

City of Simpsonville South Carolina

Comprehensive Annual Financial Report

**For the Fiscal Year Ended
June 30, 2005**



CITY OF SIMPSONVILLE, SOUTH CAROLINA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

PREPARED BY THE CITY ADMINISTRATOR'S OFFICE

Russell B. Hawes
City Administrator

CITY OF SIMPSONVILLE, SOUTH CAROLINA

TABLE OF CONTENTS

YEAR ENDED JUNE 30, 2005

INTRODUCTORY SECTION

	<u>Page Number</u>
Transmittal Letter	3
Listing of Principal Officials	7
Organizational Chart	8

FINANCIAL SECTION

Independent Auditors' Report	11
Management's Discussion and Analysis	13

Basic Financial Statements:

Government-wide Financial Statements:

Statement of Net Assets	22
Statement of Activities	23

Fund Financial Statements:

Balance Sheet - Governmental Funds	24
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	25
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	26
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities	27
Statement of Net Assets - Fiduciary Fund Types	28
Statement of Changes in Fiduciary Net Assets - Fiduciary Fund	29

<i>Notes to the Basic Financial Statements</i>	30
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Required Supplementary Information:

General Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budgets and Actual	50
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Other Supplementary Information:

General Fund

Schedule of Detailed General Fund Expenditures - Revised Budget and Actual	52
Schedule of Fines, Assessments and Surcharges	62

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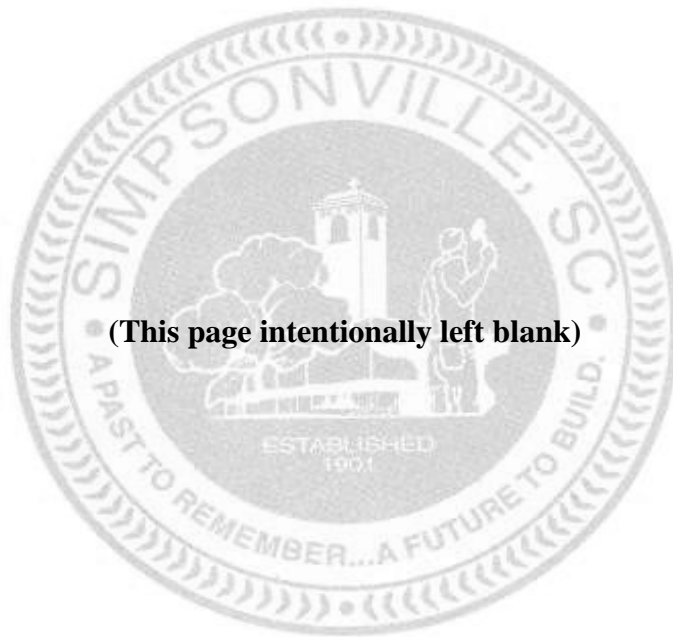
CITY OF SIMPSONVILLE, SOUTH CAROLINA

TABLE OF CONTENTS

YEAR ENDED JUNE 30, 2005

	<u>Page Number</u>
<u>STATISTICAL SECTION</u>	
General Governmental Expenditures by Function	66
General Governmental Revenues by Source	68
Property Tax Levies and Collections	70
Assessed and Estimated Actual Value of Taxable Property	71
Property Tax Rates-All Direct and Overlapping Governments	72
Principal Taxpayers	73
Legal Debt Margin	74
Ratio of Net General Obligation Bonded Debt to Assessed Value and Net General Obligation Bonded Debt Per Capita	75
Ratio of Annual Debt Service Expenditures for General Bonded Debt to Total General Expenditures	76
Computations of Direct and Overlapping Debt	77
Demographic Statistics	78
Property Value and Construction	80
Miscellaneous Statistics	82
<u>COMPLIANCE SECTION</u>	
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Basic Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	85
Schedule of Findings	86

INTRODUCTORY SECTION



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December 8, 2005

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

Dear Mayor Waldrop, City Council Members and Citizens:

State law requires that all general-purpose local governments, at the close of each fiscal year, publish a complete set of financial statements presented in conformity with accounting principles generally accepted in the United States of America (“GAAP”) and audited in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the Comprehensive Annual Financial Report (“CAFR”) of the City of Simpsonville, South Carolina for the fiscal year ended June 30, 2005.

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

The City of Simpsonville’s financial statements have been audited by Greene, Finney, and Horton, LLP, a firm of licensed public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ending June 30, 2005 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Simpsonville’s financial statements for the fiscal year ended June 30, 2005 are fairly presented in conformity with GAAP. The independent auditors’ report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the City of Simpsonville was part of a broader, federally mandated “Single Audit” designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government’s internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are presented in the Compliance Section of the CAFR.

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

Community Profile

The City of Simpsonville is located in the Upstate Region of South Carolina and has an estimated population of 15,600. The City was originally incorporated in the year 1901. The City adopted the Council form of government pursuant to the Home Rule Act of 1975. Simpsonville is located in Greenville County (pop. 400,000) twelve miles southeast of downtown Greenville. Simpsonville has experienced a high rate of growth in the past twenty years, and is rapidly becoming a retail destination as stores follow residential rooftops. Originally founded around the Woodside textile mill, Simpsonville is now a diverse economic market with some of the highest per-capita income in Greenville County.

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

City Government

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

Budget Process

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

Factors Affecting Financial Condition

Local Economy

The City continues to benefit from a strong local economy. This has produced growth in construction within the city. The result has been excellent growth in the city's Special Revenue Fund which collects Hospitality and Accommodations taxes for Heritage Park. That growth has not had the same effect on the General Fund. In prior years, between no growth in fees and stagnant growth in Fire Service reimbursement from the County, the General Fund Balance has dropped. The City's General Fund balance has however begun growing in fiscal 2005. There has been no increase in property tax rates in 35 years.

Despite this, the city has not increased General Obligation long-term debt. Its plan is to maximize its control of expenditures, payoff debt, maximize revenue from existing sources of revenue and look for new revenue sources to further replace fund balance.

Long-Term Financial Planning

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

Cash Management Policies and Practices

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

Risk Management

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

Pension and Other Post Employment Benefits

The City participates in two separate retirement plans: (1) S.C. State Employees Retirement plan, and (2) S.C. Police Officers Retirement Plan.

Other points –

- The City's revenue base is becoming more diversified, with additional non-ad valorem revenue streams and less reliance on property tax as the funding source for primary services.
- The General Fund is supported by a revenue stream that has been, and we expect will continue, to be stable. The City continually evaluates and adjusts to fluctuation in any of its revenue streams.
- Standard & Poor's bond rating is AA-.
- Moody's bond rating has been reaffirmed as of October of 2005 at A1
- Fitch rating has been reaffirmed as of October 2005 at A+
- Other indicators of fiscal strength include the avoidance of a millage increase for over 30 years.

Other Information

Awards

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

Acknowledgments

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

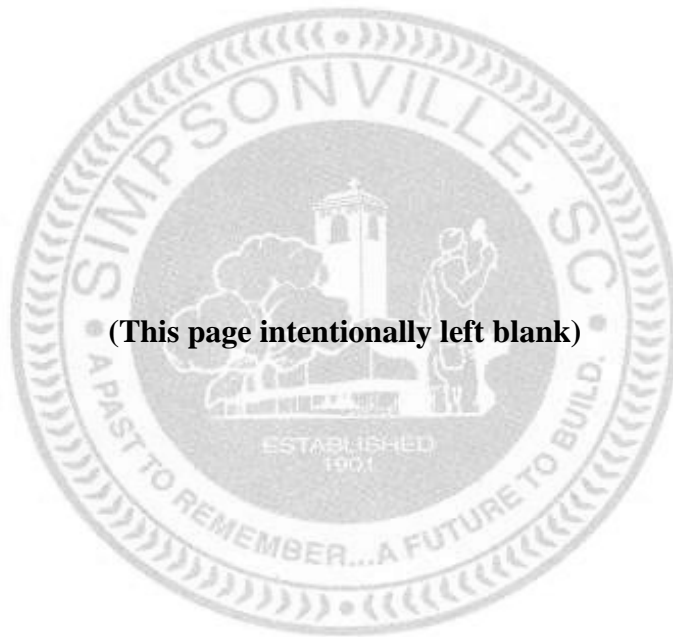
Respectfully Submitted,



Russell B. Hawes
City Administrator



Robert W. Harrison
Finance Director



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CITY OF SIMPSONVILLE, SOUTH CAROLINA

LISTING OF PRINCIPAL OFFICIALS

YEAR ENDED JUNE 30, 2005

Established

1901

MAYOR

Dennis Waldrop

CITY COUNCIL MEMBERS

Ronald Bridges

Darrell Curry

Robert Gecy

Peter Pelar

Geneva Lawrence

Pat Thomas

CITY ADMINISTRATOR

Russell Hawes

CITY ATTORNEY

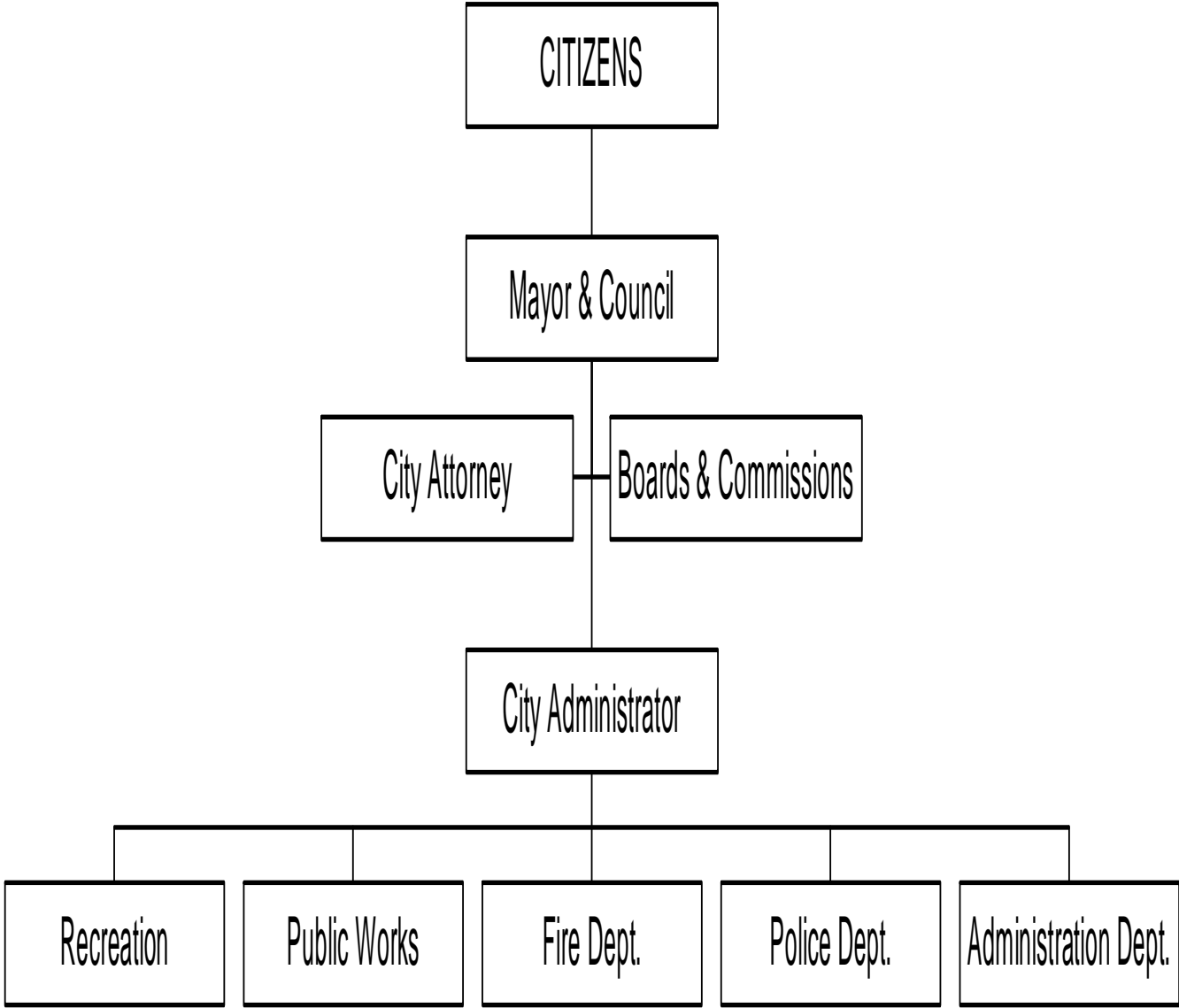
David Holmes

MUNICIPAL JUDGES

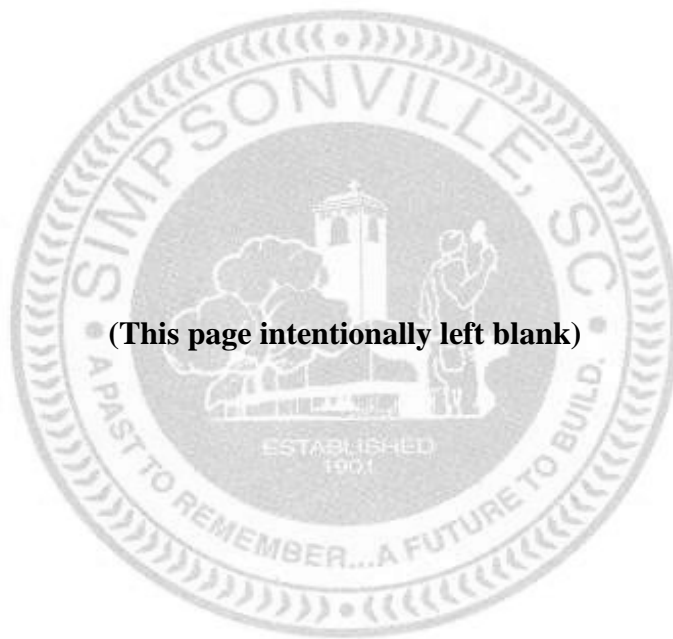
Rick Moore

William Regan

CITY OF SIMPSONVILLE



FINANCIAL SECTION



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GREENE FINNEY & HORTON
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying basic financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Simpsonville, South Carolina (the "City"), as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

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

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Simpsonville, South Carolina, as of June 30, 2005, and the respective changes in financial position, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated, December 8, 2005, on our consideration of the City of Simpsonville's, South Carolina, internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The accompanying management's discussion and analysis and budgetary comparison information on pages 13 – 20 and page 50, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Greene, Finney & Horton LLP

Greene, Finney & Horton, LLP
December 8, 2005

CITY OF SIMPSONVILLE, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2005

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, 2005. The intent of this discussion and analysis is to present the City's financial performance as a whole; readers should also review the basic financial statements, the notes to the basic financial statements and the supplemental schedules to enhance their understanding of the City's financial performance. We would also encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 3 – 5 of this report.

FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at the close of the fiscal year by approximately \$19,123,000 (*net assets*). Of this amount, approximately \$484,000 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets decreased by approximately \$353,000, as revenues of approximately \$9,749,000 were exceeded by expenses of approximately \$10,102,000.
- As of the close of the fiscal year, the City's governmental funds reported combined ending fund balances of approximately \$1,686,000, a decrease of approximately \$1,412,000 in comparison with the prior year restated balance. The decrease in the fund balance is primarily due to cash payments for the completion of Heritage Park and other capital acquisition.
- At the end of the fiscal year, unreserved fund balance for the General Fund was approximately \$729,000, or approximately 7.8% of total General Fund expenditures for the year ended June 30, 2005.
- The City's capital assets increased by approximately \$2,245,000 (7.9%) to \$30,835,000 at June 30, 2005. The increase in capital assets was primarily due to the final costs associated with the completion of Heritage Park, partially offset by depreciation expense of approximately \$1,074,000.
- The City's long term obligations increased by approximately \$1,193,000 (9.7%) during the current fiscal year. The key factors in this increase were (a) the issuance of 2005 Series Certificates of Participation ("COP") in the amount of \$1,340,000 to help fund the final costs associated with Heritage Park, (b) the consummation of the 2005 Master Equipment Leases for \$860,000 which will be used for the purchase of two new fire trucks and one new refuse truck, (c) borrowing approximately \$103,000 from the South Carolina Department of Transportation for sewer improvements, partially offset by principal payments. In addition, the City negotiated with the 1997 Series general obligation bond holder to delay the scheduled principal payment on this debt of \$260,000 from March 2005 to July 2005. This delayed bond principal payment has been reflected as a fund liability in the governmental funds balance sheet.
- The City maintained its AA- bond rating with Standard & Poors.

OVERVIEW OF FINANCIAL STATEMENTS

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

Basic Financial Statements

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

Government-Wide Financial Statements

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

CITY OF SIMPSONVILLE, SOUTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2005

OVERVIEW OF FINANCIAL STATEMENTS (CONTINUED)

Basic Financial Statements (Continued)

Government-Wide Financial Statements (Continued)

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

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

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

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

The government-wide financial statements can be found on pages 22 – 23 of this report.

Fund Financial Statements

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

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

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

The basic governmental fund financial statements can be found on pages 24 – 27 of this report.

CITY OF SIMPSONVILLE, SOUTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2005

OVERVIEW OF FINANCIAL STATEMENTS (CONTINUED)

Basic Financial Statements (Continued)

Fund Financial Statements (Continued)

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

The basic financial statements of the fiduciary funds can be found on pages 28 – 29 of this report.

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 beginning on page 30 of this report.

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 on page 50 of this report.

Other supplemental schedules referred to in the table of contents are presented immediately following the required supplementary information. These schedules can be found beginning on page 52 of this report.

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

CITY OF SIMPSONVILLE, SOUTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2005

GOVERNMENT-WIDE FINANCIAL ANALYSIS

City of Simpsonville
Net Assets – Governmental Activities

	<u>June 30, 2005</u>	<u>June 30, 2004 *</u>
Assets:		
Current and Other Assets	\$ 4,097,877	\$ 4,778,842
Capital Assets, Net	30,835,482	28,590,482
Total Assets	<u>34,933,359</u>	<u>33,369,324</u>
Liabilities:		
Long-Term Liabilities	13,548,506	12,355,094
Other Liabilities	2,261,928	1,538,354
Total Liabilities	<u>15,810,434</u>	<u>13,893,448</u>
Net Assets:		
Invested in Capital Assets, Net of Related Debt	18,639,103	18,223,484
Restricted	-	161,226
Unrestricted	483,822	1,091,166
Total Net Assets	<u>\$ 19,122,925</u>	<u>\$ 19,475,876</u>

* Reclassifications have been made to conform to the 2005 financial statement presentation. Certain amounts have been restated due to prior period adjustments - See Note IV of the notes to the basic financial statements for additional information.

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by approximately \$19,123,000 at the close of the most recent fiscal year. By far the largest portion of the City's net assets (\$18,639,000 or approximately 97.5%) reflects its investment in capital assets (i.e., land, buildings, furniture and equipment, infrastructure, etc.) less any related outstanding debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The remaining balance of unrestricted net assets (\$484,000 or approximately 2.5%) may be used to meet the government's ongoing obligations to citizens and creditors.

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

CITY OF SIMPSONVILLE, SOUTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2005

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

City of Simpsonville
Statement of Activities – Governmental Activities

	2005	2004 *
Revenues:		
Program Revenues:		
Charges for Services	\$ 1,748,010	\$ 963,884
Operating Grants and Contributions	362,913	508,372
General Revenues:		
Property Taxes	4,121,781	3,917,605
Hospitality and Accommodation Taxes	925,893	747,092
MASC Telecommunications and Insurance Taxes	1,244,729	1,119,143
Franchise Fees	775,039	637,590
Unrestricted State Grants	364,373	113,469
Unrestricted Investment Earnings	37,808	14,577
Other	168,869	-
Total Revenues	9,749,415	8,021,732
Expenses:		
General Government	1,218,642	1,349,029
Public Safety	4,763,954	4,431,552
Public Works	2,511,132	2,174,271
Recreation and Parks	1,070,130	1,058,845
Interest and Other Charges	538,508	495,663
Total Expenses	10,102,366	9,509,360
Change in Net Assets	(352,951)	(1,487,628)
Net Assets, Beginning of Year	19,475,876	20,763,028
Prior Period Adjustments	-	200,476
Net Assets, Beginning of Year, Restated	19,475,876	20,963,504
Net Assets, End of Year	\$ 19,122,925	\$ 19,475,876

* Reclassifications have been made to conform to the 2005 financial statement presentation. Certain amounts have been restated due to prior period adjustments - See Note IV of the notes to the basic financial statements for additional information.

Governmental Activities. The City's governmental activities net assets decreased from 2004 to 2005 by approximately 1.8%. Key elements of this decrease were as follows:

- Depreciation expense of approximately \$1,074,000.
- The City's budget for 2005 was balanced, but a shortfall of tax revenue, grants and fees resulted in a loss of revenue of over \$1,100,000. The deficit was partially mitigated by savings in all operating areas, but the final results represented a net decrease in the City's net assets.

CITY OF SIMPSONVILLE, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2005

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, 2005, the City of Simpsonville's governmental funds reported a combined ending fund balances of approximately \$1,686,000. Of this amount, approximately \$538,000 is unreserved fund balance, which is available for spending at the government's discretion.

General Fund Revenues

The General Fund is the principal fund that accounts for the daily operations of the City. Total revenue at June 30, 2005 was approximately \$8,875,000 compared to approximately \$7,348,000 in the prior year. Taxes and licenses, permits and fees (including sewer fees) make up 86.2% of all General Fund revenues or approximately \$7,653,000. The remaining General Fund revenue sources totaled approximately \$1,222,000 and consisted of shared revenue (with the state and county), grants, fines and other miscellaneous sources. The increase in revenues over the prior year is primarily due to higher taxes, sewer maintenance fees, fines, franchise fees, business licenses and construction permits.

As with most municipalities in the State of South Carolina, the City is dependent on local property taxes to pay for many of the services provided to its citizens. The current millage rate for local property taxes is 50.7 mills. The assessed value is 4% of market value for residential property, 6% for commercial property, and 10.5% for industrial property. Local property taxes accounted for 46.3%, or approximately \$4,109,000, of total General Fund revenue for the fiscal period ending June 30, 2005.

General Fund Expenditures

General Fund expenditures for the year ended June 30, 2005 totaled approximately \$9,304,000 compared to approximately \$7,669,000 for the prior year. The increase reflects increases in wage and benefit costs and costs of additional neighborhoods being built in the City. In addition, capital expenditures for infrastructure and Heritage Park were higher than prior year amounts.

The Public Safety and Public Works (including sewer operations) functions accounted for approximately 75.0% of all General Fund expenditures (excluding capital outlay). Actual expenditures for these functions, excluding capital outlay, were approximately \$4,373,000 for Public Safety and \$1,838,000 for Public Works. The remaining 25.0% of General Fund expenditures (excluding capital outlay) came from the areas of Recreation and Parks of \$840,000 and General Government of \$1,185,000. The City also had Capital Outlay in the General Fund of approximately \$1,068,000 for 2005.

General Fund Balance

The total fund balance for the General Fund decreased primarily due to (a) expenditures exceeding revenue by approximately \$429,000 and (b) transfers to the Capital Projects and Debt Service Funds of approximately \$682,000, partially offset by capital lease and note proceeds of approximately \$963,000. The total decrease in the General Fund was approximately \$147,000 for 2005, leaving the fund balance for the General Fund at approximately \$1,869,000 at June 30, 2005. Unreserved fund balance for the General Fund was approximately \$729,000, or approximately 7.8% of total General Fund expenditures.

General Fund Budgetary Highlights: During the fiscal year, the City amended its budget one time. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and 3) increases in appropriations that become necessary to maintain services. A total amendment to General Fund increased revenues by \$264,240 in 2005 and was primarily due to a grant awarded from the Department of Homeland Security. There were no amendments to General Fund expenditures during 2005.

CITY OF SIMPSONVILLE, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2005

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets. The City's investment in capital assets for its governmental activities as of June 30, 2005, was approximately \$30,835,000 (net of accumulated depreciation). These assets include land, construction in progress, buildings and other improvements, infrastructure, furniture and equipment, and vehicles.

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

	2005	2004 *
Land	\$ 4,882,012	\$ 1,497,500
Construction in Progress	-	8,222,578
Infrastructure	11,251,081	11,559,614
Buildings and Improvements	11,931,424	5,008,737
Equipment	598,914	90,835
Furniture and Fixtures	14,948	5,564
Vehicles	2,157,103	2,205,654
Total	\$ 30,835,482	\$ 28,590,482

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

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

- Depreciation expense of approximately \$1,074,000
- Completion of Heritage Park which had a final project cost of approximately \$10,662,000.
- Equipment purchased from Department of Homeland Security Grant.

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

Long-Term Obligations. As of June 30, 2005, the City had total long-term obligations of approximately \$13,549,000 of which approximately \$10,862,000 consisted of long-term debt. Of this debt, \$2,255,000 was General Obligation Bond ("GOB") debt which is backed by the full faith and credit of the City. The City also has Certificates of Participation ("COPS") debt outstanding at year end of approximately \$8,504,000 (net of a deferred loss on refunding of approximately \$512,000). In addition, the City had other long-term obligations of approximately \$2,562,000 for outstanding capital leases and approximately \$124,000 for compensated absence liabilities.

**City of Simpsonville
Long-Term Obligations – Governmental Activities**

	June 30, 2005	June 30, 2004
Debt:		
General Obligation Bonds	\$ 2,255,000	\$ 2,595,000
Certificates of Participation, Net	8,504,342	7,475,610
Note Payable	103,150	-
Total Debt	10,862,492	10,070,610
Capital Leases	2,561,937	2,226,364
Accrued Compensated Absences	124,077	58,120
Total	\$ 13,548,506	\$ 12,355,094

CITY OF SIMPSONVILLE, SOUTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2005

CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)

Long-Term Obligations (Continued)

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

- The City's GOB decreased \$340,000 (13.1%) during the current year. This decrease was due to principal payments of \$80,000 and the City's negotiated agreement with the bondholder to delay the payment (due in March 2005) on the 1997 Series GOB of \$260,000 until July 2005. This delayed payment has been recorded as a fund liability (matured bonds payable) in the governmental funds balance sheet.
- The City's COP increased by approximately \$1,029,000 (13.8%) during the current year. This increase was due to the City issuing the 2005 Series COP for \$1,340,000 (which was used to help fund costs associated with Heritage Park), amortization of the City's deferred loss of approximately \$28,000, partially offset by principal payments of approximately \$339,000.
- The City received a loan from the South Carolina Department of Transportation for \$103,150 for sewer improvements.
- The City entered into a Master Equipment Lease ("MEL") in March 2005 of \$860,000 for the purchase of two new fire trucks and one new refuse truck. As of June 30, 2005, none of the proceeds had been used for the purchase of the designated capital assets.
- The City's accrual for annual leave (compensated absences) increased by approximately \$66,000.

The State of South Carolina limits the amount of general obligation debt that a unit of government can issue to 8% of the total assessed value of taxable property located within that government's boundaries. The City's statutory debt limit at June 30, 2005 was approximately \$3,351,000. The City had non-referendum bonded debt of \$2,515,000 (which included the matured bonds payable of \$260,000) which resulted in the City having an unused legal debt margin of approximately \$836,000.

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

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

Economic factors that were considered in preparing the FY 06 budget were as follows:

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

The adopted FY 06 operating budget for all funds is \$12,212,000. Highlights of FY 06 operating budget were as follows:

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

REQUESTS FOR INFORMATION

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

Basic Financial Statements

CITY OF SIMPSONVILLE, SOUTH CAROLINA

STATEMENT OF NET ASSETS

JUNE 30, 2005

	PRIMARY GOVERNMENT	COMPONENT UNIT
	Governmental Activities	Simpsonville Industrial Development Corporation
ASSETS		
Cash and Cash Equivalents	\$ 2,074,178	\$ 61,743
Cash and Cash Equivalents, Restricted	1,048,616	-
Property Taxes Receivable, Net	92,962	-
Accounts Receivable	620,689	-
Other Assets	91,065	-
Debt Issue Costs, Net	170,367	-
Capital Assets:		
Non-Depreciable	4,882,012	-
Depreciable, Net	25,953,470	-
TOTAL ASSETS	34,933,359	61,743
LIABILITIES		
Accounts Payable and Accrued Liabilities	1,915,134	-
Accrued Interest Payable	86,794	-
Matured Bonds Payable	260,000	-
Non-Current Liabilities:		
Due Within One Year	1,392,361	-
Due in More Than One Year	12,156,145	-
TOTAL LIABILITIES	15,810,434	-
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	18,639,103	-
Unrestricted	483,822	61,743
TOTAL NET ASSETS	\$ 19,122,925	\$ 61,743

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

CITY OF SIMPSONVILLE, SOUTH CAROLINA

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2005

FUNCTIONS/PROGRAMS	PROGRAM REVENUES				NET (EXPENSE) REVENUE AND CHANGE IN NET ASSETS		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities	Totals	Component Unit Simpsonville Industrial Development Corporation
PRIMARY GOVERNMENT:							
Governmental Activities:							
General Government	\$ 1,218,642	1,021,742	97,696	-	(99,204)	(99,204)	
Public Safety	4,763,954	216,581	241,887	-	(4,305,486)	(4,305,486)	
Public Works	2,511,132	413,047	14,595	-	(2,083,490)	(2,083,490)	
Recreation and Parks	1,070,130	96,640	8,735	-	(964,755)	(964,755)	
Interest and Other Charges	538,508	-	-	-	(538,508)	(538,508)	
TOTAL - PRIMARY GOVERNMENT	10,102,366	1,748,010	362,913	-	(7,991,443)	(7,991,443)	
COMPONENT UNITS							
Simpsonville Ind. Development Corp.	223						\$ (223)
TOTAL COMPONENT UNITS	\$ 223	-	-	-			(223)
General Revenues:							
Taxes:							
Property Taxes Levied for General Purposes					4,121,781	4,121,781	-
Hospitality and Accommodations Taxes					925,893	925,893	-
MASC Telecommunications and Insurance Taxes					1,244,729	1,244,729	-
Franchise Fees					775,039	775,039	-
Unrestricted State Grants					364,373	364,373	-
Unrestricted Investment Earnings					37,808	37,808	688
Miscellaneous Revenue					168,869	168,869	-
Total General Revenues					7,638,492	7,638,492	688
CHANGE IN NET ASSETS					(352,951)	(352,951)	465
NET ASSETS, Beginning of Year					19,275,400	19,275,400	61,278
PRIOR PERIOD ADJUSTMENTS					200,476	200,476	-
NET ASSETS, Beginning of Year, Restated					19,475,876	19,475,876	61,278
NET ASSETS, End of Year					19,122,925	19,122,925	\$ 61,743

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

CITY OF SIMPSONVILLE, SOUTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2005

	GENERAL	SPECIAL REVENUE	CAPITAL PROJECTS	DEBT SERVICE	TOTAL GOVERNMENTAL FUNDS
ASSETS					
Cash and Cash Equivalents	\$ 839,292	-	1,234,886	-	\$ 2,074,178
Cash and Cash Equivalents, Restricted	1,048,616	-	-	-	1,048,616
Receivables, Net:					
Taxes	92,962	-	-	-	92,962
Accounts	620,689	-	-	-	620,689
Due From:					
Other Funds	191,155	-	-	260,000	451,155
Other Assets	91,065	-	-	-	91,065
TOTAL ASSETS	2,883,779	-	1,234,886	260,000	4,378,665
LIABILITIES					
Accounts Payable	352,590	-	1,225,819	-	1,578,409
Accrued Salaries and Fringe Benefits	306,948	-	-	-	306,948
Accrued Expenditures	29,777	-	-	-	29,777
Due To:					
Other Funds	260,000	191,155	-	-	451,155
Deferred Revenue	65,942	-	-	-	65,942
Matured Bonds Payable	-	-	-	260,000	260,000
TOTAL LIABILITIES	1,015,257	191,155	1,225,819	260,000	2,692,231
FUND BALANCES					
Fund Balances					
Reserved:					
Other Assets	91,065	-	-	-	91,065
Capital Lease Purchase	1,048,616	-	-	-	1,048,616
Capital Projects	-	-	9,067	-	9,067
Unreserved:					
Undesignated	728,841	(191,155)	-	-	537,686
TOTAL FUND BALANCES	1,868,522	(191,155)	9,067	-	1,686,434
TOTAL LIABILITIES AND FUND BALANCES	\$ 2,883,779	-	1,234,886	260,000	\$ 4,378,665

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

CITY OF SIMPSONVILLE, SOUTH CAROLINA

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

JUNE 30, 2005

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS	\$ 1,686,434
Amounts reported for the governmental activities in the Statement of Net Assets are different because of the following:	
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets were \$47,209,586 and the accumulated depreciation was \$16,374,104.	30,835,482
Property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore have been deferred in the funds.	65,942
Debt issuance costs are amortized over the lives of the bonds; however, in governmental accounting, debt issuance costs are expenditures the year they are incurred. The debt issuance costs of \$183,636 is shown net of accumulated amortization of \$13,269.	170,367
Interest is recorded as an expenditure when paid in the governmental funds. Interest is recorded in the government-wide statements when it is due. This amount represents the amount of interest due but unpaid at year-end.	(86,794)
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 \$32,271. Long-term liabilities consisted of the following:	
Long-Term Debt (Including Capital Leases)	(13,936,158)
Long-Term Debt - Deferred Loss on Refunding, Net	511,729
Compensated Absences (Sick Pay and Vacations)	(124,077)
TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES	<u>\$ 19,122,925</u>

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

CITY OF SIMPSONVILLE, SOUTH CAROLINA

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

YEAR ENDED JUNE 30, 2005

	GENERAL	SPECIAL REVENUE	CAPITAL PROJECTS	DEBT SERVICE	TOTAL GOVERNMENTAL FUNDS
REVENUES					
Taxes:					
Local	\$ 4,109,348	-	-	-	\$ 4,109,348
Hospitality and Accommodations	64,165	861,728	-	-	925,893
MASC Telecommunication and Insurance	1,244,729	-	-	-	1,244,729
Franchise	775,039	-	-	-	775,039
Licenses, Permits, and Fees	1,046,996	-	-	-	1,046,996
Grants	265,217	-	-	-	265,217
Fines	228,842	-	-	-	228,842
Shared Revenue:					
County	97,696	-	-	-	97,696
State	364,373	-	-	-	364,373
Sewer Fees	413,047	-	-	-	413,047
Interest	37,808	-	-	-	37,808
Other	227,994	-	-	-	227,994
TOTAL REVENUES ALL SOURCES	8,875,254	861,728	-	-	9,736,982
EXPENDITURES					
Current:					
General Government	1,185,460	-	-	-	1,185,460
Public Safety	4,373,203	-	-	-	4,373,203
Public Works	1,837,692	-	-	-	1,837,692
Recreation and Parks	839,791	-	-	-	839,791
Capital Outlay	1,067,656	-	2,439,099	-	3,506,755
Debt Service:					
Principal	-	-	-	1,203,356	1,203,356
Interest and Fiscal Charges	-	-	-	465,639	465,639
Bond Issuance Costs	-	-	40,000	-	40,000
TOTAL EXPENDITURES	9,303,802	-	2,479,099	1,668,995	13,451,896
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(428,548)	861,728	(2,479,099)	(1,668,995)	(3,714,914)
OTHER FINANCING SOURCES (USES)					
Issuance of Note Payable	103,150	-	-	-	103,150
Issuance of Certificates of Participation	-	-	1,340,000	-	1,340,000
Capital Lease	860,000	-	-	-	860,000
Transfers In	-	-	226,782	1,668,995	1,895,777
Transfers Out	(681,668)	(1,214,109)	-	-	(1,895,777)
TOTAL OTHER FINANCING SOURCES (USES)	281,482	(1,214,109)	1,566,782	1,668,995	2,303,150
NET CHANGES IN FUND BALANCES	(147,066)	(352,381)	(912,317)	-	(1,411,764)
FUND BALANCE, Beginning of Year	2,116,226	161,226	921,384	-	3,198,836
PRIOR PERIOD ADJUSTMENT	(100,638)	-	-	-	(100,638)
FUND BALANCE, Beginning of Year, Restated	2,015,588	161,226	921,384	-	3,098,198
FUND BALANCES, End of Year	\$ 1,868,522	(191,155)	9,067	-	\$ 1,686,434

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

CITY OF SIMPSONVILLE, SOUTH CAROLINA

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

YEAR ENDED JUNE 30, 2005

TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS **\$ (1,411,764)**

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

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. They are considered revenues in the Statement of Activities.	12,433
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.	1,203,356
Debt and capital lease proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets.	(2,303,150)
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.	(35,544)
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.	30,336
Deferred losses (capitalized costs) on refundings must be deferred and amortized over the life of the respective debt in the Statement of Activities. These costs were reported as expenditures the year they were incurred in the governmental funds.	(27,661)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.	(65,957)
In the Statement of Activities the loss on the disposal of capital assets is reported, whereas in the governmental funds, proceeds from the disposal of capital assets increase financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of the assets disposed.	(53,221)
Governmental funds report capital asset additions as expenditures (\$3,372,663). However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense (\$1,074,442). This is the amount by which depreciation exceeded capital asset additions in the current period.	<u>2,298,221</u>

TOTAL CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES **\$ (352,951)**

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

CITY OF SIMPSONVILLE, SOUTH CAROLINA

STATEMENT OF NET ASSETS - FIDUCIARY FUNDS

JUNE 30, 2005

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

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

CITY OF SIMPSONVILLE, SOUTH CAROLINA

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS - FIDUCIARY FUNDS

JUNE 30, 2005

	PENSION TRUST FUND
ADDITIONS	
Investment Earnings:	
Interest	\$ 88,490
Dividends	11,584
Realized and Unrealized Appreciation in Fair Value of Investments	5,541
Total Investment Earnings	<u>105,615</u>
TOTAL ADDITIONS ALL SOURCES	<u>105,615</u>
DEDUCTIONS	
Pension Benefits	-
Administrative Expense	-
TOTAL DEDUCTIONS	<u>-</u>
NET INCREASE (DECREASE) IN ADDITIONS OVER DEDUCTIONS	105,615
NET ASSETS, Beginning of Year	<u>1,323,526</u>
NET ASSETS, End of Year	<u>\$ 1,429,141</u>

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

CITY OF SIMPSONVILLE, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2005

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. The Reporting Entity

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

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

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

Blended Component Unit

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

Discrete Component Unit

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

Major Operations

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

CITY OF SIMPSONVILLE, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2005

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

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

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

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

CITY OF SIMPSONVILLE, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2005

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

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

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

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

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

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

C. Assets, Liabilities and Equity

1. Cash, Cash Equivalents and Investments

Cash and Cash Equivalents

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

CITY OF SIMPSONVILLE, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2005

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities and Equity (Continued)

1. Cash, Cash Equivalents and Investments (Continued)

Investments

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

- (a) Obligations of the United States and agencies thereof;
- (b) General obligations of the State of South Carolina or any of its political units;
- (c) Savings and Loan Associations to the extent that the same are insured by an agency of the Federal Government;
- (d) Certificates of Deposit and funds in deposit accounts with banking institutions provided that such certificates and funds in deposit accounts are collaterally secured by securities of the type described in (a) and (b) above, held by a third party as escrow agent, or custodian of a market value, not less than the amount of the certificates or funds in deposit accounts so secured, including interest; provided, however, such collateral shall not be required to the extent the same are insured by an agency of the federal government;
- (e) Collateralized repurchase agreements when collateralized by securities as set forth in (a) and (b) above and held by the governmental entity or a third party as escrow agent or custodian; and
- (f) No load open-end or closed-end management type investment companies or investment trusts registered under the Investment Company Act of 1940, as amended, where the investment is made by a bank or trust company or savings and loan association or other financial institution when acting as trustee or agent for a bond or other debt issue of that local government unit, political subdivision, or county treasurer if the particular portfolio of the investment company or investment trust in which the investment is made (i) is limited to obligations described in items (a), (b), and (e) of this subsection, and (ii) has among its objectives the attempt to maintain a constant net asset value of one dollar a share and to that end, value its assets by the amortized cost method.

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

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

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

CITY OF SIMPSONVILLE, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2005

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities and Equity, (Continued)

2. *Receivables and Payables*

During the course of its operations, the City has numerous transactions occurring between funds. These transactions include expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as transfers in (out). To the extent that certain transactions between funds had not been paid or received as of June 30, 2005, balances of interfund amounts or payables have been recorded.

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

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

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

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

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

3. *Inventories and Prepaid Items*

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

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

4. *Capital Assets*

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

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

CITY OF SIMPSONVILLE, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2005

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities and Equity, (Continued)

4. Capital Assets (Continued)

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

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

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

5. Compensated Absences

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

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

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

6. Accrued Liabilities and Long-Term Obligations

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

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

CITY OF SIMPSONVILLE, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2005

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities and Equity, (Continued)

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

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

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

7. *Deferred Revenue*

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

8. *Fund Balance*

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

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

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

9. *Net Assets*

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

CITY OF SIMPSONVILLE, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2005

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities and Equity (Continued)

10. Encumbrances

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

11. Accounting Estimates

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

12. Comparative Data

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

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

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

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

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

During the year, accountability for the budget for each department is primarily the responsibility of the department head. The City Administrator has the authority to transfer funds within departments, but funds can only be transferred between departments by approval of the City Council. The legal level of budgetary control is at the department level, as reflected in the required supplementary information. The presented budgetary information is as originally adopted or as amended by the City Council. During the year, the City Council did not revise the budget.

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

CITY OF SIMPSONVILLE, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2005

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Deposits

Custodial Credit Risk for Deposits: Custodial credit risk for deposits is the risk that, in the event of a bank failure, the City’s deposits might not be recovered. The City does not have a deposit policy for custodial credit risk but follows the investment policy statutes of the State of South Carolina. Of the City’s bank balances of \$1,440,769 as of June 30, 2005 (which had a carrying value of \$1,170,977), \$814,592 was exposed to custodial credit risk as they were uninsured and uncollateralized.

Investments

As of June 30, 2005, the City had the following investments:

Investment Type	Credit Rating ^	Fair Value	Weighted Average Maturity (Years)
Evergreen Treasury Money Market Fund	AAAm, Aaa, NR	\$ 1,234,886	0.118
ABN AMRO Government Money Market Fund	AAAm, NR, NR	\$ 716,931	0.047

NR – Not Rated.

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

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

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

The City’s pension trust fund assets (See Pension Plan B in Note IV for more details) are invested in accordance with the plan document and are currently invested in unallocated separate insurance contracts. These insurance contracts earn interest and dividends based on defined rates.

The City had cash and cash equivalents of \$1,048,616 at June 30, 2005 that were restricted for the purchase of various capital equipment related to recent capital lease agreements.

B. Receivables and Deferred Revenue

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

Property taxes were levied and billed by the County on real and personal properties on October 1st based on an assessed value of approximately \$41.5 million at the rate of 50.7 mills for the City. These taxes are due without penalty through January 15th. Property taxes receivable includes an allowance for uncollectibles of \$135,425 at June 30, 2005. Allowances for uncollectibles were not necessary for the other receivable accounts.

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At June 30, 2005, the City had deferred delinquent property taxes for the General Fund of \$65,942.

CITY OF SIMPSONVILLE, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2005

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Interfund Receivables, Payables and Transfers

Interfund Receivables and Payables

Interfund balances at June 30, 2005 (which are expected to be paid or received within one year), consisted of the following individual fund receivables and payables:

Fund	Receivables	Payables
Major Funds:		
General Fund	\$ 191,155	\$ 260,000
Special Revenue Fund	-	191,155
Debt Service Fund	260,000	-
Totals	\$ 451,155	\$ 451,155

The General Fund receivable at year end from the Special Revenue Fund was for construction costs funded by the General Fund for Heritage Park. These amounts will later be repaid from future revenues from the Special Revenue Fund. The remaining General Fund Payable that was due to the Debt Service Fund consisted of the amount needed to fund the past due debt service payment (due on March 1, 2005) on the 1997 Series General Obligation that was deferred until July 2005.

Interfund Transfers

Interfund transfers for the year ended June 30, 2005, consisted of the following:

Fund	Transfers In	Transfers Out
Major Funds:		
General Fund	\$ -	\$ 681,668
Special Revenue Fund		1,214,109
Capital Projects Fund	226,782	-
Debt Service Fund	1,668,995	-
Totals	\$ 1,895,777	\$ 1,895,777

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

CITY OF SIMPSONVILLE, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2005

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

D. Capital Assets

Capital asset activity for the City for the year ended June 30, 2005, was as follows:

	Restated Beginning Balance *	Increases	Decreases	Transfers	Ending Balance
Governmental Activities:					
Capital Assets, Non-Depreciable:					
Land	\$ 1,497,500	-	-	3,384,512	\$ 4,882,012
Construction in Progress	8,222,578	2,439,099	-	(10,661,677)	-
Total Capital Assets, Non-Depreciable	<u>9,720,078</u>	<u>2,439,099</u>	<u>-</u>	<u>(7,277,165)</u>	<u>4,882,012</u>
Capital Assets, Depreciable:					
Infrastructure	21,878,478	103,150	-	-	21,981,628
Buildings and Improvements	6,715,310	93,372	-	7,163,744	13,972,426
Equipment	679,373	429,304	-	189,771	1,298,448
Furniture and Fixtures	77,900	16,098	-	-	93,998
Vehicles	4,782,015	291,640	103,000	10,419	4,981,074
Total Capital Assets, Depreciable	<u>34,133,076</u>	<u>933,564</u>	<u>103,000</u>	<u>7,363,934</u>	<u>42,327,574</u>
Less: Accumulated Depreciation for:					
Infrastructure	10,318,864	411,683	-	-	10,730,547
Buildings and Improvements	1,706,573	255,577	-	78,852	2,041,002
Equipment	588,538	79,142	-	31,854	699,534
Furniture and Fixtures	72,336	6,714	-	-	79,050
Vehicles	2,576,361	321,326	49,779	(23,937)	2,823,971
Total Accumulated Depreciation	<u>15,262,672</u>	<u>1,074,442</u>	<u>49,779</u>	<u>86,769</u>	<u>16,374,104</u>
Total Capital Assets, Depreciable, Net	<u>18,870,404</u>	<u>(140,878)</u>	<u>53,221</u>	<u>7,277,165</u>	<u>25,953,470</u>
Total Governmental Activities Capital Assets, Net	<u>\$ 28,590,482</u>	<u>2,298,221</u>	<u>53,221</u>	<u>-</u>	<u>\$ 30,835,482</u>

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

The cost of equipment recorded under capital lease was approximately \$3,100,000. Accumulated amortization was approximately \$2,000,000 at June 30, 2005. Amortization of assets recorded under capital lease obligations has been included with depreciation expense.

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

Governmental Activities:	Depreciation Expense
General Government	\$ 25,795
Public Safety	289,589
Public Works	544,892
Recreation and Parks	214,166
Total Depreciation Expense - Governmental Activities	<u>\$ 1,074,442</u>

CITY OF SIMPSONVILLE, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2005

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Accounts Payable and Accrued Liabilities

The significant components of accounts payable and accrued liabilities at June 30, 2005, consisted of the following:

Governmental Activities:

Accounts Payable	\$ 1,498,909
Retainage Payable	79,500
Accrued Salaries and Fringe Benefits	306,948
Accrued Expenses	29,777
Total Accounts Payable and Accrued Liabilities - Governmental Activities	<u>\$ 1,915,134</u>

F. Short-Term Obligations

The following is a summary of the changes in the City’s short-term obligations for 2005:

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

The City issued a Tax Anticipation Note (“TAN”) on October 6, 2004 for \$1,000,000. This TAN was issued to provide the City cash reserves until the 2005 property taxes are levied and collected. The City repaid the TAN on April 30, 2005 with interest of \$10,710.

During 2005, the City entered into an understanding with the 1997 General Obligation Bond holder to defer the March 2005 debt service payment until July 31, 2005. Since the debt service payment was due and payable at year end, the City has recorded a matured bonds liability of \$260,000 in its governmental fund and government-wide balance sheets at June 30, 2005.

G. Long-Term Obligations

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

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

CITY OF SIMPSONVILLE, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2005

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

G. Long-Term Obligations (Continued)

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

Details on the City’s (including its blended component unit) outstanding debt issues and capital leases as of June 30, 2005 are as follows:

General Obligation Bonds

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

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

- 2004 Series – issued in April 2004 for \$8,070,000 with annual principal installments varying from \$220,000 to \$525,000 beginning January 1, 2005 and ending on January 1, 2024. Interest is payable semi-annually on January 1st and July 1st. Interest starts at 2.93%, but is subject to adjustment on July 1, 2009, 2014 and 2019. Debt issuance costs of approximately \$104,000 were incurred related to the issuance of the 2004 COPS and are being amortized over the life of the debt. The proceeds of the 2004 COPS were primarily used to refund the 2000 COPS and 2003 COPS. See the advance and current refunding debt section for more details. The reacquisition price exceeded the net carrying value of the 2003 COPS and thus resulted in a deferred loss on refunding of approximately \$544,000 which is being amortized over the 2004 COPS which was shorter than the old debt. The proceeds from the earlier issued 2000 COPS and 2003 COPS had been used to fund construction costs for Heritage Park.
- 2005 Series – issued in May 2005 for \$1,340,000 with annual principal installments varying from \$115,000 to \$160,000 beginning January 1, 2006 and ending in January 1, 2015. Interest is payable semi-annually on January 1st and July 1st with interest at 3.89%. Debt issuance costs of \$40,000 were incurred related to the issuance of the 2005 COPS and are being amortized over the life of the debt. The proceeds from the 2005 COPS were used to pay the final costs associated with the construction of Heritage Park.

CITY OF SIMPSONVILLE, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2005

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

G. Long-Term Obligations (Continued)

Note Payable

- Note Payable to South Carolina Department of Transportation (“SCDOT”) - issued in May 2005 for \$103,150 with semi-annual installments on February 1st and May 1st from \$24,487 to \$29,688 beginning February 1, 2006 and ending on May 1, 2007. Interest does not accrue on the note payable. The proceeds from this issuance were primarily used for upgrades to the sewer system.

Capital Leases

- 1995 Aerial Truck – The City has a capital lease obligation used for the purchase of an aerial truck. The lease on the truck is for a period of ten years, which began on October 1995. Annual payments are \$63,574, which includes interest of 5.8%.
- April 2001 Master Equipment Lease (“MEL”) – The City has a MEL obligation used for the purchase of various equipment items. The lease on the equipment is for a period of three to eight years, which began on April 1, 2001. Semi-annual payments are from \$83,861 to \$119,631, which includes interest of 5.07% to 5.14%.
- October 2001 MEL – The City has a MEL obligation used for the purchase of various equipment items. The lease on the equipment is for a period of four to six years, which began on October 1, 2001. Semi-annual payments are from \$30,282 to \$64,016, which includes interest of 4.06% to 4.34%.
- April 2003 MEL – The City has a MEL obligation used for the purchase of various equipment items. The lease on the equipment is for a period of three to five years, which began April 2003. Semi-annual payments are from \$31,179 to \$41,923, which includes interest of 3.46% to 3.90%.
- January 2004 MEL – The City entered into a MEL obligation that was used to purchase three police cars. The lease on the vehicles is for approximately three years, which began in January 2004. Semi-annual payments of \$10,685, which includes interest at 2.79%.
- 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, 2005, 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.
- March 2005 MEL – The City has entered into a MEL obligation that will be used for the purchase of two new fire trucks and one new refuse truck. The lease on the equipment is for a period of eight years, which began in March 2005. Semi-annual payments begin at \$34,228 for the first year and rise to \$143,178 for the remaining seven years, which includes interest at 3.96%. At June 30, 2005, the City had unused capital lease proceeds (restricted cash and cash equivalents) of approximately \$866,000 (which includes earned interest) for the purchase of the capital assets under the lease.

CITY OF SIMPSONVILLE, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2005

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

G. Long-Term Obligations (Continued)

The following is a summary of changes in the City's long-term obligations for the year ended June 30, 2005

Long-Term Obligations	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Debt:					
General Obligation Bonds:					
1997 Series	\$ 810,000	-	260,000	550,000	\$ 270,000
2000 Series	720,000	-	50,000	670,000	50,000
2001 Series	465,000	-	30,000	435,000	30,000
2003 Series	600,000	-	-	600,000	-
	2,595,000	-	340,000	2,255,000	350,000
Certificates of Participation:					
2004 Series	8,015,000	-	322,500	7,692,500	320,000
2004 Series - Deferred Loss	(539,390)	-	(27,661)	(511,729)	-
2005 Series	-	1,340,000	16,429	1,323,571	98,571
	7,475,610	1,340,000	311,268	8,504,342	418,571
Note Payable to SCDOT	-	103,150	-	103,150	48,975
Total Debt	10,070,610	1,443,150	651,268	10,862,492	817,546
Capital Leases:					
1995 Aerial Truck	116,884	-	60,088	56,796	56,796
April 2001 MEL	700,462	-	151,907	548,555	159,339
October 2001 MEL	232,183	-	117,352	114,831	56,183
April 2003 MEL	247,179	-	74,495	172,684	71,134
January 2004 MEL	61,095	-	19,803	41,292	20,360
May 2004 MEL	868,561	-	100,782	767,779	211,003
March 2005 MEL	-	860,000	-	860,000	-
Total Capital Leases	2,226,364	860,000	524,427	2,561,937	574,815
Accrued Compensated Absences	58,120	67,762	1,805	124,077	-
Total Governmental Activities	\$ 12,355,094	2,370,912	1,177,500	13,548,506	\$ 1,392,361

All long-term obligations are funded from resources from the General Fund and Special Revenue Fund. Normal interest cost for the year ended June 30, 2005, was approximately \$450,306, all of which was expensed.

During 2005, the City entered into an understanding with the 1997 General Obligation Bond holder to defer the March 2005 debt service payment until July 31, 2005. Since the debt service payment was due and payable at year end, the City has recorded a matured bonds liability of \$260,000 in its governmental fund and government-wide balance sheets at June 30, 2005.

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, 2005.

CITY OF SIMPSONVILLE, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2005

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

G. 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, 2005, the City had \$2,515,000 (which included the matured bond principal liability of \$260,000) of bonded debt subject to the 8% limit of approximately \$3,351,000 resulting in an unused legal debt margin of approximately \$836,000.

The annual requirements to amortize debt outstanding for the City’s governmental activities at June 30, 2005, were as follows:

Years Ending June 30	General Obligation Bonds		Certificates of Participation		Note Payable		Totals
	Principal	Interest	Principal	Interest	Principal	Interest	
2006	\$ 350,000	124,945	418,571	277,990	48,975	-	\$ 1,220,481
2007	370,000	87,140	445,000	262,079	54,175	-	1,218,394
2008	140,000	68,327	460,000	247,884	-	-	916,211
2009	145,000	61,925	475,000	232,984	-	-	914,909
2010	150,000	55,348	490,000	217,701	-	-	913,049
2011-2015	865,000	166,801	2,692,500	841,692	-	-	4,565,993
2016-2020	235,000	15,438	2,262,500	462,209	-	-	2,975,147
2021-2024	-	-	1,772,500	120,056	-	-	1,892,556
	<u>\$ 2,255,000</u>	<u>579,924</u>	<u>9,016,071</u>	<u>2,662,595</u>	<u>103,150</u>	<u>-</u>	<u>\$ 14,616,740</u>

As of June 30, 2005, future minimum lease payments under capital leases were as follows:

Years Ending June 30	Capital Leases		
	Principal	Interest	Totals
2006	\$ 574,815	94,313	\$ 669,128
2007	622,275	71,556	693,831
2008	472,162	48,539	520,701
2009	314,218	31,427	345,645
2010	180,983	21,497	202,480
2011-2014	397,484	32,051	429,535
Total Governmental Activities	<u>\$ 2,561,937</u>	<u>299,383</u>	<u>\$ 2,861,320</u>

Advance and Current Refunding

The City issued the 2004 COPS in April 2004 to (a) pay off the 2003 COPS (“Current Refunding”) and to (b) advance refund the 2000 COPS (by purchasing U.S. Government State and Local Government Series securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments). AS a result of the above, the 2000 COPS are considered defeased and the liability has been removed from the City’s governmental activities column of the statement of net assets. The outstanding debt on the 2000 COPS that is considered defeased as of June 30, 2005 was approximately \$3,965,000.

CITY OF SIMPSONVILLE, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2005

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

H. Related Party Transactions

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

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

IV. OTHER INFORMATION

A. Retirement Plans

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

Pension Plan A Funding Policy – Both employees and employers are required to contribute to the Plan under authority of Title 9 of the SC Code of Laws. Employee contributions to the Plans are as follows: SCRS – 6% of salary; PORS Class II – 6.5% of salary; PORS Class I – \$21 per month. Employers are required to contribute at the following actuarially determined rates: SCRS State Agencies & Public Schools – 7.55%; local government 6.70%; PORS Class II – 10.3%; PORS Class I – 7.8%. In addition to the above rates, participating employers of the South Carolina Retirement System contribute .15% of payroll to provide a group life insurance benefit for their participants. All employers contribute at the actuarially required contribution rates. The City contributed amounts equal to the required contribution to the SCRS of \$217,754, PORS of \$136,090; SCRS of \$198,448, PORS of \$124,778; and SCRS of \$186,788, PORS of \$110,752, for the years ended June 30, 2005, 2004, and 2003 respectively. Only the South Carolina State Budget and Control Board has authority to establish and amend the funding policy.

Pension Plan B – Certain employees of the City were members of the City of Simpsonville Retirement Plan (the “Plan”). The Plan was a single employer defined benefit pension plan administered by the Principal Life Insurance Company. During 2001, the Plan was discontinued 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. A final decision on the distribution of plan assets is still pending. A Plan liquidation will begin upon final determination of actuarial liabilities. Article VIII of the Plan limits the liability to the City after termination. The Plan was advanced funded (fully funded) so no further liability is anticipated for the City.

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

CITY OF SIMPSONVILLE, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2005

IV. OTHER INFORMATION (CONTINUED)

B. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees' and natural disasters. The City purchases commercial insurance to cover these liabilities. Additionally, the City purchases commercial insurance to cover employee health insurance benefits. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage in the past three fiscal years.

C. Grants

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

D. Excess of Expenditures Over Appropriations and Deficit Balances

For the fiscal year ended June 30, 2005, the police department and public work's current expenditures exceeded the revised budget by approximately \$65,000 and \$100,000, respectively. These overages were covered by existing fund balance.

The Special Revenue Fund had an accumulated deficit of \$191,155 as of June 30, 2005. The City plans to eliminate the fund deficit with future revenues from this fund.

E. Contingency

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

As disclosed in the prior year notes to the financial statements, the City was involved in arbitration with the contractor concerning change orders to the Heritage Park project. The City in the prior year accrued \$100,000 for the potential liability. During 2005, the City settled the dispute and paid the final settlement of \$375,000.

F. Prior Period Adjustments

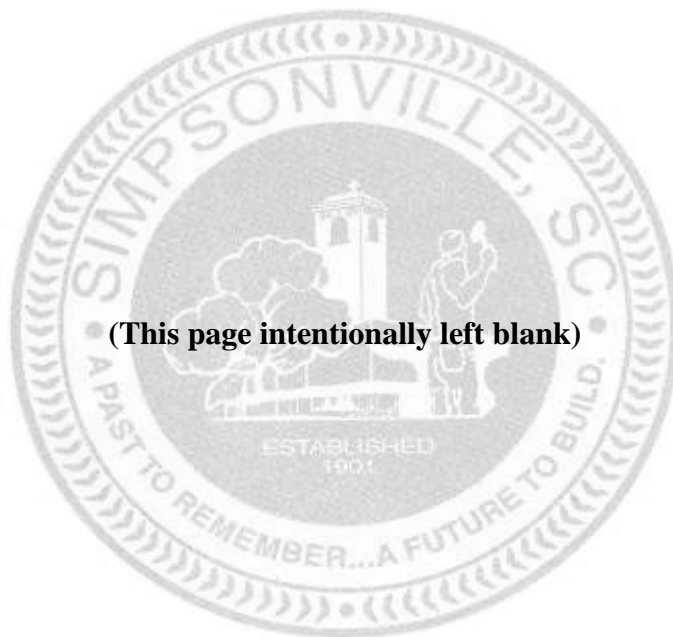
The City's fund balance/net assets in fiscal year 2004 were restated as follows:

The fund balance of the General Fund and the net assets of the Governmental Activities were restated to record a reduction in prior period cash and cash equivalents, restricted of \$100,638.

Governmental Activities net assets were restated \$301,114 to record an increase in capital assets (construction in progress) in prior years.

G. Subsequent Event

The City issued a Tax Anticipation Note on July 25, 2005 for \$1,500,000, which is due April 14, 2006 at an annual interest rate of 2.62%.



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Required Supplementary Information

CITY OF SIMPSONVILLE, SOUTH CAROLINA

GENERAL FUND

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

YEAR ENDED JUNE 30, 2005

	GENERAL FUND			
	ORIGINAL BUDGET	REVISED BUDGET	ACTUAL	VARIANCE
REVENUES				
Taxes:				
Property	\$ 4,812,650	4,812,650	4,109,348	\$ (703,302)
Hospitality and Accommodations	65,000	65,000	64,165	(835)
MASC Telecommunication and Insurance	830,000	830,000	1,244,729	414,729
Franchise	856,000	856,000	775,039	(80,961)
Licenses, Permits, and Fees	1,492,500	1,492,500	1,046,996	(445,504)
Grants	744,750	1,008,990	265,217	(743,773)
Fines	193,100	193,100	228,842	35,742
Shared Revenue:				
County	100,000	100,000	97,696	(2,304)
State	375,000	375,000	364,373	(10,627)
Sewer Fees	445,000	445,000	413,047	(31,953)
Interest	45,000	45,000	37,808	(7,192)
Other	91,000	91,000	227,994	136,994
TOTAL REVENUES ALL SOURCES	10,050,000	10,314,240	8,875,254	(1,438,986)
EXPENDITURES				
Current:				
General Government:				
Mayor and City Council	67,200	67,200	57,242	9,958
City Administration	1,366,750	1,366,750	1,128,218	238,532
Public Safety:				
Police Department	2,293,418	2,293,418	2,358,426	(65,008)
Fire Department	2,054,740	2,054,740	2,014,777	39,963
Public Works	1,736,159	1,736,159	1,837,692	(101,533)
Recreation and Parks	929,375	929,375	839,791	89,584
Capital Outlay	1,027,582	1,027,582	1,067,656	(40,074)
TOTAL EXPENDITURES	9,475,224	9,475,224	9,303,802	171,422
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	574,776	839,016	(428,548)	(1,267,564)
OTHER FINANCING SOURCES (USES)				
Issuance of Note Payable	-	-	103,150	103,150
Capital Lease	-	-	860,000	860,000
Transfers Out	-	-	(681,668)	(681,668)
TOTAL OTHER FINANCING SOURCES (USES)	-	-	281,482	281,482
NET CHANGE IN FUND BALANCE	574,776	839,016	(147,066)	(986,082)
FUND BALANCE, Beginning of Year	2,116,226	2,116,226	2,116,226	-
PRIOR PERIOD ADJUSTMENT	-	-	(100,638)	(100,638)
FUND BALANCE, Beginning of Year, Restated	2,116,226	2,116,226	2,015,588	(100,638)
FUND BALANCE, End of Year	\$ 2,691,002	2,955,242	1,868,522	\$ (1,086,720)

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

Other Supplementary Information

CITY OF SIMPSONVILLE, SOUTH CAROLINA

SCHEDULE OF GENERAL FUND EXPENDITURES - REVISED BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2005

	REVISED BUDGET	ACTUAL	VARIANCE
MAYOR AND CITY COUNCIL			
Current:			
Salaries	\$ 32,400	32,467	\$ (67)
Tax - Payroll	2,479	2,565	(86)
Retirement	2,155	1,922	233
Insurance - Group	12,716	13,013	(297)
Insurance - Worker's Compensation	570	531	39
Auto & Truck	1,200	-	1,200
Professional Training	-	35	(35)
Discretionary Funds	14,000	5,010	8,990
Due, Subscriptions, and Memberships	600	330	270
Supplies:			
Other	600	445	155
Telephone, Modem and Fax	480	924	(444)
TOTAL MAYOR AND CITY COUNCIL	67,200	57,242	9,958

CITY ADMINISTRATION

Administration:

Current:

Salaries	322,114	266,894	55,220
Overtime	1,500	651	849
Bonuses	600	2,100	(1,500)
Tax - Payroll	24,756	20,380	4,376
Retirement	21,520	18,326	3,194
Unemployment	40,500	-	40,500
Insurance - Group	25,303	24,485	818
Insurance - Worker's Compensation	5,117	7,795	(2,678)
Insurance - General	1,500	-	1,500
Auto & Truck	1,800	1,508	292
Professional Training	10,850	8,575	2,275
Contractual Services:			
Professional	68,500	48,588	19,912
Payroll Fees	19,000	12,755	6,245
Due, Subscriptions, and Memberships	8,490	12,297	(3,807)
Office and Printing	20,500	16,705	3,795
Supplies:			
Office	3,300	4,225	(925)
Other	2,140	633	1,507
Telephone, Modem and Fax	8,400	17,449	(9,049)
IT Communications	4,500	845	3,655
Temporary Employees	-	41	(41)
Small Equipment	540	-	540
Utilities	68,000	92,859	(24,859)
Tort Liability	225,000	206,612	18,388
Physical Examinations and Drug / Alcohol Testing	\$ 390	317	\$ 73

(Continued)

CITY OF SIMPSONVILLE, SOUTH CAROLINA

SCHEDULE OF GENERAL FUND EXPENDITURES - REVISED BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2005

	REVISED BUDGET	ACTUAL	VARIANCE
CITY ADMINISTRATION (CONTINUED)			
Administration (Continued):			
Current (Continued):			
Local Meetings and Meals	\$ 1,200	2,460	\$ (1,260)
Leases:			
Equipment	22,800	16,614	6,186
Bank Fees	6,000	10,568	(4,568)
Building Inspection Fees	141,000	83,565	57,435
Advertising	1,800	4,249	(2,449)
Community Relations	50,000	31,936	18,064
Employee Recognition	2,500	3,137	(637)
Donations	600	-	600
Miscellaneous	3,600	14,216	(10,616)
Postage	6,180	4,002	2,178
Business Services	1,800	992	808
Uniforms	600	-	600
Printing	1,200	2,101	(901)
Repairs & Maintenance:			
Buildings	1,800	10,918	(9,118)
Equipment	-	1,556	(1,556)
Contingency	50,750	29,099	21,651
Total Administration	1,176,150	979,453	196,697
Court:			
Current:			
Salaries	138,200	112,640	25,560
Overtime	1,000	178	822
Bonuses	200	100	100
Tax - Payroll	10,572	6,588	3,984
Retirement	9,190	4,056	5,134
Insurance - Group	7,830	7,599	231
Insurance - Worker's Compensation	2,432	1,329	1,103
Auto & Truck	180	-	180
Professional Training	1,900	21	1,879
Contractual Services:			
Professional	-	10,594	(10,594)
Office and Printing	2,000	-	2,000
Supplies:			
Office	1,200	560	640
Other	480	-	480
Telephone, Modem and Fax	216	1,382	(1,166)
IT Communications	6,000	560	5,440
Temporary Employees	-	36	(36)
Postage	3,000	-	3,000
Printing	1,200	-	1,200
Repairs & Maintenance:			
Equipment	\$ 1,500	-	\$ 1,500

(Continued)

CITY OF SIMPSONVILLE, SOUTH CAROLINA

SCHEDULE OF GENERAL FUND EXPENDITURES - REVISED BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2005

	REVISED BUDGET	ACTUAL	VARIANCE
CITY ADMINISTRATION (CONTINUED)			
Court (Continued):			
Current (Continued) :			
Small Tools and Equipment	\$ 1,000	-	\$ 1,000
Jurors, Bailiffs and Witnesses	1,500	3,100	(1,600)
Contingency	1,000	22	978
Total Court	190,600	148,765	41,835
TOTAL CITY ADMINISTRATION	1,366,750	1,128,218	238,532
POLICE DEPARTMENT			
Operations:			
Current:			
Salaries	1,202,925	1,243,387	(40,462)
Overtime	34,200	88,894	(54,694)
Bonuses	4,000	3,300	700
Tax - Payroll	94,640	99,529	(4,889)
Retirement	132,373	142,941	(10,568)
Unemployment	-	(183)	183
Insurance - Group	170,246	141,954	28,292
Insurance - Worker's Compensation	92,784	99,114	(6,330)
Auto & Truck	42,900	60,177	(17,277)
Professional Training	21,200	14,024	7,176
Contractual Services:			
Inmate Labor	2,300	1,770	530
Due, Subscriptions, and Memberships	4,200	1,855	2,345
Office and Printing	3,000	2,762	238
Supplies:			
Office	11,600	7,458	4,142
Other	1,700	1,593	107
Safety	1,850	1,352	498
Police	1,000	225	775
Telephone, Modem and Fax	16,000	16,789	(789)
IT Communications	1,000	368	632
Small Equipment	4,800	950	3,850
Utilities	13,200	17,241	(4,041)
Tuition Reimbursement	1,500	-	1,500
Physical Examinations and Drug / Alcohol Testing	10,000	7,437	2,563
Local Meetings and Meals	600	421	179
Leases:			
Equipment	1,800	857	943
Advertising	600	-	600
Community Relations	3,600	2,908	692
Postage	600	557	43
Uniforms	\$ 29,500	23,114	\$ 6,386

(Continued)

CITY OF SIMPSONVILLE, SOUTH CAROLINA

SCHEDULE OF GENERAL FUND EXPENDITURES - REVISED BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2005

	REVISED BUDGET	ACTUAL	VARIANCE
POLICE DEPARTMENT (CONTINUED)			
Operations (Continued):			
Current (Continued):			
Employee Uniform Allowance	\$ 6,000	6,000	\$ -
Printing	1,500	1,645	(145)
Repairs & Maintenance:			
Buildings	7,000	5,487	1,513
Equipment	4,200	2,736	1,464
Radios	8,000	2,485	5,515
Small Tools and Equipment	1,000	-	1,000
Contingency	5,000	(1,045)	6,045
Firearms / Ammunition	4,500	6,128	(1,628)
Chemicals	1,150	457	693
Inmate Health Care	600	-	600
Informant Fees	1,350	1,350	-
Housing			
Inmate	48,000	52,298	(4,298)
Juvenile	6,000	8,038	(2,038)
Police Services	8,500	1,778	6,722
Capital Outlay	-	167,398	(167,398)
Total Operations	2,006,918	2,235,549	(228,631)
Dispatch:			
Current:			
Salaries	179,747	190,247	(10,500)
Overtime	18,458	14,778	3,680
Bonuses	800	800	-
Tax - Payroll	15,163	15,651	(488)
Retirement	13,181	14,039	(858)
Insurance - Group	34,563	30,525	4,038
Insurance - Worker's Compensation	3,488	13,286	(9,798)
Professional Training	3,600	1,939	1,661
Due, Subscriptions, and Memberships	500	-	500
Office and Printing	1,500	-	1,500
Supplies:			
Other	1,000	206	794
IT Communications	6,500	4,230	2,270
Physical Examinations and Drug / Alcohol Testing	2,000	1,605	395
Repairs & Maintenance:			
Equipment	3,000	2,580	420
Radios	2,000	389	1,611
Contingency	1,000	-	1,000
Total Dispatch	286,500	290,275	(3,775)
TOTAL POLICE DEPARTMENT	\$ 2,293,418	2,525,824	\$ (232,406)

(Continued)

CITY OF SIMPSONVILLE, SOUTH CAROLINA

SCHEDULE OF GENERAL FUND EXPENDITURES - REVISED BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2005

	REVISED BUDGET	ACTUAL	VARIANCE
FIRE DEPARTMENT			
Current:			
Salaries	\$ 1,357,084	1,365,288	\$ (8,204)
Bonuses	3,950	3,950	-
Tax - Payroll	103,817	101,232	2,585
Retirement	90,246	90,714	(468)
Insurance - Group	199,470	175,258	24,212
Insurance - Worker's Compensation	67,583	66,428	1,155
Auto & Truck	13,800	20,389	(6,589)
Professional Training	35,400	33,779	1,621
Due, Subscriptions, and Memberships	3,000	2,716	284
Office and Printing	3,000	2,789	211
Supplies:			
Office	4,500	4,026	474
Other	6,000	5,564	436
Safety	15,000	14,095	905
Landscaping	500	397	103
Telephone, Modem and Fax	15,000	18,144	(3,144)
IT Communications	2,400	1,721	679
Small Equipment	3,600	2,697	903
Utilities	32,000	26,490	5,510
Physical Examinations and Drug / Alcohol Testing	10,600	9,666	934
Local Meetings and Meals	1,200	1,065	135
Leases:			
Equipment	4,800	3,082	1,718
Advertising	300	145	155
Community Relations	1,500	1,513	(13)
Postage	400	62	338
Uniforms	20,100	18,917	1,183
Printing	800	287	513
Repairs & Maintenance:			
Buildings	15,000	15,236	(236)
Equipment	9,000	8,626	374
Radios	5,200	2,425	2,775
Contingency	1,690	(1,227)	2,917
Chemicals	2,100	958	1,142
Equipment:			
Tools	2,100	1,117	983
Tuition Reimbursement	3,600	3,489	111
Grant Expenditures	20,000	13,739	6,261
Capital Outlay	273,000	251,225	21,775
TOTAL FIRE DEPARTMENT	\$ 2,327,740	2,266,002	\$ 61,738

CITY OF SIMPSONVILLE, SOUTH CAROLINA

SCHEDULE OF GENERAL FUND EXPENDITURES - REVISED BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2005

	REVISED BUDGET	ACTUAL	VARIANCE
PUBLIC WORKS			
Sanitation, Maintenance and Administration:			
Current:			
Salaries	\$ 693,109	699,874	\$ (6,765)
Overtime	8,500	18,871	(10,371)
Bonuses	2,500	2,500	-
Tax - Payroll	53,673	55,094	(1,421)
Retirement	46,657	50,422	(3,765)
Insurance - Group	120,197	114,256	5,941
Insurance - Worker's Compensation	47,359	51,844	(4,485)
Auto & Truck	42,000	73,989	(31,989)
Professional Training	7,300	3,464	3,836
Contractual Services:			
Inmate Labor	36,000	62,598	(26,598)
Professional	19,000	6,697	12,303
Due, Subscriptions, and Memberships	600	462	138
Office and Printing	4,000	4,132	(132)
Supplies:			
Electric and Lighting	15,000	16,800	(1,800)
Cement and Masonry	8,000	7,180	820
Asphalt and Paving	8,000	4,930	3,070
Office	2,700	2,138	562
Other	5,300	4,528	772
Safety	5,150	3,827	1,323
Landscaping	6,000	5,908	92
Telephone, Modem and Fax	7,200	15,749	(8,549)
Temporary Employees	4,000	-	4,000
Small Equipment	2,000	418	1,582
Utilities	17,600	18,398	(798)
Physical Examinations and Drug / Alcohol Testing	1,500	1,434	66
Advertising	350	63	287
Employee Recognition	3,000	231	2,769
Miscellaneous	-	2,949	(2,949)
Postage	250	3,819	(3,569)
Uniforms	19,100	17,151	1,949
Employee Uniform Allowance	500	500	-
Printing	1,000	404	596
Repairs & Maintenance:			
Facilities	12,000	51,862	(39,862)
Buildings	15,000	13,895	1,105
Equipment	-	808	(808)
Radios	1,500	31	1,469
Contingency	2,000	(1,998)	3,998
Chemicals	3,600	3,686	(86)
Inmate Health Care	600	1,005	(405)
Equipment:			
Tools	5,500	5,170	330
Rent	\$ 3,600	323	\$ 3,277

(Continued)

CITY OF SIMPSONVILLE, SOUTH CAROLINA

SCHEDULE OF GENERAL FUND EXPENDITURES - REVISED BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2005

	REVISED BUDGET	ACTUAL	VARIANCE
PUBLIC WORKS (CONTINUED)			
Sanitation, Maintenance and Administration (Continued):			
Current (Continued):			
Cost of Rollaway Cans	\$ 500	32,842	\$ (32,342)
Tipping Fees	6,000	3,898	2,102
Capital Outlay	504,000	337,569	166,431
Total Sanitation, Maintenance and Administration	1,741,845	1,699,721	42,124
Sewer:			
Current:			
Salaries	97,275	112,378	(15,103)
Overtime	3,500	2,367	1,133
Bonuses	400	500	(100)
Tax - Payroll	7,709	8,866	(1,157)
Retirement	6,702	7,676	(974)
Insurance - Group	17,230	15,145	2,085
Insurance - Worker's Compensation	6,802	8,732	(1,930)
Professional Training	500	-	500
Contractual Services:			
Professional	25,000	1,975	23,025
Plumbing Fixtures	-	(175)	175
Supplies:			
Cement and Masonry	1,500	929	571
Asphalt and Paving	1,500	590	910
Office	500	68	432
Other	500	275	225
Safety	500	154	346
Landscaping	500	302	198
Telephone, Modem and Fax	1,200	-	1,200
Advertising	250	58	192
Community Relations	500	-	500
Miscellaneous	1,000	-	1,000
Postage	250	1,023	(773)
Uniforms	2,400	938	1,462
Employee Uniform Allowance	200	-	200
Printing	-	1,121	(1,121)
Repairs & Maintenance:			
Facilities	6,000	487	5,513
Buildings	300	-	300
Equipment	7,500	7,624	(124)
Contingency	2,000	-	2,000
Chemicals	1,000	990	10
Equipment:			
Tools	1,200	958	242
Rent	500	659	(159)
Capital Outlay	250,582	108,371	142,211
Total Sewer	\$ 445,000	282,011	\$ 162,989

(Continued)

CITY OF SIMPSONVILLE, SOUTH CAROLINA

SCHEDULE OF GENERAL FUND EXPENDITURES - REVISED BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2005

	REVISED BUDGET	ACTUAL	VARIANCE
PUBLIC WORKS (CONTINUED)			
Fleet:			
Current:			
Salaries	\$ 116,839	117,086	\$ (247)
Overtime	2,500	2,002	498
Bonuses	400	200	200
Tax - Payroll	9,129	8,796	333
Retirement	7,936	7,126	810
Insurance - Group	17,037	15,360	1,677
Insurance - Worker's Compensation	8,055	6,117	1,938
Auto & Truck	32,000	31,040	960
Professional Training	500	-	500
Office	500	476	24
Other	500	1,125	(625)
Safety	500	414	86
Telephone, Modem and Fax	1,400	1,156	244
Miscellaneous	1,000	1,404	(404)
Postage	300	-	300
Uniforms	2,400	2,090	310
Employee Uniform Allowance	200	-	200
Repairs & Maintenance:			
Buildings	700	577	123
Equipment	96,000	102,854	(6,854)
Radios	1,500	-	1,500
Chemicals	3,000	2,956	44
Equipment:			
Tools	1,500	1,121	379
Total Fleet	303,896	301,900	1,996
TOTAL PUBLIC WORKS	2,490,741	2,283,632	207,109

RECREATION AND PARKS

Recreation:

Current:

Salaries	297,406	287,718	9,688
Overtime	9,000	15,902	(6,902)
Bonuses	1,100	900	200
Tax - Payroll	23,440	24,213	(773)
Retirement	20,376	20,365	11
Insurance - Group	43,112	50,861	(7,749)
Insurance - Worker's Compensation	11,950	10,705	1,245
Insurance - General	6,500	5,440	1,060
Auto & Truck	6,000	9,797	(3,797)
Professional Training	\$ 5,400	5,207	\$ 193

CITY OF SIMPSONVILLE, SOUTH CAROLINA

SCHEDULE OF GENERAL FUND EXPENDITURES - REVISED BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2005

	REVISED BUDGET	ACTUAL	VARIANCE
RECREATION AND PARKS (CONTINUED)			
Recreation (Continued):			
Current (Continued):			
Contractual Services:			
Inmate Labor	\$ 3,120	1,881	\$ 1,239
Recreation	50,000	58,375	(8,375)
Due, Subscriptions, and Memberships	1,200	524	676
Office and Printing	2,000	1,421	579
Supplies:			
Recreation	80,000	89,555	(9,555)
Electric and Lighting	2,000	1,900	100
Cement and Masonry	500	486	14
Office	2,000	1,206	794
Other	4,000	3,970	30
Safety	250	166	84
Landscaping	8,000	7,502	498
Telephone, Modem and Fax	10,360	10,179	181
Temporary Employees	19,800	5,210	14,590
Small Equipment	800	632	168
Utilities	60,000	52,086	7,914
Physical Examinations and Drug / Alcohol Testing	360	710	(350)
Advertising	3,400	1,691	1,709
Postage	1,480	519	961
Uniforms	2,860	3,087	(227)
Employee Uniform Allowance	1,600	155	1,445
Printing	1,700	941	759
Repairs & Maintenance:			
Facilities	6,000	3,178	2,822
Buildings	6,300	4,944	1,356
Equipment	9,600	7,116	2,484
Contingency	500	553	(53)
Chemicals	2,000	1,544	456
Equipment:			
Tools	600	1,375	(775)
Rent	876	901	(25)
Total Recreation	705,590	692,915	12,675
Heritage Park:			
Current:			
Salaries	77,700	26,236	51,464
Bonuses	400	-	400
Tax - Payroll	5,944	2,004	3,940
Retirement	5,167	274	4,893
Insurance - Group	8,384	2,215	6,169
Insurance - Worker's Compensation	3,030	-	3,030
Auto & Truck	4,000	-	4,000
Professional Training	\$ 500	564	\$ (64)

(Continued)

CITY OF SIMPSONVILLE, SOUTH CAROLINA

SCHEDULE OF GENERAL FUND EXPENDITURES - REVISED BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2005

	REVISED BUDGET	ACTUAL	VARIANCE
RECREATION AND PARKS (CONTINUED)			
Heritage Park (Continued):			
Current (Continued):			
Contractual Services:			
Inmate Labor	\$ 3,120	417	\$ 2,703
Due, Subscriptions, and Memberships	1,000	-	1,000
Office and Printing	250	-	250
Supplies:			
Recreation	-	382	(382)
Electric and Lighting	3,000	124	2,876
Cement and Masonry	500	34	466
Office	1,500	887	613
Other	3,300	5,233	(1,933)
Safety	250	-	250
Landscaping	15,000	11,247	3,753
Telephone, Modem and Fax	4,200	903	3,297
Utilities	60,000	25,927	34,073
Physical Examinations and Drug / Alcohol Testing	1,260	-	1,260
Advertising	1,500	1,928	(428)
Postage	370	370	-
Uniforms	2,860	-	2,860
Employee Uniform Allowance	750	123	627
Printing	1,000	678	322
Repairs & Maintenance:			
Facilities	3,000	2,232	768
Buildings	4,000	1,847	2,153
Equipment	7,800	590	7,210
Contingency	1,000	6,695	(5,695)
Chemicals	2,000	492	1,508
Equipment:			
Tools	1,000	520	480
Promotional	-	7,070	(7,070)
Cost of Concession Goods Sold	-	47,884	(47,884)
Capital Outlay	-	203,093	(203,093)
Total Heritage Park	223,785	349,969	(126,184)
TOTAL RECREATION AND PARKS	929,375	1,042,884	(113,509)
TOTAL EXPENDITURES	\$ 9,475,224	9,303,802	\$ 171,422

CITY OF SIMPSONVILLE, SOUTH CAROLINA

SCHEDULE OF FINES, ASSESSMENTS AND SURCHARGES

YEAR ENDED JUNE 30, 2005

Court Fines

Court Fines Collected	\$	155,023
Court Fines Retained by the City		155,023
Total Court Fines Remitted to the State Treasurer	\$	-

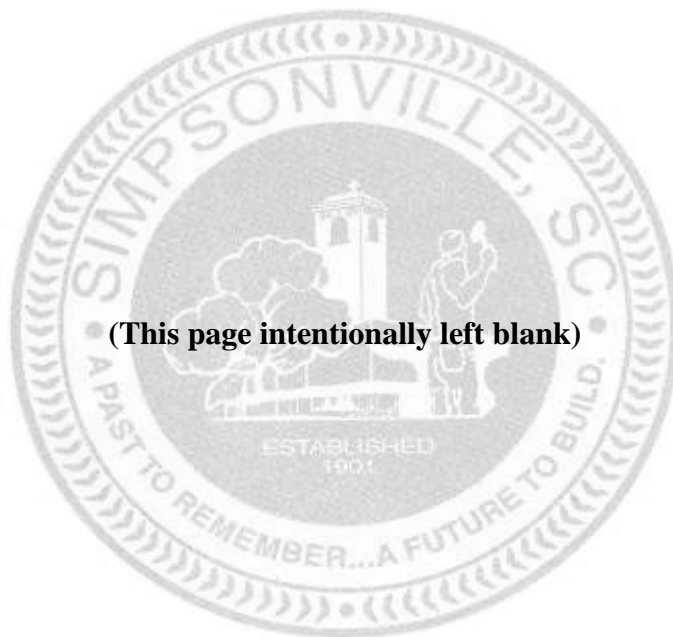
Court Assessments

Court Assessments Collected	\$	287,106
Court Assessments Retained by the City		215,720
Court Assessments Remitted to the State Treasurer	\$	71,386

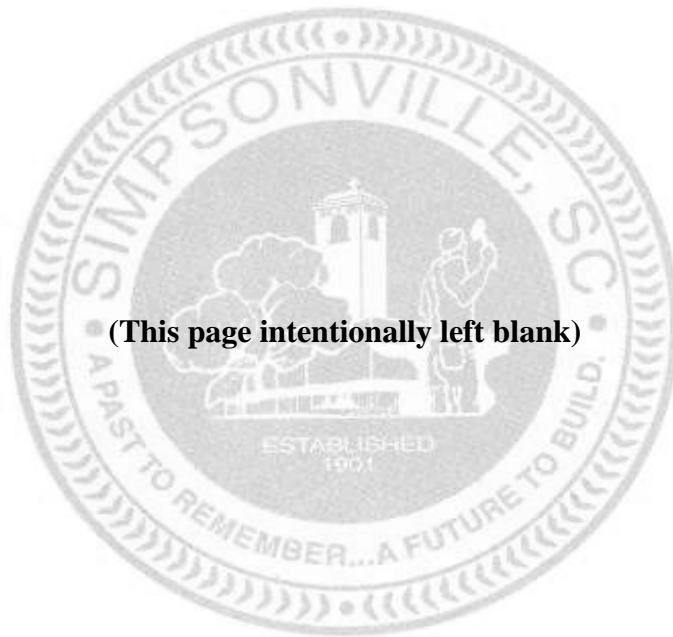
Victim Services

Court Assessments Allocated to Victim Services	\$	24,493
Victim Services Expenditures		15,135
Funds Available for Carryforward	\$	9,358

STATISTICAL SECTION



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CITY OF SIMPSONVILLE, SOUTH CAROLINA

GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION (1)

LAST TEN FISCAL YEARS

UNAUDITED

Fiscal Year	General Government	Public Safety		Public Works (including Sewer)	Recreation and Parks
		Police	Fire		
1996	\$ 664,354	1,224,683	718,194	839,284	259,830
1997	621,491	1,322,374	775,118	1,076,483	311,376
1998	774,441	1,457,340	881,960	1,042,764	397,097
1999	1,058,333	1,451,346	967,635	935,740	605,505
2000	1,042,603	1,789,502	1,004,653	1,154,720	600,238
2001	1,155,649	1,851,158	1,169,123	1,178,685	541,456
2002	983,582	1,967,803	1,459,039	1,513,217	579,088
2003	1,218,761	2,032,768	1,764,455	1,525,374	592,448
2004	1,282,710	2,169,036	1,854,414	1,577,701	632,704
2005	\$ 1,185,460 (3)	2,358,426	2,014,777	1,837,692	839,791

Note:

- (1) Includes all Governmental Funds of the Primary Government.
- (2) Non-Departmental and Contingency were newly-created functions starting in fiscal year 2001.
- (3) Includes the "Mayor and City Council" function/activity for 2005.

Table 1

<u>Non Departmental</u>	<u>Contingency</u>	<u>Capital Outlay</u>	<u>Debt Service</u>	<u>Totals</u>
-	-	421,290	34,803	\$ 4,162,438
-	-	2,016,472	97,960	6,221,274
-	-	2,001,555	2,160,250	8,715,407
-	-	973,541	252,595	6,244,695
-	-	865,804	542,298	6,999,818
786,513 (2)	29,150 (2)	2,594,136	884,972	10,190,842
63,836	13,703	2,211,170	1,389,075	10,180,513
40,388	2,850	1,342,574	1,344,081	9,863,699
-	22,708	6,090,631	1,735,955	15,365,859
-	-	3,506,755	1,708,995	\$ 13,451,896

CITY OF SIMPSONVILLE, SOUTH CAROLINA

GENERAL GOVERNMENTAL REVENUES BY SOURCE (1)

LAST TEN FISCAL YEARS

UNAUDITED

Fiscal Year	Taxes (3)	Fire District Tax Revenue (3)	Hospitality and Accommodations Tax Revenue	Intergovernmental
1996	\$ 1,292,274	-	-	2,046,307
1997	2,593,932	-	-	352,856
1998	3,028,740	-	-	1,139,722
1999	3,167,972	-	-	587,982
2000	3,337,949	-	-	525,571
2001 (2)	3,514,611	-	377,470	470,934
2002	2,057,774	2,177,147	638,476	597,789
2003	2,004,981	1,928,237	696,513	450,163
2004	1,963,119	1,965,431	747,092	598,060
2005	\$ 2,187,064	1,922,284	925,893	727,286

Note:

- (1) Includes all Governmental Funds of the Primary Government.
- (2) Hospitality and Accommodations Tax were newly-created revenue sources starting fiscal year 2001.
- (3) Taxes previously included Fire District revenue.

Table 2

Telecommunications and Insurance Tax Revenue	Licenses, Permits, Franchise Fees and Charge for Service Fees	Fines	Miscellaneous	Totals
-	643,949	290,813	209,461	\$ 4,482,804
430,188	1,068,087	255,065	173,924	4,874,052
552,564	1,087,223	265,357	279,643	6,353,249
603,198	1,236,610	189,189	424,341	6,209,292
700,485	1,265,336	86,421	273,888	6,189,650
876,765	1,223,042	221,742	666,330	7,350,894
937,393	1,233,042	144,439	828,952	8,615,012
978,130	1,502,222	161,261	473,278	8,194,785
1,119,143	1,451,097	144,066	44,673	8,032,681
1,244,729	2,235,082	228,842	265,802	\$ 9,736,982

PROPERTY TAX LEVIES AND COLLECTIONS (1)

LAST TEN FISCAL YEARS

UNAUDITED

<u>Fiscal Year</u>	<u>Tax Year</u>	<u>Adjusted Tax Levy</u>	<u>Current Tax Remittances</u>	<u>% Levy Collected</u>	<u>Delinquent Tax Collected</u>	<u>Total Collected</u>	<u>Ratio of Total Collected to Adjusted Tax Levy</u>	<u>Delinquent Tax Receivable</u>
1996	1995	\$ 1,258,790	1,235,799	98.2%	39,876	1,275,675	101.3%	\$ 82,929
1997	1996	1,285,470	1,256,204	97.7%	83,436	1,339,640	104.2%	74,919
1998	1997	1,474,190	1,440,445	97.7%	91,933	1,532,378	103.9%	96,977
1999	1998	1,664,720	1,604,190	96.4%	24,134	1,628,324	97.8%	170,263
2000	1999	1,814,878	1,689,605	93.1%	74,820	1,764,425	97.2%	188,775
2001	2000	1,836,029	1,717,906	93.6%	101,040	1,818,946	99.1%	207,033
2002	2001	1,981,050	1,897,761	95.8%	98,366	1,996,127	100.8%	207,033
2003	2002	2,081,347	1,935,771	93.0%	107,505	2,043,276	98.2%	224,509
2004	2003	2,058,350	1,966,385	95.5%	74,124	2,040,509	99.1%	316,680
2005	2004	\$ 2,104,001	2,049,860	97.4%	98,214	2,148,074	102.1%	\$ 340,305

Note:

(1) Information was provided by Greenville County Auditor's Office.

ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY

LAST TEN FISCAL YEARS

UNAUDITED

Fiscal Year	Real Property		Personal Property		Totals		Ratio of Total Assessed Value to Estimated Actual Value
	Assessed Value (1)	Estimated Actual Value (1)	Assessed Value (1)	Estimated Actual Value (1)	Assessed Value (1)	Estimated Actual Value (1)	
1996	\$ 18,302,880	383,685,584	8,855,096	84,414,643	27,157,976	\$468,100,227	5.8%
1997	18,831,440	394,741,833	9,393,900	89,551,001	28,225,340	484,292,834	5.8%
1998	19,493,510	409,509,703	9,478,647	93,570,059	28,972,157	503,079,762	5.8%
1999	20,240,300	427,129,822	11,065,375	105,734,840	31,305,675	532,864,662	5.9%
2000	21,745,070	456,226,083	12,230,281	116,842,281	33,975,351	573,068,364	5.9%
2001	22,483,020	473,064,929	12,028,800	116,879,891	34,511,820	589,944,820	5.9%
2002	27,301,144	574,443,012	9,936,630	96,550,964	37,237,774	670,993,976	5.5%
2003	29,395,362	618,510,675	9,656,848	113,271,807	39,052,210	731,782,482	5.3%
2004	30,282,520	629,011,629	10,316,099	43,505,003	40,598,619	672,516,632	6.0%
2005	\$ 32,174,980	671,482,521	9,324,058	44,851,268	41,499,038	\$716,333,789	5.8%

Note:

(1) Information was provided by the Greenville County Auditor's Office.

**PROPERTY TAX RATES - ALL DIRECT AND OVERLAPPING GOVERNMENTS
(PER \$100 OF ASSESSED VALUE)**

LAST TEN FISCAL YEARS

UNAUDITED

Fiscal Year	City of Simpsonville		County of Greenville (1)						Totals
	City General Fund	Special School District	Greenville Technical Institute	County General Fund	Library	Art Museum	Memorial Auditorium	Hospital System	
1996	48.7	122.6	5.9	55.9	7.8	1.3	1.0	2.0	245.2
1997	48.7	122.6	5.9	55.9	7.8	1.3	1.0	-	243.2
1998	53.2	125.6	5.9	55.9	7.8	1.3	1.0	-	250.7
1999	53.2	134.6	5.9	55.9	7.8	1.3	1.0	-	259.7
2000	53.2	141.6	5.9	55.9	7.8	1.3	1.0	-	266.7
2001	53.2	145.6	5.9	55.9	7.8	1.3	1.0	-	270.7
2002 (2)	50.7	138.9	5.6	49.9	7.4	1.2	0.9	-	254.6
2003	50.7	144.1	5.6	49.9	7.4	1.2	0.8	-	259.7
2004	50.7	147.8	5.6	49.9	7.4	1.2	0.8	-	263.4
2005	50.7	147.9	5.6	49.9	7.4	1.2	0.8	-	263.5

Note:

(1) Information was provided by the Greenville County Financial and Administration Service.

(2) Figures include tax rollback for 2002.

PRINCIPAL TAXPAYERS (1)

JUNE 30, 2005

UNAUDITED

Name	Description	2005 Assessed Valuation	Percentage of Total Assessed Value	Total Tax
Verizon South, Inc.	Telephone	\$ 941,960	2.3%	\$ 47,757
Wares Delaware Corp.	Manufacturing	631,440	1.5%	32,014
Duke Energy	Utility	596,790	1.4%	30,257
Developers Diversified Finance	Real Estate	508,130	1.2%	25,762
Cedar Pines Apartments	Real Estate	468,410	1.1%	23,748
PCA Limited Partnership	Real Estate	450,000	1.1%	22,815
Piedmont Natural Gas	Utility	395,650	1.0%	20,059
Mid America Runaways Bay Ltd.	Retail	343,200	0.8%	17,400
Garrett Simpsonville Center	Real Estate	318,370	0.8%	16,141
Belk Simpson	Retail	314,830	0.8%	15,962
		\$ 4,968,780	12.0%	\$ 251,915

Note:

(1) Information was provided by the Greenville County.

LEGAL DEBT MARGIN

JUNE 30, 2005

UNAUDITED

ASSESSED VALUE		\$	41,499,038
Merchants Inventory:			
Value for Debt Purposes			385,941
TOTAL ASSESSED VALUE			<u>41,884,979</u>
Statutory Debt Limit -			
Eight Percent (8%) of Total Assessed Value			3,350,798
Less: Amount of Debt Applicable to the Debt Limit			
1997 General Obligation Bonds	810,000		
2000 General Obligation Bonds	670,000		
2001 General Obligation Bonds	435,000		
2003 General Obligation Bonds	600,000		
			<u>(2,515,000)</u>
LEGAL DEBT MARGIN		\$	<u>835,798</u>

**RATIO OF NET GENERAL OBLIGATION BONDED DEBT TO ASSESSED VALUE
AND NET GENERAL OBLIGATION BONDED DEBT PER CAPITA**

LAST TEN FISCAL YEARS

UNAUDITED

Year	Population (1)	Total Assessed Value (2)	General Obligation Debt (3)	Service Monies Available (4)	Net General Bonded Debt	% of Net Bonded Debt to Assessed Value	Net General Bonded Debt Per Capita
1996	13,468	\$ 27,157,976	69,000	29,099	39,901	0.15%	\$ 2.96
1997	13,748	28,225,340	2,037,000	-	2,037,000	7.22%	148.17
1998	14,038	28,972,157	2,003,000	-	2,003,000	6.91%	142.68
1999	14,087	31,305,675	1,960,000	-	1,960,000	6.26%	139.14
2000	14,136	33,975,351	1,750,000	-	1,750,000	5.15%	123.80
2001	14,352	34,511,820	2,380,000	-	2,380,000	6.90%	165.83
2002	14,500	37,237,774	2,635,000	315,000	2,320,000	6.23%	160.00
2003	14,800	41,052,210	2,320,000	325,000	1,995,000	4.86%	134.80
2004	15,200	41,499,038	2,595,000	-	2,595,000	6.25%	170.72
2005	15,500	\$ 41,499,038	2,515,000	-	2,515,000	6.06%	\$ 162.26

Note:

- (1) Information was based on census data and Greenville County Commission estimates.
- (2) Information provided by Greenville County Auditor's office.
- (3) Information includes only General Obligation Bonds.
- (4) Amount available for repayment of General Obligation Bonds.

**RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR
GENERAL BONDED DEBT TO TOTAL GENERAL EXPENDITURES**

LAST TEN FISCAL YEARS

UNAUDITED

Fiscal Year	Principal	Interest	Total Debt Service	Total Expenditures (1)	Ratio of Total Debt to Total Expenditures
1996	\$ 31,000	3,803	34,803	\$ 4,162,438	0.84%
1997	60,098	37,862	97,960	6,221,274	1.57%
1998	72,275	87,975	160,250	8,715,407	1.84%
1999	88,302	164,293	252,595	6,244,695	4.04%
2000	210,000	99,767	309,767	6,999,818	4.43%
2001	220,000	89,075	309,075	10,190,842	3.03%
2002	270,000	123,267	393,267	10,180,513	3.86%
2003	315,000	133,784	448,784	9,863,699	4.55%
2004	325,000	133,972	458,972	15,365,859	2.99%
2005 (2)	\$ 340,000	126,774	466,774	\$ 13,451,896	3.47%

Note:

- (1) Includes all Governmental Funds of the Primary Government.
- (2) Includes the amount of Matured Bonds Payable that were due and unpaid at June 30, 2005.

COMPUTATIONS OF DIRECT AND OVERLAPPING DEBT

JUNE 30, 2005

UNAUDITED

<u>Jurisdiction</u>	<u>Total Bonded Debt</u>	<u>Percentage Applicable to City of Simpsonville</u>	<u>Dollar Amount Applicable to City of Simpsonville</u>
DIRECT DEBT:			
The City of Simpsonville	\$ 2,515,000 (1)	100%	\$ 2,515,000
OVERLAPPING DEBT:			
Greenville County School District	- (2)	0%	-
Greenville County, South Carolina	55,855,000 (3)	2.10%	1,172,955
Subtotal Overlapping	<u>55,855,000</u>		<u>1,172,955</u>
TOTAL DIRECT AND OVERLAPPING DEBT	<u>\$ 58,370,000</u>		<u>\$ 3,687,955</u>

Note:

- (1) Does not include the debt of the Component Unit.
- (2) Information Source - Greenville County School District.
- (3) Information Source - Greenville County Financial and Administration Services.

DEMOGRAPHIC STATISTICS

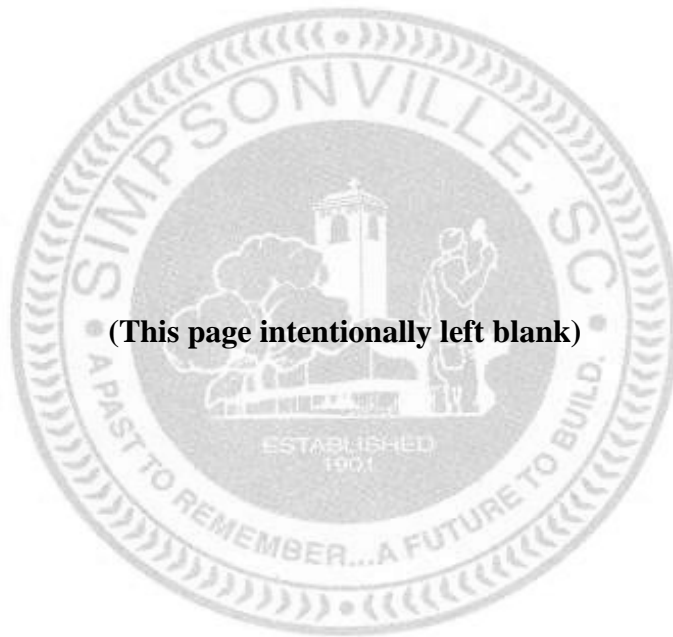
LAST TEN FISCAL YEARS

UNAUDITED

<u>Year</u>	<u>Population (1)</u>	<u>Median Family Income</u>	<u>Per Capita Income (2)</u>	<u>Median Age (2)</u>	<u>School Enrollment (3)</u>	<u>Percent Unemployed (4)</u>
1996	13,468	\$ 53,698	\$ 22,131	32.6	6,021	3.4%
1997	13,748	55,727	22,631	33.7	6,075	2.7%
1998	14,038	57,756	23,536	33.7	6,110	2.0%
1999	14,087	59,785	24,475	33.7	6,137	2.3%
2000	14,136	61,817	25,454	33.7	6,202	1.2%
2001	14,352	63,849	26,217	33.9	6,215	2.4%
2002	14,850	65,881	27,069	33.9	6,321	2.8%
2003	15,100	67,913	27,930	33.5	6,189	4.6%
2004	15,300	68,825	28,305	33.5	6,230	4.5%
2005	15,500	\$ 69,490	\$ 28,810	33.5	6,304	5.2%

Note:

- (1) Information Source - Census Data and Greenville County Planning Commission.
- (2) Information Source - County of Greenville figures provided by the South Carolina State Data Center.
- (3) Represents estimated enrollment for Greenville County Schools, located within the City of Simpsonville.
- (4) Information Source - South Carolina Employment Security Commission for Greenville County.



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CITY OF SIMPSONVILLE, SOUTH CAROLINA

PROPERTY VALUE AND CONSTRUCTION

LAST TEN FISCAL YEARS

UNAUDITED

Fiscal Year	COMMERCIAL CONSTRUCTION		RESIDENTIAL CONSTRUCTION	
	Number of Permits (1)	Estimated Value of Construction (1)	Number of Permits (1)	Estimated Value of Construction (1)
1996	13	\$ 5,449,301	187	3,866,173
1997	21	15,322,146	83	6,693,170
1998	336	5,414,293	160	7,064,282
1999	41	5,670,992	514	6,573,400
2000	17	1,001,613	73	7,306,166
2001	71	5,588,873	92	4,796,857
2002	109	13,969,772	121	5,908,010
2003	13	20,316,017	135	16,448,682
2004	16	22,487,437	111	13,388,316
2005	28	\$ 16,077,102	141	14,291,456

Note:

- (1) Information provided by the City of Simpsonville
- (2) FDIC - Summary of deposit survey shown in thousands.
- (3) Figures provided by Greenville County Information Services
- (4) Information not available at this time.

Table 12

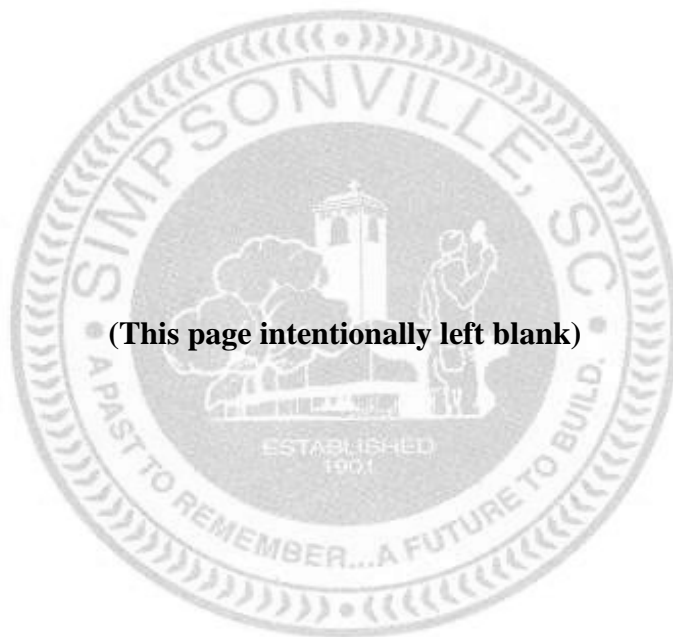
Bank Deposits (2) (in Thousands)	PROPERTY VALUE (3)		
	Commercial	Residential	Totals
134,439	6,030,580	12,004,300	\$ 18,034,880
142,972	6,424,740	12,356,600	18,781,340
155,171	6,791,860	12,481,640	19,273,500
194,641	7,276,400	12,893,380	20,169,780
135,000	8,704,510	13,972,080	22,676,590
119,035	12,686,750	14,667,690	27,354,440
143,321	11,858,110	15,219,620	27,077,730
165,552	14,324,860	15,765,730	30,090,590
(4)	14,343,650	15,938,870	30,282,520
(4)	15,572,760	16,602,220	\$ 32,174,980

MISCELLANEOUS STATISTICS

JUNE 30, 2005

Date of Incorporation	1901
Form of Government	Council
Area (in Square Miles)	7.4 Square Miles
Miles of Streets	185 Miles
Number of Traffic Lights	16
Fire Protection	
Number of Stations	4
Number of Firemen and Officers	42
Police Protection	
Number of Stations	1
Number of Police Officers	39
Education (Elementary Schools Only)	
Attendance Centers	5
Number of Classrooms	241
Number of Teachers	255
Number of Students	6,304
Sewers	
Sanitary Sewers	106
Storm Sewers	195
Building Permits	
Number Issued	618
Recreation	
Number of Parks	9
Number of Libraries	1
Number of Volumes	58,633
Employees	
Classified Service	152

COMPLIANCE SECTION



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

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Simpsonville, South Carolina (the "City") as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 8, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of basic financial statement amounts. However, providing an opinion on compliance with those provisions was not an object of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings as item 2005-1.

We noted certain other matters that we reported to management of the City in a separate letter dated December 8, 2005.

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



Greene, Finney & Horton, LLP
December 8, 2005

CITY OF SIMPSONVILLE, SOUTH CAROLINA

SCHEDULE OF FINDINGS

YEAR ENDED JUNE 30, 2005

Findings - 2005 Financial Statements Audit

2005-1: NONCOMPLIANCE WITH LAWS AND REGULATIONS

- Condition:** The City of Simpsonville's ("City") bank deposits were under collateralized by approximately \$815,000 at June 30, 2005.
- Criteria:** State law requires all monies deposited by a government entity at a financial institution be collateralized for any amount in excess of FDIC insurance.
- Effect:** The City was not fully collateralized at June 30, 2005.
- Cause:** Management was unaware that the bank deposits were under collateralized.
- Recommendation:** We recommend that the City coordinate with the bank in order to maintain sufficient collateral on these deposits at all times.
- Response:** Management is working with the financial institutions to address this problem and to ensure that proper collateral is in place going forward.