the governmental funds but are recognized in the Statement of Activities to the extent of the increase or decrease in the accrual		12,477
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 as expenditures in the year they were incurred in the governmental funds.		(27,661)
Debt proceeds provide current financial resources to governmental fund, but issuing debt increases long-term liabilities in the Statement of Net Assets.		(755,000)
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.		50,725
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. This is the net effect of new debt issue cost of (\$30,500) and amortization of existing and new debt issue cost (\$17,079).		13,421
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.		562,500
Capital asset disposals are not recognized in the governmental funds but are recognized in the Statement of Activities as an offset to proceeds from disposals		(4,213)
Governmental funds report capital asset additions as expenditures (\$931,702, net of contributed assets of \$562,500) However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense (\$1,316,566). This is the amount by which depreciation expense exceeded capital asset additions inthe current period.		(384,864)
Change in net assets of government activities	\$	<u>1,588,132</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF SIMPSONVILLE, SOUTH CAROLINA**  
**PROPRIETARY FUND**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2009**

**ASSETS**

**CURRENT ASSETS**

Cash and cash equivalents	\$	169,849
Receivables, net		84,200
Other assets		22,500
		276,549
Total current assets		276,549

**NONCURRENT ASSETS**

Depreciable capital assets		9,185,755
Less accumulated depreciation		(3,583,297)
		5,602,458
Total noncurrent assets		5,602,458
<b>Total assets</b>	<b>\$</b>	<b>5,879,007</b>

**LIABILITIES AND NET ASSETS**

**CURRENT LIABILITIES**

Compensated absences	\$	2,070
Accrued interest payable		2,716
Bond payable, current		35,000
Due to other funds		69,885
		109,671
Total current liabilities		109,671

**LONG TERM LIABILITIES**

Bond payable, noncurrent		245,000
		245,000
Total long term liabilities		245,000
<b>Total liabilities</b>		<b>354,671</b>

**NET ASSETS**

Invested in capital assets, net of related debt		5,322,458
Unrestricted		201,878
		5,524,336
<b>Total Net Assets</b>	<b>\$</b>	<b>5,524,336</b>

The accompanying notes are an integral part of these financial statements.

**CITY OF SIMPSONVILLE, SOUTH CAROLINA**  
**PROPRIETARY FUND**  
**STATEMENT OF REVENUES, EXPENSES AND**  
**CHANGES IN FUND NET ASSETS**  
*For the year ended June 30, 2009*

<b>OPERATING REVENUES</b>	
Sewer maintenance fees	\$ 600,603
Total operating revenues	600,603
 <b>OPERATING EXPENSES</b>	
Personnel services	245,765
Contractual services	56,522
Materials and supplies	357
Other operating expenses	49,899
Depreciation	193,821
Total operating expenses	546,364
Operating income	54,239
 <b>NONOPERATING REVENUES (EXPENSES)</b>	
Interest income	1,481
Miscellaneous income	229
Interest expense	(11,446)
Total nonoperating revenues (expenses)	(9,736)
Income before transfers	44,503
<b>TRANSFERS IN</b>	24,849
<b>TRANSFERS OUT</b>	(1,008,758)
Change in net assets	(939,406)
<b>NET ASSETS, BEGINNING OF YEAR</b>	6,463,742
<b>NET ASSETS, END OF YEAR</b>	\$ 5,524,336

The accompanying notes are an integral part of these financial statements.

**CITY OF SIMPSONVILLE, SOUTH CAROLINA**  
**PROPRIETARY FUND**  
**STATEMENT OF CASH FLOWS**  
*For the year ended June 30, 2009*

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received from customers	\$ 696,616
Cash payments for goods and services	(129,278)
Payments to employees	(255,888)
Net cash provided by operating activities	311,450
 <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Transfers to other funds	(84,698)
Net cash used by noncapital financing activities	(84,698)
 <b>CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Acquisition of capital assets	(15,121)
Principal payments on revenue bond payable	(30,000)
Interest payments	(12,028)
Net cash used in capital and related financing activities	(57,149)
Net increase in cash and cash equivalents	169,603
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	-
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$ 169,603</b>
 <b>Reconciliation of operating income to net cash provided by operating activities:</b>	
Operating income	\$ 54,239
Adjustments to reconcile operating income to net cash provided by operations:	
Depreciation expense	193,821
Change in:	
Accounts receivable	96,013
Other assets	(22,500)
Accrued salaries and fringe benefits	(10,123)
Net cash provided by operating activities	<b>\$ 311,450</b>

The accompanying notes are an integral part of these financial statements.

**CITY OF SIMPSONVILLE, SOUTH CAROLINA**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**

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").

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**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.

(Continued)

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

**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.

**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.

(Continued)



**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

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.

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.

(Continued)

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

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.

The City has one major Enterprise Fund:

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

**Assets, liabilities, and equity**

**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;

(Continued)

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

- (e) Collateralized repurchase agreements when collateralized by securities as set forth in (a) and (b) above and held by the governmental entity or a third party as escrow agent or custodian; and
- (f) No load open-end or closed-end management type investment companies or investment trusts registered under the Investment Company Act of 1940, as amended, where the investment is made by a bank or trust company or savings and loan association or other financial institution when acting as trustee or agent for a bond or other debt issue of that local government unit, political subdivision, or county treasurer if the particular portfolio of the investment company or investment trust in which the investment is made (i) is limited to obligations described in items (a), (b), and (e) of this subsection, and (ii) has among its objectives the attempt to maintain a constant net asset value of one dollar a share and to that end, value its assets by the amortized cost method.

The City'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.

**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.

(Continued)

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

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

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

January 16 <sup>th</sup> through February 1 <sup>st</sup>	3%
February 2 <sup>nd</sup> through March 16 <sup>th</sup>	10% of tax
March 17 <sup>th</sup> and thereafter	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 1st of the calendar year following the levy date. The levy date for motor vehicles is the first day of the month in which the motor vehicle license expires. These taxes are due by the last day of the same month.

All trade and property taxes receivable are shown net of an allowance for uncollectible receivables, 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.

**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.

**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.

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.

(Continued)

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

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:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Building and Improvements	10- 50 years
Furniture and Equipment	5- 15 years
Vehicles	5- 20 years
Infrastructure	40- 50 years

**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 1<sup>st</sup> to December 31<sup>st</sup>. 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.

**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.

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.

(Continued)

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

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.

**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.

**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 appropriate 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.

**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.

**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.

**NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**Budgetary information**

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.

**NOTE 3 - CASH AND INVESTMENTS**

**Custodial credit risk - 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 \$815,785 as of June 30, 2009 (which had a carrying value of \$890,131), \$505,726 was exposed to custodial credit risk as they were uninsured and uncollateralized.

**Investments**

As of June 30, 2009, the City had the following investments, all with the Primary Government:

<u>Investment type</u>	<u>Credit rating*</u>	<u>Fair value</u>	<u>Weighted average maturity</u>
SC Pooled Investment Fund	Unrated	\$ 148,845	N/A
First American Government Obligation Fund	AAAm, Aaa, NR	386,147	Less than 1 year
United States Treasury Bill	N/A, AM, NR	144,775	Less than 1 year
Total		<u>\$ 708,760</u>	

\* If available, credit ratings are for Standard & Poor's, Moody's Investors Service, and Fitch Ratings.

(Continued)

**NOTE 3 - CASH AND INVESTMENTS, Continued**

**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.

**Credit Risk**

The City has no investment policy that would further limit its investment choices other than state law. As of June 30, 2009, the underlying security ratings of the City's investment in the South Carolina Local Government Investment Pool (LGIP) may be obtained from the LGIP's complete financial statements. These financial statements may be obtained by writing to the following address:

The State Treasurer's Office  
Local Government Investment Pool  
Post Office Box 11778  
Columbia, SC 29211

The City's investments in U.S. Government Agency Obligations were rated Aa2 by Moody's Investors Services.

**Concentration of Credit Risk for Investments**

The City places no limit on the amount the City may invest in any one issuer. As of June 30, 2009, the City had investments with two issuers that exceed 5% of total investments.

**Reconciliation to the financial statements**

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

<u>Statement of net assets</u>		<u>Footnotes</u>	
Cash and cash equivalents	\$ 689,495	Petty cash	\$ 1,480
Restricted cash and cash equivalents	839,549	Carrying value of deposits	890,131
Investments	<u>71,327</u>	Fair value of investments	<u>708,760</u>
Total deposits and investments	<u>\$ 1,600,371</u>	Total deposits and investments	<u>\$ 1,600,371</u>

**NOTE 4 - RECEIVABLES AND DEFERRED REVENUE**

Greenville County, South Carolina (the "County") is responsible for processing tax bills 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 15th based on an assessed value of approximately \$60.0 million at the rate of 51.5 mills for the City and 26.4 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 uncollectible taxes of approximately \$6,000 at June 30, 2009. Allowances for uncollectible receivables 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, 2009, the City had deferred delinquent property taxes for the General Fund of approximately \$265,000.



**NOTE 5 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

**Interfund receivables and payables**

Interfund balances at June 30, 2009 (which are expected to be paid or received within one year), consisted of the following individual fund receivables and payables:

<u>Fund</u>	<u>Receivables</u>	<u>Payables</u>
Major Funds:		
General Fund	\$ 503,870	\$ -
Special Revenue Fund	-	60,282
Capital Projects Fund	-	373,703
Sewer Enterprise Fund	-	69,885
	<hr/>	<hr/>
Totals	<b><u>\$ 503,870</u></b>	<b><u>\$ 503,870</u></b>

**Interfund transfers**

Interfund transfers for the year ended June 30, 2009, consisted of the following:

<u>Fund</u>	<u>Transfers in</u>	<u>Transfers out</u>
Major Funds:		
General Fund	\$ 1,312,758	\$ 2,135,035
Special Revenue Fund	766,904	1,110,261
Capital Projects Fund	-	-
Debt Service Fund	2,453,543	304,000
Sewer Enterprise Fund	24,849	1,008,758
	<hr/>	<hr/>
Totals	<b><u>\$ 4,558,054</u></b>	<b><u>\$ 4,558,054</u></b>

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. Special Revenue transfers to the Debt Service Fund were to fund debt service payments on certificates of participation. The Sewer Enterprise Fund transferred \$1,008,758 to the General Fund pursuant to Council's approval of an interfund receivables restructuring.

**NOTE 6 - CAPITAL ASSETS**

Capital asset activity for the City for governmental activities for the year ended June 30, 2009, was as follows:

	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Transfers</b>	<b>Ending Balance</b>
<b>Governmental activities:</b>					
Capital assets, non-depreciable:					
Land	\$ 6,582,994	\$ 2,712	\$ -	\$ 42,000	\$ 6,627,706
Construction in progress	3,356,323	568,292	-	(3,924,615)	-
Total capital assets, non-depreciable	9,939,317	571,004	-	(3,882,615)	6,627,706
Capital assets, depreciable:					
Infrastructure	19,072,760	14,000	-	468,896	19,555,656
Building and improvements	15,390,152	9,235	-	3,413,719	18,813,106
Equipment	1,745,506	110,000	-	-	1,855,506
Furniture and fixtures	112,220	7,411	-	-	119,631
Vehicles	6,320,268	782,552	(102,954)	-	6,999,866
Total capital assets, depreciable	42,640,906	923,198	(102,954)	3,882,615	47,343,765
Less: accumulated depreciation for:					
Infrastructure	8,634,694	364,607	-	-	8,999,301
Building and improvement	3,160,757	457,839	-	-	3,618,596
Equipment	1,007,413	134,641	-	-	1,142,054
Furniture and fixtures	92,456	5,962	-	-	98,418
Vehicles	3,959,347	353,517	(98,741)	-	4,214,123
Total accumulated depreciation	16,854,667	1,316,566	(98,741)	-	18,072,492
Total capital assets, depreciable, net	25,786,239	(393,368)	(4,213)	3,882,615	29,271,273
Total governmental activities capital assets, net	\$ 35,725,556	\$ 177,636	\$ (4,213)	\$ -	\$ 35,898,979

The cost of equipment recorded under capital lease was approximately \$1,145,000, and is included above. Amortization of assets recorded under capital lease obligations has been included with depreciation expense.

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

<b><u>Governmental activities</u></b>	<b><u>Depreciation expense</u></b>
General government	\$ 411,050
Public safety	359,068
Public works	126,702
Recreation and parks	419,746
Total depreciation expense governmental activities	<b>\$ 1,316,566</b>

(Continued)

**NOTE 6 - CAPITAL ASSETS, Continued**

Capital asset activity for the City for business-type activities for the year ended June 30, 2009, was as follows:

	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Transfers</b>	<b>Ending Balance</b>
<b>Business-Type Activities:</b>					
Capital assets, depreciable:					
Infrastructure	\$ 8,895,507	\$ 15,121	\$ -	\$ -	\$ 8,910,628
Equipment	275,127	-	-	-	275,127
Total capital assets, depreciable	9,170,634	15,121	-	-	9,185,755
Less: accumulated depreciation for:					
Infrastructure	3,273,650	167,374	-	-	3,441,024
Equipment	115,826	26,447	-	-	142,273
Total accumulated depreciation	3,389,476	193,821	-	-	3,583,297
Total capital assets, depreciable, net	5,781,158	(178,700)	-	-	5,602,458
Total business-type activities capital assets, net	\$ 5,781,158	\$ (178,700)	\$ -	\$ -	\$ 5,602,458

**NOTE 7 - SHORT-TERM OBLIGATIONS**

The City issued Tax Anticipation Notes ("TAN") in July and November 2008, totaling \$3,100,000 through a local bank. These TAN's were issued to provide the City cash reserves until the 2009 property taxes are levied and collected. The City repaid the TAN's in April and June 2009 with interest of \$57,906.

The following is a summary of the changes in the City's short-term obligations for 2009:

<b>Governmental activities</b>	<b>Beginning balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending balance</b>
Tax anticipation notes	\$ -	\$ 3,100,000	\$ 3,100,000	\$ -
Total governmental activities	\$ -	\$ 3,100,000	\$ 3,100,000	\$ -

## NOTE 8 - LONG-TERM OBLIGATIONS

The City issues bonds to provide funds for the acquisition and construction of major capital facilities. General Obligation Bonds ("GOB's") are direct obligations and pledge the full faith and credit of the City. Certificates of Participation ("COP's") 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's nor the interest thereon.

COP's 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 COP's. The COP's 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 COP's. 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 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, 2009 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 1st and October 1st. The proceeds from this issuance were primarily used for the construction of the law enforcement center and for the purchase of the land for Heritage Park.
- 2001 Series - issued in September 2001 for \$525,000 with annual installments varying from \$30,000 to \$50,000 beginning April 1, 2003 and ending on April 1, 2016 with interest at 4.64%. Interest is payable semi-annually on April 1st and October 1st. The proceeds from this issuance were primarily used for the construction of Fire Station Four.
- 2003 Series - issued in July 2003 for \$600,000 with annual installments varying from \$45,000 and \$65,000 beginning April 1, 2008 and ending on April 1, 2018 with interest at 3.498%. Interest is payable semiannually on April 1st and October 1st. 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 1st and October 1st. 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 semiannually 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.

(Continued)

**NOTE 8 - LONG-TERM OBLIGATIONS, 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.
- 2008 Series- issued in October 2009 for \$755,000 with annual installments varying from \$115,000 to \$140,000 beginning on April 1, 2010 and ending on April 1, 2015 with interest at 3.99%. Interest is payable semi-annually on April 1 and October 1. Debt issuance cost of approximately \$30,500 was expensed in 2008 rather than being amortized over the life of the bond due to the immaterial amount of debt issuance costs. The proceeds from this issuance were primarily used for various items of equipment.

**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 semiannually on January 1st and July 1st. Interest starts at 2.93%, but is subject to adjustment on July 1, 2009, 2014 and 2019. Debt issuance costs of approximately \$104,000 were incurred related to the issuance of the 2004 COPS and 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 1st and July 1st with interest at 3.890/0. 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 semiannually 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 semiannually 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.

(Continued)

**NOTE 8 - LONG-TERM OBLIGATIONS, Continued**

- 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.

**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 entered into a MEL obligation used for the purchase of various equipment items. Semi-annual payments were from \$83,861 to \$119,631, which includes interest of 5.07% to 5.14%. The lease on the equipment was for a period of three to eight years, which began on April 1, 2001 and ended in October 2009.
- \$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.

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**NOTE 8 - LONG-TERM OBLIGATIONS, Continued**

The following is a summary of changes in the City's long-term obligations for the year ended June 30, 2009.

<u>Long-Term Obligations</u>	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Due within one year</u>
<b>Governmental activities:</b>					
Debt:					
General obligation bonds:					
2000 Series	\$ 505,000	\$ -	\$ 60,000	\$ 445,000	\$ 65,000
2001 Series	335,000	-	35,000	300,000	35,000
2003 Series	555,000	-	50,000	505,000	50,000
2006 Series	185,000	-	35,000	150,000	35,000
2007 Series	745,000	-	40,000	705,000	40,000
2007A Series	900,000	-	155,000	745,000	160,000
2008 Series	-	755,000	-	755,000	115,000
	<u>3,225,000</u>	<u>755,000</u>	<u>375,000</u>	<u>3,605,000</u>	<u>500,000</u>
Certificates of participation:					
2004 Series	6,875,000	-	345,000	6,530,000	355,000
2004 Series - Deferred loss	(428,746)	-	(27,661)	(401,085)	-
2005 Series	990,000	-	125,000	865,000	130,000
2006 Series	1,975,000	-	35,000	1,940,000	35,000
2007 J.R. Lien Series	2,500,000	-	85,000	2,415,000	90,000
2008 J.R. Lien Series	1,400,000	-	75,000	1,325,000	75,000
	<u>13,311,254</u>	<u>-</u>	<u>637,339</u>	<u>12,673,915</u>	<u>685,000</u>
Total debt	16,536,254	755,000	1,012,339	16,278,915	1,185,000
Capital leases:					
April 2001 MEL	81,789	-	81,789	-	-
May 2004 MEL	173,133	-	116,408	56,725	56,725
March 2005 MEL	637,763	-	574,279	63,484	14,954
Total capital leases	892,685	-	772,476	120,209	71,679
Accrued compensated absences	145,395	-	12,477	132,918	132,918
Total governmental activities	<u>\$ 17,574,334</u>	<u>\$ 755,000</u>	<u>\$ 1,797,292</u>	<u>\$ 16,532,042</u>	<u>\$ 1,389,597</u>
<b>Business-type activities</b>					
Sewer Revenue Bond, Series 2006	\$ 310,000	\$ -	\$ 30,000	\$ 280,000	\$ 35,000
Accrued compensated absences	3,534	-	1,464	2,070	2,070
Total business-type activities	<u>\$ 313,534</u>	<u>\$ -</u>	<u>\$ 31,464</u>	<u>\$ 282,070</u>	<u>\$ 37,070</u>

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, 2009, was approximately \$606,000, 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, 2009.

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**NOTE 8 - LONG-TERM OBLIGATIONS, Continued**

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, 2009, the City had \$3,605,000 of bonded debt subject to the 8% limit of approximately \$4,783,000 resulting in an unused legal debt margin of approximately \$1,178,000.

The annual requirements to amortize debt outstanding for the City's governmental and business-type activities at June 30, 2009, were as follows:

Years ending June 30,	Bonds		Certificates of participation		Totals
	Principal	Interest	Principal	Interest	
<b>Governmental Activities</b>					
2010	\$ 500,000	\$ 162,117	\$ 685,000	\$ 434,479	\$ 1,781,596
2011	525,000	127,646	705,000	411,647	1,769,293
2012	540,000	106,057	730,000	388,139	1,764,196
2013	430,000	83,886	755,000	363,837	1,632,723
2014	410,000	65,817	785,000	338,560	1,599,377
2015-2019	1,000,000	125,920	4,330,000	1,283,109	6,739,029
2020-2024	200,000	16,362	4,435,000	523,526	5,174,888
2025-2029	-	-	650,000	60,885	710,885
Totals	<u>\$ 3,605,000</u>	<u>\$ 687,805</u>	<u>\$ 13,075,000</u>	<u>\$ 3,804,182</u>	<u>\$ 21,171,987</u>
<b>Business-Type Activities</b>					
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	40,000	5,044	-	-	45,044
2015-2019	90,000	5,238	-	-	95,238
Totals	<u>\$ 280,000</u>	<u>\$ 45,396</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 325,396</u>

As of June 30, 2009, future minimum lease payments under capital leases were as follows:

Years ending June 30,	Capital leases		Totals
	Principal	Interest	
<b>Governmental activities</b>			
2010	\$ 71,679	\$ 3,330	\$ 75,009
2011	15,550	1,931	17,481
2012	16,168	1,313	17,481
2013	16,812	669	17,481
2014	-	-	-
Totals	<u>\$ 120,209</u>	<u>\$ 7,243</u>	<u>\$ 127,452</u>

(Continued)



## **NOTE 8 - LONG-TERM OBLIGATIONS, Continued**

### **Advance and current refunding**

The City issued the 2004 COPS in April 2004 to (a) payoff 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, 2009 was approximately \$3,180,000.

## **NOTE 9 - 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.

## **NOTE 10 - RETIREMENT PLANS**

### **Pension Plan A plan description**

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

### **Pension Plan A funding policy**

Both employees and employers are required to contribute to the Plan under authority of Title 9 of the SC Code of Laws. Employees covered under PORS were required to contribute 6.5% of their salary. Employees covered under SCRS were required to contribute 6.25% of their salary through June 30, 2009. 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 \$226,000, PORS of \$345,000; SCRS of approximately \$237,000, PORS of \$332,000; and SCRS of \$193,000, PORS of \$312,000; for the years ended June 30, 2009, 2008, and 2007 respectively. Only the South Carolina State Budget and Control Board has authority to establish and amend the funding policy.

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**NOTE 10 - RETIREMENT PLANS, Continued**

**Pension Plan B**

Certain employees of the City were members of the City of Simpsonville Retirement Plan (the "Plan"). The Plan was a single employer defined benefit pension plan administered by the Principal Life Insurance Company. The Plan was discontinued effective December 31, 1999, so that no new employees would become eligible for participation or further vesting in the Plan. Subsequent to this Plan discontinuance, practically all employees of the City became eligible for either the SCRS or PORS as noted above. During November 2004, City Council (Trustees for the Plan) approved the termination and liquidation of the Plan. The final distribution of Plan assets 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.

**Deferred Compensation Plan**

The City employees may participate in the 457 and/or 401(k) deferred compensation plans, which are available to state and local governmental employees and administered by a state approved nongovernmental third party. The plans, available to all City employees, permits them to defer a portion of their salary until future years. Participation in the plan is optional. The deferred compensation plans are not available to employees until termination, retirement, death or unforeseeable emergency. South Carolina Deferred Compensation Program, c/o ING, Post Office Box 5182, Boston, MA 02206-5182 (under state contract) is the program administrator of the 457 plan as well as the 401k plan, which is also available to County and component unit employees at their option.

**NOTE 11 - OTHER POST-RETIREMENT BENEFITS (OPEB)**

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.

As the City incurs no cost under this arrangement, the provisions of GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions do not impact the City.

**NOTE 12 - 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 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.

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, 2009, the City made premium payments totaling approximately \$236,000. 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.

(Continued)

**NOTE 12 - RISK MANAGEMENT, Continued**

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, 2009, the City made premium payments totaling approximately \$198,000. The Trust uses reinsurance agreements to reduce its exposure to large workers' compensation losses. 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.

**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.

**Excess of expenditures over appropriations**

For the fiscal year ended June 30, 2009, there were expenditures in excess of the revised budget. These overages were covered by existing fund balance.

**NOTE 13 - COMMITMENTS AND CONTINGENCIES**

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.

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.

**NOTE 14 - SUBSEQUENT EVENT**

The City issued a Tax Anticipation Note on July 1, 2009 for \$2,750,000, due April 15, 2010 bearing interest at an annual rate of 5.00%.