

# **City of Simpsonville, South Carolina**

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## **Comprehensive Annual Financial Report**

**For the Fiscal Year Ended  
June 30, 2007**



**CITY OF SIMPSONVILLE, SOUTH CAROLINA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

PREPARED BY THE CITY ADMINISTRATOR'S OFFICE

Russell B. Hawes  
City Administrator

CITY OF SIMPSONVILLE, SOUTH CAROLINA

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YEAR ENDED JUNE 30, 2007

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CITY OF SIMPSONVILLE, SOUTH CAROLINA

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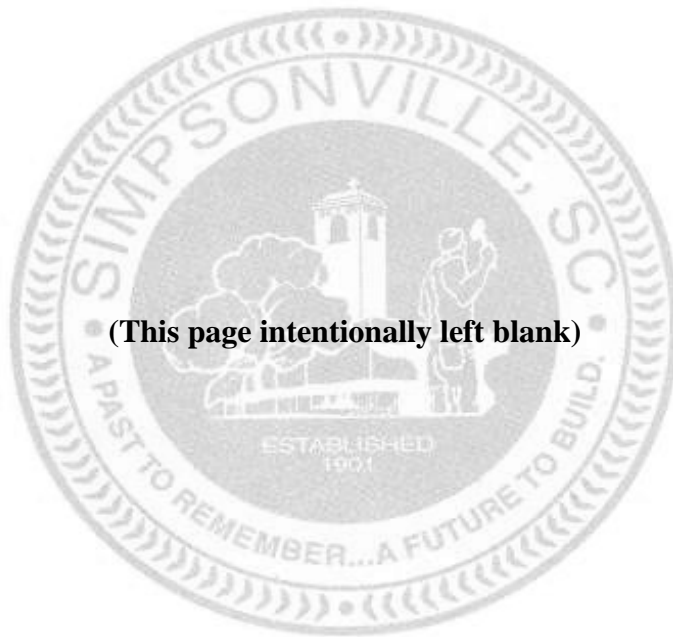
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# **INTRODUCTORY SECTION**



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December 20, 2007

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, 2007.

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, 2007 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, 2007 are fairly presented in conformity with GAAP. The independent auditors' report is presented as the first component of the financial section of this report.

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

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

## **Community Profile**

The City of Simpsonville is located in the Upstate Region of South Carolina and has an estimated population of 17,200. 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. 425,000) twelve miles southeast of downtown Greenville. Simpsonville has experienced a high rate of growth in the past twenty years, and is rapidly becoming a retail destination as stores follow residential rooftops. Originally founded around the Woodside textile mill, Simpsonville is now a diverse economic market with some of the highest per-capita income in Greenville County.

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

## **City Government**

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

## **Budget Process**

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

## **Factors Affecting Financial Condition**

### **Local Economy**

The City continues to benefit from a strong local economy. This has produced growth in construction within the city. The result has been excellent growth in the city's Special Revenue Fund which collects Hospitality and Accommodations taxes for Heritage Park. As a result of keeping taxes and fees to a minimum, the General Fund has seen a decline from General Fund Operations, though this has been offset by a concerted effort to recover General Fund resources in other areas. The Fire Service reimbursement from the County, has not been increased and continues to be a burden on the General Fund. Despite this and an effort to avoid issuing debt, The City's Undesignated General Fund balance has grown through fiscal 2007. There has been no increase in property tax rates for over 35 years.

In an effort to maximize the city's services to its citizens, it did issue a \$785,000 GO Bond for the purpose of resurfacing key streets in the city. By initiating this aggressive street resurfacing plan, the city will save these expenses in the long term, more than offsetting the relatively low interest cost.

The city's overall 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 ten-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. The capital projects in the plan require subsequent appropriations as funds become available in the ten 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 identify major expenditures and major receipts of reimbursements from state and federal grant programs and other sources. 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. The City has no post employment liability.

### **Other points –**

- The City's revenue base is becoming more diversified, with additional non-ad valorem revenue streams and less reliance on property tax as the funding source for primary services.
- The General Fund is supported by a revenue stream that has been, and we expect will continue, to be stable. The City continually evaluates and adjusts to fluctuation in any of its revenue streams.
- Standard & Poor's bond rating is AA-.
- Moody's bond rating has been reaffirmed as of October of 2005 at A1
- Fitch rating has been reaffirmed as of October 2007 at A+
- Other indicators of fiscal strength include the avoidance of a millage increase for over 35 years.

### **Other Information**

#### **Awards**

A Certificate of Achievement is valid for a period of one year only. The City received a Certificate of achievement for Excellence in Financial Reporting in 2006. We believe our current report continues to conform to the Certificate of Achievement program requirements, and it will be submitted to the Government Finance Officers Association to determine its eligibility for another certificate.

#### **Acknowledgments**

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

Respectfully Submitted,



Russell B. Hawes  
City Administrator



Robert W. Harrison  
Finance Director

**CITY OF SIMPSONVILLE, SOUTH CAROLINA**

**LISTING OF PRINCIPAL OFFICIALS**

**YEAR ENDED JUNE 30, 2007**

Established

1901

MAYOR

Dennis Waldrop

CITY COUNCIL MEMBERS

Ronald Bridges

Brown Garrett

Robert Gecy

Bruce Larson

Geneva Lawrence

Mike Zitricki

CITY ADMINISTRATOR

Russell Hawes

CITY ATTORNEY

David Holmes

MUNICIPAL JUDGES

Rick Moore

Leslie Sharff

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Simpsonville  
South Carolina

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2006

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



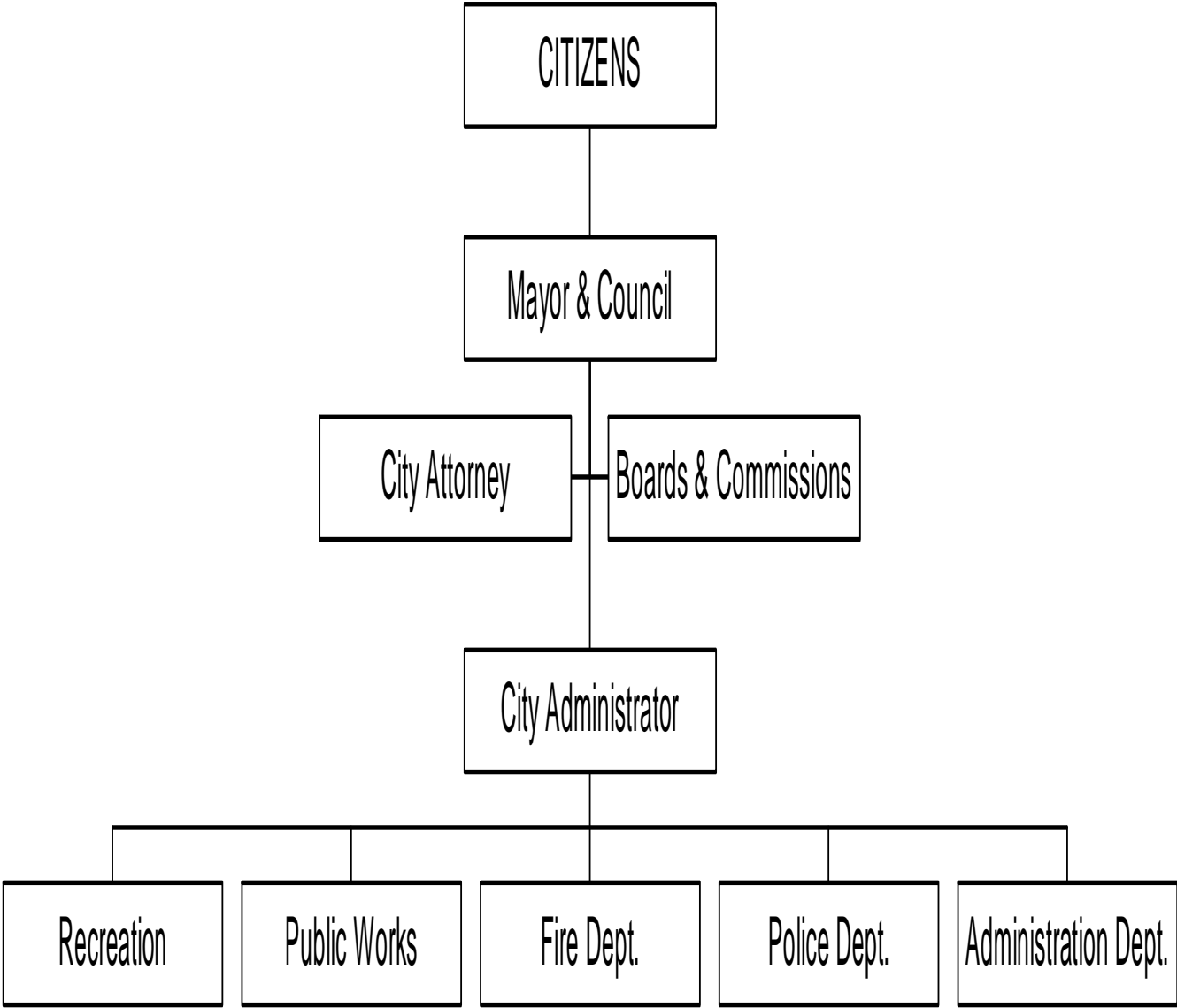
*Charles S. Cox*

President

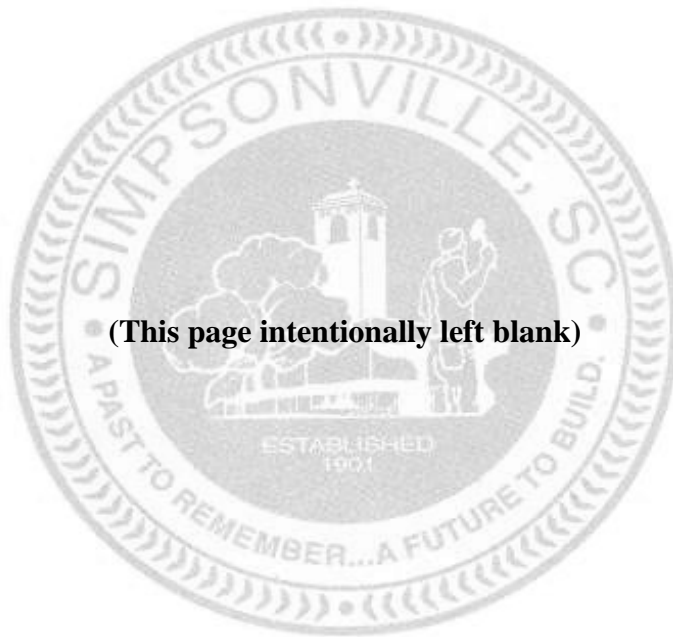
*Jeffrey R. Emer*

Executive Director

# 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 business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Simpsonville, South Carolina (the "City"), as of and for the year ended June 30, 2007, 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 business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Simpsonville, South Carolina, as of June 30, 2007, 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, September 25, 2007, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City'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, is 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  
September 25, 2007



## CITY OF SIMPSONVILLE, SOUTH CAROLINA

### MANAGEMENT'S DISCUSSION AND ANALYSIS

#### YEAR ENDED JUNE 30, 2007

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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, 2007. The intent of this discussion and analysis is to present the City's financial performance as a whole; readers should also review the basic financial statements, the notes to the basic financial statements, and the supplemental schedules to enhance their understanding of the City's financial performance. We would also encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found as listed in the table of contents.

#### FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at the close of the fiscal year by approximately \$20,426,000 (*net assets*). Of this amount, approximately \$1,466,000 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets increased by approximately \$135,000, as revenues of approximately \$12,338,000 exceeded expenses of approximately \$12,203,000.
- As of the close of the fiscal year, the City's governmental funds reported combined ending fund balances of approximately \$1,939,000, an increase of approximately \$640,000. This was comprised of an approximate \$379,000 increase from this year's operations and an approximate \$883,000 increase from prior years relating to the termination of the City's Retirement Plan, reduced by removing approximately \$624,000 from the City's General Fund and placing it into an Enterprise Fund for the City's sewer system. The increase in the fund balance is primarily due to less expenditures related to Heritage Park, which was completed during the year.
- At the end of the fiscal year, unreserved fund balance for the General Fund was approximately \$1,570,000, or approximately 16% of total General Fund expenditures for the year ended June 30, 2007.
- The City's capital assets increased by approximately \$795,000 (2.5%) to \$32,240,000 at June 30, 2007. The increase in capital assets was primarily due to the completion of Heritage Park and a major street paving project. This increase was partially offset by depreciation of \$1,352,000.
- The City's long term obligations increased by approximately \$1,272,000 (9.5%) during the current fiscal year. The key factors in this increase were the issuances of (a) 2006 COPS for \$2,005,000 and (b) 2007 GO Bonds for \$785,000. These increases were offset by principal and other payments of approximately \$1,732,000.
- The City maintained its AA- bond rating with Standard & Poors.
- The City's General Fund revenues were approximately \$10,179,000 for 2007 (including the special item), compared to approximately \$10,366,000 for the prior year. This decrease is primarily due to Sewer Fees being recognized in the Sewer Enterprise Fund in fiscal year 2007, whereas they were included with General Fund revenues in fiscal year 2006.
- The City's General Fund expenditures were approximately \$9,846,000 for 2007, compared to approximately \$10,188,000 for the prior year. This decrease is primarily due to Sewer expenses being recognized in the Sewer Enterprise Fund in fiscal year 2007, whereas they were included with General Fund expenditures in fiscal year 2007.
- Business-type activity revenue and expenses were approximately \$1,040,000 and \$407,000, respectively, for 2007.

#### 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, 2007

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#### OVERVIEW OF FINANCIAL STATEMENTS (CONTINUED)

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

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

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

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

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

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

The City maintains four individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenue, expenditures, and changes in fund balances for the General Fund, Capital Projects Fund, Special Revenue Fund, and the Debt Service Fund. The basic governmental fund financial statements can be found as listed in the table of contents.

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

**CITY OF SIMPSONVILLE, SOUTH CAROLINA**

**MANAGEMENT’S DISCUSSION AND ANALYSIS**

**YEAR ENDED JUNE 30, 2007**

**OVERVIEW OF FINANCIAL STATEMENTS (CONTINUED)**

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

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

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

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

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

**CITY OF SIMPSONVILLE, SOUTH CAROLINA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**YEAR ENDED JUNE 30, 2007**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by approximately \$16,456,000 at the close of the most recent fiscal year.

This table provides a summary of the City's net assets as of June 30, 2007 and 2006.

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

	Governmental Activities		Business-Type Activities		Total	
	June 30, 2007	June 30, 2006 *	June 30, 2007	June 30, 2006 *	June 30, 2007	June 30, 2006
<b>Assets:</b>						
Current Assets	\$ 3,335,124	2,358,099	949,093	628,072	4,284,217	\$ 2,986,171
Capital Assets, Net	28,866,608	28,351,577	3,373,775	3,094,234	32,240,383	31,445,811
Total Assets	<u>32,201,732</u>	<u>30,709,676</u>	<u>4,322,868</u>	<u>3,722,306</u>	<u>36,524,600</u>	<u>34,431,982</u>
<b>Liabilities:</b>						
Other Liabilities	1,398,948	765,898	9,416	14,784	1,408,364	780,682
Long-Term Liabilities	14,346,335	12,989,559	343,534	370,000	14,689,869	13,359,559
Total Liabilities	<u>15,745,283</u>	<u>13,755,457</u>	<u>352,950</u>	<u>384,784</u>	<u>16,098,233</u>	<u>14,140,241</u>
<b>Net Assets:</b>						
Invested in Capital Assets						
Net of Related Debt	15,570,428	14,649,377	3,033,775	2,724,234	18,604,203	17,373,611
Restricted	355,787	339,862	-	-	355,787	339,862
Unrestricted	530,234	1,964,980	936,143	613,288	1,466,377	2,578,268
Total Net Assets	<u>\$ 16,456,449</u>	<u>16,954,219</u>	<u>3,969,918</u>	<u>3,337,522</u>	<u>20,426,367</u>	<u>\$ 20,291,741</u>

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

The net assets of the City's governmental activities decreased by approximately \$498,000 or 2.9% to approximately \$16,456,000 at June 30, 2007, compared to a restated balance of approximately \$16,954,000 at June 30, 2006. Unrestricted net assets, the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements, decreased from a restated balance of approximately \$1,965,000 at June 30, 2006 to approximately \$530,000 at June 30, 2007. The decrease in unrestricted net assets is primarily due to expenditures exceeding revenues and the prior period adjustment related to the Sewer Fund being moved out of the General Fund.

The net assets of the City's business-type activities increased by approximately \$632,000 or 18.9% to approximately \$3,970,000 at June 30, 2007, compared to a restated balance of approximately \$3,338,000 at June 30, 2006. This increase in net assets is due to revenues exceeding expenses.

The largest portion of the City's net assets (approximately \$18,604,000 or 91%) reflects its investment in capital assets (i.e., land, buildings, furniture and equipment, infrastructure, etc.) less any related outstanding debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must generally be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

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

**CITY OF SIMPSONVILLE, SOUTH CAROLINA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**YEAR ENDED JUNE 30, 2007**

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

This table shows the changes in net assets for the years ended June 30, 2007 and 2006.

	City of Simpsonville					
	Statement of Activities – Primary Government					
	Governmental Activities		Business-Type Activities		Total	
	2007	2006*	2007	2006*	2007	2006*
<b>Revenues:</b>						
<b>Program Revenues:</b>						
Charges for Services	\$ 1,967,610	2,331,941	767,310	-	2,734,920	\$ 2,331,941
Operating Grants and Contributions	321,185	511,303	-	-	321,185	511,303
Capital Grants and Contributions	68,704	-	272,535	-	341,239	-
<b>General Revenues:</b>						
Property Taxes	4,639,605	4,509,198	-	-	4,639,605	4,509,198
Hospitality and Accommodation Taxes	1,199,782	1,116,394	-	-	1,199,782	1,116,394
MASC Telecommunications and Insurance Taxes	1,394,002	1,480,884	-	-	1,394,002	1,480,884
Franchise Fees	836,748	787,461	-	-	836,748	787,461
Unrestricted State Grants	419,589	397,018	-	-	419,589	397,018
Unrestricted Investment Earnings	71,793	35,419	-	-	71,793	35,419
Other	273,409	217,014	-	-	273,409	217,014
<b>Total Revenues</b>	<b>11,192,427</b>	<b>11,386,632</b>	<b>1,039,845</b>	<b>-</b>	<b>12,232,272</b>	<b>11,386,632</b>
<b>Program Expenses:</b>						
General Government	1,057,852	2,057,419	-	-	1,057,852	2,057,419
Public Safety	5,564,184	4,495,325	-	-	5,564,184	4,495,325
Public Works	2,393,753	2,731,964	-	-	2,393,753	2,731,964
Recreation and Parks	2,098,220	1,282,466	-	-	2,098,220	1,282,466
Interest and Other Charges	682,171	711,440	-	-	682,171	711,440
Sewer	-	-	407,449	-	407,449	-
<b>Total Expenses</b>	<b>11,796,180</b>	<b>11,278,614</b>	<b>407,449</b>	<b>-</b>	<b>12,203,629</b>	<b>11,278,614</b>
Special Item - Gain on Retirement Plan Termination	105,983	-	-	-	105,983	-
<b>Change in Net Assets</b>	<b>(497,770)</b>	<b>108,018</b>	<b>632,396</b>	<b>-</b>	<b>134,626</b>	<b>108,018</b>
Net Assets, Beginning of Year	16,954,219	19,298,152	3,337,522	-	20,291,741	19,298,152
Prior Period Adjustments	-	(2,451,951)	-	3,337,522	-	885,571
<b>Net Assets, Beginning of Year, Restated</b>	<b>16,954,219</b>	<b>16,846,201</b>	<b>3,337,522</b>	<b>3,337,522</b>	<b>20,291,741</b>	<b>20,183,723</b>
<b>Net Assets, End of Year</b>	<b>\$ 16,456,449</b>	<b>16,954,219</b>	<b>3,969,918</b>	<b>3,337,522</b>	<b>20,426,367</b>	<b>\$ 20,291,741</b>

\* 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 net assets decreased from restated 2006 to 2007 by approximately \$498,000 or 3%, compared to approximately \$108,000 for 2006. This decrease is due to higher total expenses partially offset by lower charges for services revenue due to the Sewer operations being accounted for separately in an Enterprise Fund in 2007.

**Business-Type Activities.** The City's net assets increased from restated 2006 to 2007 by approximately \$632,000 or 19%. The primary reason for this increase was charges for services and capital grants and contributions exceeding program expenses.

## CITY OF SIMPSONVILLE, SOUTH CAROLINA

### MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2007

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#### 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, 2007, the City's governmental funds reported a combined ending fund balances of approximately \$1,939,000. Of this amount, approximately \$1,570,000 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, 2007 was approximately \$10,179,000 compared to approximately \$10,366,000 in the prior year. Taxes and licenses, permits, and fees make up 83% of all General Fund revenues or approximately \$8,483,000. The remaining General Fund revenue sources totaled approximately \$1,696,000 and consisted of shared revenue (with the state and county), grants, fines and other miscellaneous sources. The decrease in revenues over the prior year is primarily due to Sewer Fees not being recognized in the General Fund this year, as they are now being recorded in an Enterprise Fund.

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 owner occupied property, 6% for commercial property, and 10.5% for industrial property. Local property taxes accounted for 46%, or approximately \$4,635,000, of total General Fund revenue for the fiscal period ending June 30, 2007.

#### General Fund Expenditures

General Fund expenditures for the year ended June 30, 2007 totaled approximately \$9,846,000 compared to approximately \$10,188,000 for the prior year. The decrease reflects the fact that Sewer expenditures are now being recorded in the Sewer Enterprise Fund, whereas they were recorded in the General Fund in the prior year.

The Public Safety and Public Works functions accounted for approximately 73% of all General Fund expenditures (excluding capital outlay). Actual expenditures for these functions, excluding capital outlay, were approximately \$5,001,000 for Public Safety and \$2,147,000 for Public Works. The remaining 27% of General Fund expenditures (excluding capital outlay) came from the areas of Recreation and Parks of \$1,105,000 and General Government of \$1,422,000. The City also had Capital Outlay in the General Fund of approximately \$171,000 for 2007.

#### General Fund Balance

The total fund balance for the General Fund decreased primarily due to transfers to the Capital Projects and Debt Service Funds of approximately \$1,360,000, partially offset by transfers in from the Special Revenue Fund of approximately \$238,000. General Fund revenue did exceed expenditures by approximately \$333,000. The total decrease in the General Fund was approximately \$756,000 for 2007, leaving the fund balance for the General Fund at approximately \$1,583,000 at June 30, 2007. Unreserved fund balance for the General Fund was approximately \$1,570,000, or approximately 16% of total General Fund expenditures.

**Proprietary Funds.** The City's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Net Assets of the Enterprise Funds at the end of the year amounted to approximately \$3,970,000. Factors concerning the operations of this fund have already been addressed in the discussion of the City's business-type activities.

**CITY OF SIMPSONVILLE, SOUTH CAROLINA**

**MANAGEMENT’S DISCUSSION AND ANALYSIS**

**YEAR ENDED JUNE 30, 2007**

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

**General Fund Budgetary Highlights:** During the fiscal year, the City amended its budget one time. Generally, budget amendments fall into one of two categories: 1) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and 2) amendments made to move Grants and Grant Expenditures from 2006 to 2007 as the completion of those projects moved into the next fiscal, year. The total amendment to General Fund decreased revenues by about \$300,000 in 2007 and was primarily due the decrease of Grant Revenue from the Federal Highway Administration for the Downtown Streetscape project. Project costs were also decreased, but the cost of Alder Street Bridge, funded in 2006, was added to budgeted expenses. There was a small amendment to General Fund expenditures during 2006 as a result of the same project.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets.** As of June 30, 2007, the City had invested a net amount of approximately \$32,000,000 in capital assets.

This table shows 2007 Capital Asset balances (net of depreciation) compared to 2006:

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

	Governmental Activities		Business-Type Activites		Total	
	2007	2006*	2007	2006*	2007	2006*
Land	\$ 5,214,912	5,002,012	-	-	5,214,912	\$ 5,002,012
Construction in Progress	-	144,470	-	-	-	144,470
Infrastructure	8,323,115	7,765,175	3,354,870	3,071,128	11,677,985	10,836,303
Buildings and Improvements	12,402,805	12,016,637	-	-	12,402,805	12,016,637
Equipment	623,320	764,957	18,905	23,106	642,225	788,063
Furniture and Fixtures	24,675	27,269	-	-	24,675	27,269
Vehicles	2,277,781	2,631,057	-	-	2,277,781	2,631,057
<b>Total</b>	<b>\$ 28,866,608</b>	<b>28,351,577</b>	<b>3,373,775</b>	<b>3,094,234</b>	<b>32,240,383</b>	<b>\$ 31,445,811</b>

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

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

- Depreciation expense of approximately \$1,352,000.
- Land and building & improvements increase related to the Heritage Park Amphitheatre of approximately \$975,000.
- Infrastructure improvements of approximately \$721,000.
- Vehicle purchases of approximately \$48,000.
- Sewer infrastructure improvements of approximately \$402,000.

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

**CITY OF SIMPSONVILLE, SOUTH CAROLINA**

**MANAGEMENT’S DISCUSSION AND ANALYSIS**

**YEAR ENDED JUNE 30, 2007**

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

**Long-Term Obligations.** As of June 30, 2007, the City had total long-term obligations of approximately \$14,690,000 of which approximately \$13,176,000 consisted of long-term debt. Of this debt, \$2,540,000 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 \$9,869,000 (net of a deferred loss on refunding of approximately \$456,000). In addition, the City had other long-term obligations of approximately \$1,365,000 for outstanding capital leases and approximately \$149,000 for compensated absence liabilities.

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

	Governmental Activities		Business-Type Activities		Total	
	2007	2006 *	2007	2006 *	2007	2006 *
Debt:						
General Obligation Bonds	\$ 2,540,000	2,155,000	-	-	2,540,000	\$ 2,155,000
Certificates of Participation, Net	9,868,593	8,275,932	-	-	9,868,593	8,275,932
Note Payable	427,500	505,498	340,000	370,000	767,500	875,498
Total Debt	12,836,093	10,936,430	340,000	370,000	13,176,093	11,306,430
Capital Leases	1,364,847	1,987,123	-	-	1,364,847	1,987,123
Accrued Compensated Absences	145,395	120,167	3,534	3,910	148,929	124,077
Total	\$ 14,346,335	13,043,720	343,534	373,910	14,689,869	\$ 13,417,630

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

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

- The City’s GOB increased \$385,000 (18%) during the current year. This decrease was due to principal payments of \$400,000 and the City issuing the 2007 GOB issued for \$785,000.
- The City’s COP increased by approximately \$1,593,000 (19%) in comparison with the prior year balance. This increase was due to principal payments of approximately \$412,000 and the City issuing the 2006 COPS for \$2,005,000.
- The City’s accrual for annual leave (compensated absences) increased by approximately \$25,000.

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, 2007 was approximately \$3,664,000. The debt limit effective July 1, 2007 rose to \$4,027,000. The City had non-referendum bonded debt of \$2,540,000 which resulted in the City having an unused legal debt margin of approximately \$1,487,000.

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



**CITY OF SIMPSONVILLE, SOUTH CAROLINA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**YEAR ENDED JUNE 30, 2007**

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

Economic factors that were considered in preparing the FY 08 budget were as follows:

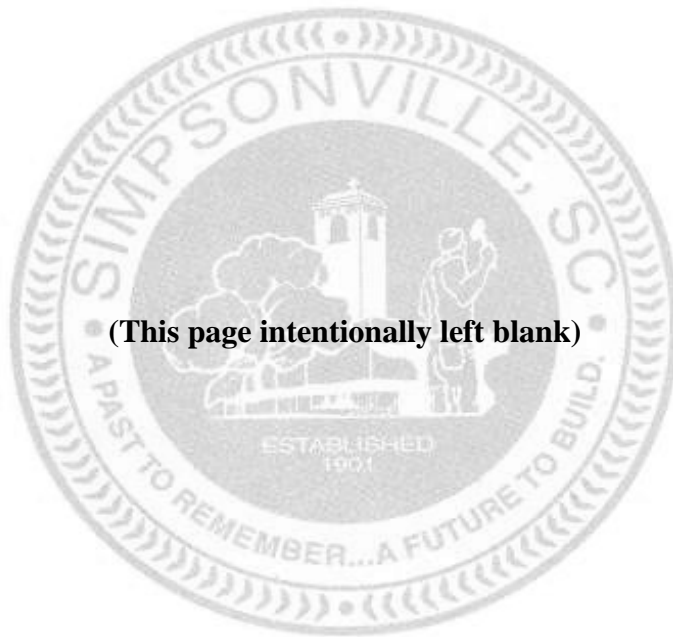
- The unemployment rate in the City is in the 4.8% to 5.0% range. The City's unemployment rate compares more favorably than that of the County's at 5.2% and that of the State of South Carolina at approximately 5.5%.
- Inflation in the region averages 3.1% and is comparable to the national index of 3.0%.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

The adopted FY 08 operating budget for all funds is \$13,788,000. Highlights of FY 08 operating budget were as follows:

- The City's budget is balanced without an increase in the City's millage rate.
- Large growth in the City's tax base before reassessment
- Addition of several much needed positions in the public safety sector
- Excellent loss experience saving the city money in the areas of liability insurance, health insurance and worker's comp
- Drop in debt service expenses due to the payoff of 1997 GO Bond issue and several equipment leases in 2007

**REQUESTS FOR INFORMATION**

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



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# **BASIC FINANCIAL STATEMENTS**

CITY OF SIMPSONVILLE, SOUTH CAROLINA

STATEMENT OF NET ASSETS

JUNE 30, 2007

	PRIMARY GOVERNMENT			COMPONENT UNIT
	Governmental Activities	Business-Type Activities	Totals	Simpsonville Industrial Development Corporation
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 725,518	-	725,518	\$ -
Cash and Cash Equivalents, Restricted	1,216,933	-	1,216,933	64,602
Investments, Restricted	79,486	-	79,486	-
Property Taxes Receivable, Net	172,025	-	172,025	-
Accounts Receivable	1,575,418	355,264	1,930,682	-
Internal Balances	(593,829)	593,829	-	-
Other Assets	13,200	-	13,200	-
Debt Issue Costs, Net	146,373	-	146,373	-
Capital Assets:				
Non-Depreciable	5,214,912	-	5,214,912	-
Depreciable, Net	23,651,696	3,373,775	27,025,471	-
<b>TOTAL ASSETS</b>	<b>32,201,732</b>	<b>4,322,868</b>	<b>36,524,600</b>	<b>64,602</b>
<b>LIABILITIES</b>				
Accounts Payable and Accrued Liabilities	1,176,534	6,118	1,182,652	-
Accrued Interest Payable	222,414	3,298	225,712	-
Non-Current Liabilities:				
Due Within One Year	1,531,307	33,534	1,564,841	-
Due in More Than One Year	12,815,028	310,000	13,125,028	-
<b>TOTAL LIABILITIES</b>	<b>15,745,283</b>	<b>352,950</b>	<b>16,098,233</b>	<b>-</b>
<b>NET ASSETS</b>				
Invested in Capital Assets, Net of Related Debt	15,570,428	3,033,775	18,604,203	-
Restricted For:				
Hospitality and Accommodation	355,787	-	355,787	-
Unrestricted	530,234	936,143	1,466,377	64,602
<b>TOTAL NET ASSETS</b>	<b>\$ 16,456,449</b>	<b>3,969,918</b>	<b>20,426,367</b>	<b>\$ 64,602</b>

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

CITY OF SIMPSONVILLE, SOUTH CAROLINA

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2007

FUNCTIONS/PROGRAMS	PROGRAM REVENUES				NET (EXPENSE) REVENUE AND CHANGE IN NET ASSETS			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Totals	Component Unit Simpsonville Industrial Development Corporation
					Governmental Activities	Business-Type Activities		
<b>PRIMARY GOVERNMENT:</b>								
Governmental Activities:								
General Government	\$ 1,057,852	1,593,984	100,070	-	636,202	-	636,202	\$ -
Public Safety	5,564,184	261,601	168,064	-	(5,134,519)	-	(5,134,519)	-
Public Works	2,393,753	-	19,947	68,704	(2,305,102)	-	(2,305,102)	-
Recreation and Parks	2,098,220	112,025	33,104	-	(1,953,091)	-	(1,953,091)	-
Interest and Other Charges	682,171	-	-	-	(682,171)	-	(682,171)	-
<b>Total Governmental Activities</b>	<b>11,796,180</b>	<b>1,967,610</b>	<b>321,185</b>	<b>68,704</b>	<b>(9,438,681)</b>	<b>-</b>	<b>(9,438,681)</b>	<b>-</b>
<b>BUSINESS-TYPE ACTIVITIES</b>								
Sewer	407,449	767,310	-	272,535	-	632,396	632,396	-
<b>Total Business-Type Activities</b>	<b>407,449</b>	<b>767,310</b>	<b>-</b>	<b>272,535</b>	<b>-</b>	<b>632,396</b>	<b>632,396</b>	<b>-</b>
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>12,203,629</b>	<b>2,734,920</b>	<b>321,185</b>	<b>341,239</b>	<b>(9,438,681)</b>	<b>632,396</b>	<b>(8,806,285)</b>	<b>-</b>
<b>COMPONENT UNITS</b>								
Simpsonville Ind. Development Corp.	222	-	-	-	-	-	-	(222)
<b>TOTAL COMPONENT UNITS</b>	<b>\$ 222</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(222)</b>
General Revenues:								
Taxes:								
Property Taxes Levied for General Purposes					4,639,605	-	4,639,605	-
Hospitality and Accommodations Taxes					1,199,782	-	1,199,782	-
MASC Telecommunications and Insurance Taxes					1,394,002	-	1,394,002	-
Franchise Fees					836,748	-	836,748	-
Unrestricted State Grants					419,589	-	419,589	-
Unrestricted Investment Earnings					71,793	-	71,793	2,977
Miscellaneous Revenue					273,409	-	273,409	-
<b>Total General Revenues</b>					<b>8,834,928</b>	<b>-</b>	<b>8,834,928</b>	<b>2,977</b>
Special Item - Gain on Retirement Plan Termination					105,983	-	105,983	-
<b>CHANGE IN NET ASSETS</b>					<b>(497,770)</b>	<b>632,396</b>	<b>134,626</b>	<b>2,755</b>
NET ASSETS, Beginning of Year					19,406,170	-	19,406,170	61,847
PRIOR PERIOD ADJUSTMENTS					(2,451,951)	3,337,522	885,571	-
NET ASSETS, Beginning of Year, Restated					16,954,219	3,337,522	20,291,741	61,847
<b>NET ASSETS, End of Year</b>					<b>16,456,449</b>	<b>3,969,918</b>	<b>20,426,367</b>	<b>\$ 64,602</b>

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

CITY OF SIMPSONVILLE, SOUTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2007

	<u>GENERAL</u>	<u>SPECIAL REVENUE</u>	<u>CAPITAL PROJECTS</u>	<u>DEBT SERVICE</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 612,800	112,718	-	-	\$ 725,518
Cash and Cash Equivalents, Restricted	758,387	351,668	106,878	-	1,216,933
Investments, Restricted	-	79,486	-	-	79,486
Receivables, Net:					
Taxes	172,025	-	-	-	172,025
Accounts	1,575,418	-	-	-	1,575,418
Due From: Other Funds	294,962	-	-	-	294,962
Other Assets	13,200	-	-	-	13,200
<b>TOTAL ASSETS</b>	<b><u>3,426,792</u></b>	<b><u>543,872</u></b>	<b><u>106,878</u></b>	<b><u>-</u></b>	<b><u>4,077,542</u></b>
<b>LIABILITIES</b>					
Accounts Payable	587,479	-	-	-	587,479
Accrued Salaries and Fringe Benefits	378,633	-	-	-	378,633
Accrued Expenditures	210,422	-	-	-	210,422
Due To:					
Other Funds	593,828	188,085	106,878	-	888,791
Deferred Revenue	73,251	-	-	-	73,251
<b>TOTAL LIABILITIES</b>	<b><u>1,843,613</u></b>	<b><u>188,085</u></b>	<b><u>106,878</u></b>	<b><u>-</u></b>	<b><u>2,138,576</u></b>
<b>FUND BALANCES</b>					
Fund Balances					
Reserved:					
Other Assets	13,200	-	-	-	13,200
Special Revenue	-	355,787	-	-	355,787
Unreserved:					
Undesignated	1,569,979	-	-	-	1,569,979
<b>TOTAL FUND BALANCES</b>	<b><u>1,583,179</u></b>	<b><u>355,787</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>1,938,966</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>\$ 3,426,792</u></b>	<b><u>543,872</u></b>	<b><u>106,878</u></b>	<b><u>-</u></b>	<b><u>\$ 4,077,542</u></b>

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

CITY OF SIMPSONVILLE, SOUTH CAROLINA

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

JUNE 30, 2007

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<b>TOTAL FUND BALANCES - GOVERNMENTAL FUNDS</b>	<b>\$ 1,938,966</b>
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 \$44,540,432 and the accumulated depreciation was \$15,673,824.	28,866,608
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.	73,251
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 \$37,263.	146,373
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.	(222,414)
Long-term liabilities, including bonds payable, are not due or payable in the current period and therefore are not reported as liabilities in the funds. The original deferred loss on refunding is shown net of accumulated amortization of \$59,932. Long-term liabilities consisted of the following:	
Long-Term Debt (Including Capital Leases)	(14,657,347)
Long-Term Debt - Deferred Loss on Refunding, Net	456,407
Compensated Absences (Sick Pay and Vacations)	(145,395)
	<hr/>
<b>TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES</b>	<b>\$ 16,456,449</b>

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

## CITY OF SIMPSONVILLE, SOUTH CAROLINA

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

YEAR ENDED JUNE 30, 2007

	<u>GENERAL</u>	<u>SPECIAL REVENUE</u>	<u>CAPITAL PROJECTS</u>	<u>DEBT SERVICE</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<b>REVENUES</b>					
Taxes:					
Local	\$ 4,634,946	-	-	-	\$ 4,634,946
Hospitality and Accommodations	-	1,109,555	-	-	1,109,555
MASC Telecommunication and Insurance	1,394,002	-	-	-	1,394,002
Franchise	836,748	-	-	-	836,748
Licenses, Permits, and Fees	1,616,881	-	-	-	1,616,881
Grants	289,820	-	-	-	289,820
Fines	231,614	-	-	-	231,614
Shared Revenue:					
County	100,070	-	-	-	100,070
State	509,817	-	-	-	509,817
Interest	66,565	5,228	-	-	71,793
Other	392,524	-	-	-	392,524
<b>TOTAL REVENUES ALL SOURCES</b>	<b>10,072,987</b>	<b>1,114,783</b>	<b>-</b>	<b>-</b>	<b>11,187,770</b>
<b>EXPENDITURES</b>					
Current:					
General Government	1,422,182	-	-	-	1,422,182
Public Safety	5,000,999	-	-	-	5,000,999
Public Works	2,146,540	-	-	-	2,146,540
Recreation and Parks	1,105,072	-	-	-	1,105,072
Capital Outlay	171,269	-	1,757,752	-	1,929,021
Debt Service:					
Principal	-	-	-	1,561,648	1,561,648
Interest and Fiscal Charges	-	2,425	-	489,410	491,835
Bond Issuance Costs	-	-	80,930	-	80,930
<b>TOTAL EXPENDITURES</b>	<b>9,846,062</b>	<b>2,425</b>	<b>1,838,682</b>	<b>2,051,058</b>	<b>13,738,227</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>226,925</b>	<b>1,112,358</b>	<b>(1,838,682)</b>	<b>(2,051,058)</b>	<b>(2,550,457)</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Issuance of Certificates of Participation	-	-	2,790,000	-	2,790,000
Insurance Proceeds	33,193	-	-	-	33,193
Transfers In	238,188	-	40,699	2,051,058	2,329,945
Transfers Out	(1,360,407)	(969,538)	-	-	(2,329,945)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(1,089,026)</b>	<b>(969,538)</b>	<b>2,830,699</b>	<b>2,051,058</b>	<b>2,823,193</b>
Special Item - Current Year Income - Retirement Plan Termination	105,983	-	-	-	105,983
<b>NET CHANGES IN FUND BALANCES</b>	<b>(756,118)</b>	<b>142,820</b>	<b>992,017</b>	<b>-</b>	<b>378,719</b>
FUND BALANCE, Beginning of Year	2,077,903	212,967	(992,017)	-	1,298,853
PRIOR PERIOD ADJUSTMENT	261,394	-	-	-	261,394
FUND BALANCE, Beginning of Year, Restated	<u>2,339,297</u>	<u>212,967</u>	<u>(992,017)</u>	<u>-</u>	<u>1,560,247</u>
<b>FUND BALANCES, End of Year</b>	<b>\$ 1,583,179</b>	<b>355,787</b>	<b>-</b>	<b>-</b>	<b>\$ 1,938,966</b>

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



**CITY OF SIMPSONVILLE, SOUTH CAROLINA**

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

**YEAR ENDED JUNE 30, 2007**

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<b>TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS</b>	<b>\$ 378,719</b>
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.	4,659
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.	1,482,203
Debt and certificates of participation proceeds provide current financial resources to governmental fund, but issuing debt increases long-term liabilities in the Statement of Net Assets.	(2,790,000)
Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.	(23,496)
Debt issuance costs are expenditures the year they are incurred in governmental funds, but are amortized over the lives of the debt in the Statement of Activities.	(11,997)
Deferred losses (capitalized costs) on refundings must be deferred and amortized over the life of the respective debt in the Statement of Activities. These costs were reported as expenditures the year they were incurred in the governmental funds.	(27,661)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.	(25,228)
Governmental funds report capital asset additions as expenditures (\$1,744,596). However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense (\$1,229,565). This is the amount by which depreciation exceeded capital asset additions in the current period.	<u>515,031</u>
<b>TOTAL CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES</b>	<b><u><u>\$ (497,770)</u></u></b>

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

CITY OF SIMPSONVILLE, SOUTH CAROLINA

STATEMENT OF NET ASSETS - PROPRIETARY FUND

JUNE 30, 2007

	<u>Business-Type Activities</u> <u>Sewer</u>
<b>ASSETS</b>	
Current Assets	
Receivables, Net of Allowance for Doubtful Accounts	
Utility Services	\$ 355,264
Due From Other Funds	593,829
Total Current Assets	<u>949,093</u>
Noncurrent Assets	
Depreciable Capital Assets, Net	3,373,775
Total Noncurrent Assets	<u>3,373,775</u>
<b>TOTAL ASSETS</b>	<b><u>4,322,868</u></b>
<b>LIABILITIES</b>	
Current Liabilities	
Accrued Salaries and Fringe Benefits	6,118
Compensated Absences - Current Portion	3,534
Accrued Interest Payable	3,298
Sewer Revenue Bond Payable - Current Portion	30,000
Total Current Liabilities	<u>42,950</u>
Noncurrent Liabilities	
Sewer Revenue Bond Payable - Noncurrent Portion	310,000
Total Non-Current Liabilities	<u>310,000</u>
<b>TOTAL LIABILITIES</b>	<b><u>352,950</u></b>
<b>NET ASSETS</b>	
Invested in Capital Assets, Net of Related Debt	3,033,775
Unrestricted	936,143
<b>TOTAL NET ASSETS</b>	<b><u>\$ 3,969,918</u></b>

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

CITY OF SIMPSONVILLE, SOUTH CAROLINA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS - PROPRIETARY FUND

YEAR ENDED JUNE 30, 2007

	<u>Business-Type Activities</u> <u>Sewer</u>
<b>OPERATING REVENUES</b>	
Charges for Service	
Sewer Maintenance Fees	\$ 767,310
<b>TOTAL OPERATING REVENUES</b>	<b>767,310</b>
<b>OPERATING EXPENSES</b>	
Personnel Services	182,479
Contractual Services	52,106
Materials and Supplies	1,247
Other Operating Expenses	34,708
Depreciation	122,844
<b>TOTAL OPERATING EXPENSES</b>	<b>393,384</b>
<b>OPERATING INCOME (LOSS)</b>	<b>373,926</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>	
Contributions	200,000
Grant	72,535
Interest Expense	(14,065)
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<b>258,470</b>
<b>CHANGE IN NET ASSETS</b>	<b>632,396</b>
NET ASSETS, Beginning of Year, As Previously Reported	-
PRIOR PERIOD ADJUSTMENT	3,337,522
NET ASSETS, Beginning of Year, Restated	3,337,522
<b>NET ASSETS, End of Year</b>	<b>\$ 3,969,918</b>

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

**CITY OF SIMPSONVILLE, SOUTH CAROLINA**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUND**  
**YEAR ENDED JUNE 30, 2007**

	<u>Business-Type Activities</u>
	<u>Sewer</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash Received from Customers	\$ 535,874
Cash Payments for Goods and Services	(88,061)
Cash Payments to Employees	(180,632)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b><u>267,181</u></b>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>	
Transfers to Other Funds	(89,585)
<b>NET CASH USED IN NON-CAPITAL FINANCING ACTIVITIES</b>	<b><u>(89,585)</u></b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Acquisition of Capital Assets	(402,385)
Receipts from Capital Contributions	200,000
Receipts from Capital Grants	72,535
Principal Payments on Revenue Bond Payable	(30,000)
Interest Payments	(17,746)
<b>NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b><u>(177,596)</u></b>
<b>NET INCREASE (DECREASE) IN RESTRICTED AND UNRESTRICTED CASH AND CASH EQUIVALENTS</b>	<b>-</b>
<b>RESTRICTED AND UNRESTRICTED CASH AND CASH EQUIVALENTS, Beginning of Year</b>	<b><u>-</u></b>
<b>RESTRICTED AND UNRESTRICTED CASH AND CASH EQUIVALENTS, End of Year</b>	<b><u>\$ -</u></b>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating Income	\$ 373,926
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation Expense	122,844
Change in:	
Increase in Accounts Receivable	(231,436)
Increase in Accrued Salaries and Fringe Benefits	1,945
Decrease in Compensated Absences	(98)
<b>Net Cash Provided by Operating Activities</b>	<b><u>\$ 267,181</u></b>

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

CITY OF SIMPSONVILLE, SOUTH CAROLINA

STATEMENT OF NET ASSETS - FIDUCIARY FUNDS

JUNE 30, 2007

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

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

CITY OF SIMPSONVILLE, SOUTH CAROLINA

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS - FIDUCIARY FUNDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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

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

# CITY OF SIMPSONVILLE, SOUTH CAROLINA

## NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2007

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

### I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### A. The Reporting Entity

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

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

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

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

#### **Blended Component Unit**

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

#### **Discrete Component Unit**

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

CITY OF SIMPSONVILLE, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2007

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I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The government-wide basic financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the non-fiduciary activities of the City (the “Primary Government”) and its blended component unit. For the most part, the effect of interfund activity has been removed from these basic financial statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

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

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

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

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

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

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



CITY OF SIMPSONVILLE, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2007

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I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

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

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

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

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

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

CITY OF SIMPSONVILLE, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2007

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I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The City has one major Enterprise Fund:

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

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

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

C. Assets, Liabilities, and Equity

1. Cash, Cash Equivalents, and Investments

*Cash and Cash Equivalents*

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

*Investments*

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

CITY OF SIMPSONVILLE, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2007

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I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities and Equity (Continued)

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

*Investments (Continued)*

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

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

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

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

CITY OF SIMPSONVILLE, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2007

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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, 2007, balances of interfund amounts or payables have been recorded.

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

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

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

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

All trade and property taxes receivable are shown net of an allowance for uncollectibles (if any). Trade receivables are comprised of amounts due from entities and individuals for a variety of types of fees, charges, and services, including sewer fees and charges.

3. *Inventories and Prepaid Items*

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

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

4. *Capital Assets*

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

CITY OF SIMPSONVILLE, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2007

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I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, and Equity (Continued)

4. Capital Assets (Continued)

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

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

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

Description	Governmental Activities Estimated Lives
Buildings and Improvements	10 - 50 years
Furniture and Equipment	5 - 15 years
Vehicles	5 - 20 years
Infrastructure	40 - 50 years

5. Compensated Absences

The City reports compensated absences in accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences." The entire compensated absence liability and expense is reported on the governmental-wide basic financial statements. The portion applicable to the Proprietary Fund is also recorded in the Proprietary Fund financial statements. The governmental funds will also recognize compensated absences for termination and retirements that occurred prior to year end and are expected to be paid within a short time subsequent to year end, if they are material.

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

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

6. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide basic financial statements. The portion applicable to the Proprietary Fund is also recorded in the Proprietary Fund financial statements. All current payables and accrued liabilities from governmental funds are reported in the governmental fund financial statements.

CITY OF SIMPSONVILLE, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2007

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I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, and Equity (Continued)

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

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

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

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

7. *Deferred Revenue*

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

8. *Fund Balance*

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

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

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

**CITY OF SIMPSONVILLE, SOUTH CAROLINA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2007**

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

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

**9. Net Assets**

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

**10. Accounting Estimates**

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

**11. Comparative Data**

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

**II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. Budgetary Information**

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

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

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

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

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

CITY OF SIMPSONVILLE, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2007

III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES

A. Deposits and Investments

*Deposits*

**Custodial Credit Risk for Deposits:** Custodial credit risk for deposits is the risk that, in the event of a bank failure, the City’s deposits might not be recovered. The City does not have a deposit policy for custodial credit risk but follows the investment policy statutes of the State of South Carolina. Of the City’s Primary Government’s bank balances of \$934,596 as of June 30, 2007 (which had a carrying value of \$688,366), \$70,869 was exposed to custodial credit risk as they were uninsured and uncollateralized. In addition, none of the City’s discretely presented Component Unit’s bank balance of \$64,602 was exposed to custodial credit risk.

*Investments*

As of June 30, 2007, the City had the following investments, all with the Primary Government:

Investment Type	Credit Rating ^	Fair Value	Weighted Average Maturity (Years)
Repurchase Agreement	Unrated	\$ 779,430	Less than 1 YR
SC Pooled Investment Fund	Unrated	16,147	N/A
First American Treasury Obligations Fund	AAA, Aaa,AAA	271,127	Less than 1 YR
United States Treasury Bill	N/A, Aaa,NR	163,816	Less than 1 YR
United States Treasury Note	AAA, AAA, N/A	103,051	Less than 1 YR
Total		\$ 1,333,571	

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

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

**Custodial Credit Risk for Investments:** Custodial credit risk for investments is the risk that, in the event of a bank failure, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City does not have an investment policy for custodial credit risk but follows the investment policy statutes of the State of South Carolina. As of June 30, 2007, \$779,430 of the City’s security investments were exposed to custodial credit risk as they were held by the counterparties’ trust departments but not in the name of the City.

**Concentration of Credit Risk for Investments:** The City places no limit on the amount it may invest in any one issuer. Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds and external investment pools are excluded from this disclosure requirement. More than 5% of the City’s investments are in the following issuers: Repurchase Agreement with Suntrust (58%) and Money Market Mutual Fund with US Bank (40%). Investments in external investment pools are excluded from this disclosure requirement.

*Reconciliation to the Financial Statements*

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

Statement of Net Assets	Footnotes
Cash and Cash Equivalents	Carrying Value of Deposits
\$ 725,518	\$ 688,366
Restricted Cash and Cash Equivalents	Fair Value of Investments
1,216,933	1,333,571
Investments	
79,486	
Total Deposits and Investments	Total Deposits and Investments
\$ 2,021,937	\$ 2,021,937



CITY OF SIMPSONVILLE, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2007

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

B. Receivables and Deferred Revenue

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

Property taxes were levied and billed by the County on real and personal properties on October 1<sup>st</sup> based on an assessed value of approximately \$45.8 million at the rate of 50.7 mills for the City and 23.4 mills for the Fire Service District of the County. These taxes are due without penalty through January 15<sup>th</sup>. Property taxes receivable includes an allowance for uncollectibles of approximately \$69,000 at June 30, 2007. 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, 2007, the City had deferred delinquent property taxes for the General Fund of approximately \$73,000.

C. Interfund Receivables, Payables, and Transfers

*Interfund Receivables and Payables*

Interfund balances at June 30, 2007 (which are expected to be paid or received within one year), consisted of the following individual fund receivables and payables:

Fund	Receivables	Payables
<b>Major Funds:</b>		
General Fund	\$ 294,963	\$ 593,829
Special Revenue Fund	-	188,085
Capital Projects Fund	-	106,878
Sewer Enterprise Fund	593,829	-
Totals	\$ 888,792	\$ 888,792

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

*Interfund Transfers*

Interfund transfers for the year ended June 30, 2007, consisted of the following:

Fund	Transfers In	Transfers Out
<b>Major Funds:</b>		
General Fund	\$ 238,188	\$ 1,360,408
Special Revenue Fund	-	969,538
Capital Projects Fund	40,700	-
Debt Service Fund	2,051,058	-
Totals	\$ 2,329,946	\$ 2,329,946

CITY OF SIMPSONVILLE, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2007

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

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

*Interfund Transfers (Continued)*

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

D. Capital Assets

Capital asset activity for the City for governmental activities for the year ended June 30, 2007, was as follows:

	Restated Beginning Balance *	Increases	Decreases	Transfers	Ending Balance
<b>Governmental Activities:</b>					
Capital Assets, Non-Depreciable:					
Land	\$ 5,002,012	212,900	-	-	\$ 5,214,912
Construction in Progress	144,470	-	-	(144,470)	-
Total Capital Assets, Non-Depreciable	<u>5,146,482</u>	<u>212,900</u>	<u>-</u>	<u>(144,470)</u>	<u>5,214,912</u>
Capital Assets, Depreciable:					
Infrastructure	15,902,298	721,254	146,240	144,470	16,621,782
Buildings and Improvements	14,416,070	762,067	-	-	15,178,137
Equipment	1,487,886	-	-	-	1,487,886
Furniture and Fixtures	112,220	-	-	-	112,220
Vehicles	5,877,120	48,375	-	-	5,925,495
Total Capital Assets, Depreciable	<u>37,795,594</u>	<u>1,531,696</u>	<u>146,240</u>	<u>144,470</u>	<u>39,325,520</u>
Less: Accumulated Depreciation for:					
Infrastructure	8,137,123	307,784	146,240	-	8,298,667
Buildings and Improvements	2,399,433	375,899	-	-	2,775,332
Equipment	722,929	141,637	-	-	864,566
Furniture and Fixtures	84,951	2,594	-	-	87,545
Vehicles	3,246,063	401,651	-	-	3,647,714
Total Accumulated Depreciation	<u>14,590,499</u>	<u>1,229,565</u>	<u>146,240</u>	<u>-</u>	<u>15,673,824</u>
Total Capital Assets, Depreciable, Net	<u>23,205,095</u>	<u>302,131</u>	<u>-</u>	<u>144,470</u>	<u>23,651,696</u>
Total Governmental Activities Capital Assets, Net	<u>\$ 28,351,577</u>	<u>515,031</u>	<u>-</u>	<u>-</u>	<u>\$ 28,866,608</u>

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

The cost of equipment recorded under capital lease was approximately \$3,900,000. Accumulated amortization was approximately \$2,600,000 at June 30, 2007. Amortization of assets recorded under capital lease obligations has been included with depreciation expense.

CITY OF SIMPSONVILLE, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2007

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

D. Capital Assets (Continued)

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

<b>Governmental Activities:</b>	<u>Depreciation Expense</u>
General Government	\$ 350,902
Public Safety	401,173
Public Works	153,204
Recreation and Parks	324,286
Total Depreciation Expense - Governmental Activities	<u>\$ 1,229,565</u>

Capital asset activity for the City for business-type activities for the year ended June 30, 2007, was as follows:

	<u>Restated Beginning Balance *</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balance</u>
<b>Business-Type Activities:</b>					
Capital Assets, Depreciable:					
Infrastructure	\$ 6,079,330	402,385	-	-	\$ 6,481,715
Equipment	119,407	-	-	-	119,407
Total Capital Assets, Depreciable	<u>6,198,737</u>	<u>402,385</u>	<u>-</u>	<u>-</u>	<u>6,601,122</u>
Less: Accumulated Depreciation for:					
Infrastructure	3,008,202	118,643	-	-	3,126,845
Equipment	96,301	4,201	-	-	100,502
Total Accumulated Depreciation	<u>3,104,503</u>	<u>122,844</u>	<u>-</u>	<u>-</u>	<u>3,227,347</u>
Total Capital Assets, Depreciable, Net	<u>3,094,234</u>	<u>279,541</u>	<u>-</u>	<u>-</u>	<u>3,373,775</u>
Total Business-Type Activities Capital Assets, Net	<u>\$ 3,094,234</u>	<u>279,541</u>	<u>-</u>	<u>-</u>	<u>\$ 3,373,775</u>

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

E. Short-Term Obligations

The City issued a Tax Anticipation Note ("TAN") on July 6, 2006 for \$1,500,000. This TAN was issued to provide the City cash reserves until the 2007 property taxes are levied and collected. The City repaid the TAN on April 13, 2007 with interest of \$47,321.

The following is a summary of the changes in the City's short-term obligations for 2007:

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

CITY OF SIMPSONVILLE, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2007

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

F. Long-Term Obligations

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

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

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

Details on the City’s (including its blended component unit) outstanding debt issues and capital leases as of June 30, 2007 are as follows:

**General Obligation Bonds**

- 2000 Series – issued in September 2000 for \$850,000 with annual installments varying from \$40,000 to \$85,000 beginning April 1, 2002 and ending on April 1, 2015 with interest at 5.34%. Interest is payable semi-annually on April 1<sup>st</sup> and October 1<sup>st</sup>. The proceeds from this issuance were primarily used for the construction of the law enforcement center and for the purchase of the land for Heritage Park.
- 2001 Series – issued in September 2001 for \$525,000 with annual installments varying from \$30,000 to \$50,000 beginning April 1, 2003 and ending on April 1, 2016 with interest at 4.64%. Interest is payable semi-annually on April 1<sup>st</sup> and October 1<sup>st</sup>. The proceeds from this issuance were primarily used for the construction of Fire Station Four.
- 2003 Series – issued in July 2003 for \$600,000 with annual installments varying from \$45,000 and \$65,000 beginning April 1, 2008 and ending on April 1, 2018 with interest at 3.498%. Interest is payable semi-annually on April 1<sup>st</sup> and October 1<sup>st</sup>. Debt issuance cost of approximately \$40,000 was expensed in 2003 rather than being amortized over the life of the bond due to the immaterial amount of debt issuance cost. The proceeds from this issuance were primarily used for the construction of Heritage Park.
- 2006 Series – issued in January 2006 for \$250,000 with annual installments varying from \$30,000 and \$40,000 beginning April 1, 2007 and ending on April 1, 2016 with interest at 3.82%. Interest is payable semi-annually on April 1<sup>st</sup> and October 1<sup>st</sup>. Debt issuance cost of approximately \$15,000 was expensed in 2006 rather than being amortized over the life of the bond due to the immaterial amount of debt issuance cost. The proceeds from this issuance were primarily used for the rebuilding of the bridge by Alder Park.

CITY OF SIMPSONVILLE, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2007

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

F. Long-Term Obligations (Continued)

- 2007 Series – issued in April 2007 for \$785,000 with annual installments varying from \$40,000 to \$70,000 beginning on April 1, 2008 and ending on April 1, 2022 with interest at 4.04%. Interest is payable semi-annually on April 1 and October 1. Debt issuance cost of approximately \$35,000 was expensed in 2007 rather than being amortized over the life of the bond due to the immaterial amount of debt issuance cost. The proceeds from this issuance were primarily used for paving city roads.

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

- 2004 Series – issued in April 2004 for \$8,070,000 with annual principal installments varying from \$220,000 to \$525,000 beginning January 1, 2005 and ending on January 1, 2024. Interest is payable semi-annually on January 1<sup>st</sup> and July 1<sup>st</sup>. Interest starts at 2.93%, but is subject to adjustment on July 1, 2009, 2014 and 2019. Debt issuance costs of approximately \$104,000 were incurred related to the issuance of the 2004 COPS and was expensed in 2004 rather than being amortized over the life of the bond due to the immaterial amount of debt issuance costs. The proceeds of the 2004 COPS were primarily used to refund the 2000 COPS and 2003 COPS. See the advance and current refunding debt section for more details. The reacquisition price exceeded the net carrying value of the 2003 COPS and thus resulted in a deferred loss on refunding of approximately \$544,000 which is being amortized over the 2004 COPS which was shorter than the old debt. The proceeds from the earlier issued 2000 COPS and 2003 COPS had been used to fund construction costs for Heritage Park.
- 2005 Series – issued in May 2005 for \$1,340,000 with annual principal installments varying from \$115,000 to \$160,000 beginning January 1, 2006 and ending in January 1, 2015. Interest is payable semi-annually on January 1<sup>st</sup> and July 1<sup>st</sup> with interest at 3.89%. Debt issuance cost of \$40,000 was expensed in 2005 rather than being amortized over the life of the bond due to the immaterial amount of debt issuance cost. The proceeds from the 2005 COPS were used to pay the final costs associated with the construction of Heritage Park.
- 2006 Series – issued in November 2006 for \$2,005,000 with annual principal installments varying from \$30,000 to \$280,000 beginning January 1, 2008 and ending January 1, 2022. Interest is payable semi-annually on January 1 and July 1 with interest at 3.75%. Debt issuance cost of \$60,000 was expensed in 2007 rather than being amortized over the life of the bond due to the immaterial amount of debt issuance cost. The proceeds from the 2006 COPS were primarily used to pay back the \$942,000 owed to the General Fund and fund the amphitheatre at Heritage Park.

**Note Payable**

- Note Payable to Greenville County School District - issued in February 2006 for \$427,500 with annual installments beginning February 1, 2007 and ending on February 1, 2009. The February 1, 2007 payment was for \$21,375 of accrued interest. Two principal and interest payments of \$235,125 and \$224,437 are scheduled to be made on February 1, 2008 and 2009. These payments include interest accrued at 5%. The proceeds from this issuance were used to purchase a school building.

CITY OF SIMPSONVILLE, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2007

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

F. Long-Term Obligations (Continued)

Revenue Bond

- Sewer Revenue Bond - issued in January 6, 2006 for \$370,000 with annual installments varying from \$30,000 to \$45,000 beginning April 1, 2007 and ending on April 1, 2016. Interest is payable semi-annually on April 1 and October 1 with interest at 3.88%. Debt issuance cost \$15,788 were expensed in 2006 rather than being amortized over the life of the bond due to the immaterial amount of debt issuance cost. The proceeds from the 2006 revenue bond was used to complete the new Bi-Lo Line and will be complete a new line in Hunter's Woods.

Capital Leases

- \$464,300 capital lease was entered into in April, 2001 Master Equipment Lease ("MEL") – The City has a MEL obligation used for the purchase of various equipment items. The lease on the equipment is for a period of three to eight years, which began on April 1, 2001. Semi-annual payments are from \$83,861 to \$119,631, which includes interest of 5.07% to 5.14%.
- \$572,500 capital lease was entered into in October, 2001 MEL – The City has a MEL obligation used for the purchase of various equipment items. The lease on the equipment is for a period of four to six years, which began on October 1, 2001. Semi-annual payments are from \$30,282 to \$64,016, which includes interest of 4.06% to 4.34%.
- \$353,678 capital lease was entered into in April, 2003 MEL – The City has a MEL obligation used for the purchase of various equipment items. The lease on the equipment is for a period of three to five years, which began April 2003. Semi-annual payments are from \$35,179 to \$41,923, which includes interest of 3.46% to 3.90%.
- \$868,561 capital lease was entered into in May, 2004 MEL – The City has entered into a MEL obligation that will be used for the purchase of equipment for Heritage Park, police and public works vehicles, a fueling station for city vehicles and emergency generators for three fire stations. The lease on the equipment is for a period of three to five years, which began in May 2004. Semi-annual payments begin at \$115,318 for the first three years dropping to \$59,302 in the last two years, which includes interest of 2.45% to 2.85%. At June 30, 2007, the City had unused capital lease proceeds (restricted cash and cash equivalents) of approximately \$182,000 for the purchase of the remaining capital assets under the lease.
- \$860,000 capital lease was entered into in March, 2005 MEL – The City has entered into a MEL obligation that will be used for the purchase of two new fire trucks and one new refuse truck. The lease on the equipment is for a period of eight years, which began in March 2005. Annual payments begin at \$34,228 for the first year and rise to \$143,178 for the remaining seven years, which includes interest at 3.96%. At June 30, 2007, 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, 2007

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

F. Long-Term Obligations (Continued)

The following is a summary of changes in the City's long-term obligations for the year ended June 30, 2007.

Long-Term Obligations	Restated Beginning Balance *	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities:</b>					
Debt:					
General Obligation Bonds:					
1997 Series	\$ 280,000	-	280,000	-	\$ -
2000 Series	620,000	-	55,000	565,000	60,000
2001 Series	405,000	-	35,000	370,000	35,000
2003 Series	600,000	-	-	600,000	45,000
2006 Series	250,000	-	30,000	220,000	35,000
2007 Series	-	785,000	-	785,000	40,000
	<u>2,155,000</u>	<u>785,000</u>	<u>400,000</u>	<u>2,540,000</u>	<u>215,000</u>
Certificates of Participation:					
2004 Series	7,535,000	-	325,000	7,210,000	335,000
2004 Series - Deferred Loss	(484,068)	-	(27,661)	(456,407)	-
2005 Series	1,225,000	-	115,000	1,110,000	120,000
2006 Series	-	2,005,000	-	2,005,000	30,000
	<u>8,275,932</u>	<u>2,005,000</u>	<u>412,339</u>	<u>9,868,593</u>	<u>485,000</u>
Note Payable to SCDOT	77,998	-	77,998	-	-
Note Payable Greenville County School District	427,500	-	-	427,500	213,750
	<u>505,498</u>	<u>-</u>	<u>77,998</u>	<u>427,500</u>	<u>213,750</u>
Total Debt	10,936,430	2,790,000	890,337	12,836,093	913,750
Capital Leases:					
April 2001 MEL	389,216	-	149,866	239,350	157,561
October 2001 MEL	58,648	-	58,648	-	-
April 2003 MEL	101,550	-	67,045	34,505	34,505
January 2004 MEL	20,933	-	20,933	-	-
May 2004 MEL	556,776	-	216,834	339,942	166,809
March 2005 MEL	860,000	-	108,950	751,050	113,287
Total Capital Leases	1,987,123	-	622,276	1,364,847	472,162
Accrued Compensated Absences	120,167	211,264	186,036	145,395	145,395
Total Governmental Activities	<u>13,043,720</u>	<u>3,001,264</u>	<u>1,698,649</u>	<u>14,346,335</u>	<u>1,531,307</u>
<b>Business-Type Activities</b>					
Sewer Revenue Bond, Series 2006	370,000	-	30,000	340,000	30,000
Accrued Compensated Absences	3,910	3,075	3,451	3,534	3,534
Total Business-Type Activities	<u>\$ 373,910</u>	<u>3,075</u>	<u>33,451</u>	<u>343,534</u>	<u>\$ 33,534</u>

CITY OF SIMPSONVILLE, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2007

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

F. Long-Term Obligations (Continued)

All long-term obligations are funded from resources from the General, Special Revenue, and Sewer Funds. Normal interest cost for the year ended June 30, 2007, was approximately \$478,000, all of which was expensed.

Interest paid on the debt issued by the City is exempt from federal income tax. The City sometimes temporarily reinvests the proceeds of such tax-exempt debt in higher-yielding taxable securities, especially during construction projects. The federal tax code refers to this practice as arbitrage. Excess earnings (the difference between the interest on the debt and the investment earnings received) resulting from arbitrage must be rebated to the federal government. The City had no arbitrage liability at June 30, 2007.

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, 2007, the City had \$2,540,000 of bonded debt subject to the 8% limit of approximately \$3,664,000 resulting in an unused legal debt margin of approximately \$1,124,000. As of July 1, 2007 the debt limit expanded to \$4,027,000.

The annual requirements to amortize debt outstanding for the City’s governmental and business-type activities at June 30, 2007, were as follows:

Years Ending June 30	Bonds		Certificates of Participation		Note Payable		Totals
	Principal	Interest	Principal	Interest	Principal	Interest	
<b><u>Governmental Activities</u></b>							
2008	\$ 215,000	106,419	485,000	331,426	213,750	21,375	\$ 1,372,970
2009	220,000	99,090	505,000	307,047	213,750	10,687	1,355,574
2010	225,000	89,560	520,000	290,451	-	-	1,125,011
2011	240,000	79,763	535,000	273,366	-	-	1,128,129
2012	245,000	69,265	555,000	255,840	-	-	1,125,105
2013-2017	1,010,000	188,384	3,065,000	998,787	-	-	5,262,171
2018-2022	385,000	42,068	3,625,000	475,357	-	-	4,527,425
2023-2024	-	-	1,035,000	30,545	-	-	1,065,545
Totals	<u>\$ 2,540,000</u>	<u>674,549</u>	<u>10,325,000</u>	<u>2,962,819</u>	<u>427,500</u>	<u>32,062</u>	<u>\$ 16,961,930</u>
<b><u>Business-Type Activities</u></b>							
2008	\$ 30,000	13,192	-	-	-	-	\$ 43,192
2009	30,000	12,028	-	-	-	-	42,028
2010	35,000	10,864	-	-	-	-	45,864
2011	35,000	9,506	-	-	-	-	44,506
2012	40,000	8,148	-	-	-	-	48,148
2013-2016	170,000	16,878	-	-	-	-	186,878
Totals	<u>\$ 340,000</u>	<u>70,616</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>\$ 410,616</u>



CITY OF SIMPSONVILLE, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2007

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

F. Long-Term Obligations (Continued)

As of June 30, 2007, future minimum lease payments under capital leases were as follows:

Years Ending June 30	Capital Leases		
	Principal	Interest	Totals
<b><u>Governmental Activities</u></b>			
2008	\$ 472,162	48,539	\$ 520,701
2009	314,218	31,427	345,645
2010	180,983	21,497	202,480
2011	127,359	15,820	143,179
2012	132,427	10,751	143,178
2013-2017	137,698	5,480	143,178
Totals	<u>\$ 1,364,847</u>	<u>133,514</u>	<u>\$ 1,498,361</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, 2007 was approximately \$3,600,000.

G. Related Party Transactions

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

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

IV. OTHER INFORMATION

A. Retirement Plans

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

CITY OF SIMPSONVILLE, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2007

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IV. OTHER INFORMATION (CONTINUED)

A. Retirement Plans (Continued)

*Pension Plan A Funding Policy* – Both employees and employers are required to contribute to the Plan under authority of Title 9 of the SC Code of Laws. Employees covered under PORS were required to contribute 6.50% of their salary. Employees covered under SCRS were required to contribute 6.25% of their salary through June 30, 2007. The City was required to contribute 10.30% of gross earnings under PORS. The City was required to contribute 8.05% under SCRS. In addition to the above rates, participating employers of the South Carolina Retirement System contribute .20% of payroll to provide a group life insurance benefit for their participants. All employers contribute at the actuarially required contribution rates. The City contributed amounts equal to the required contribution to the SCRS of \$193,122, PORS of \$311,973; SCRS of 165,124, PORS of \$287,255; and SCRS of \$217,754, PORS of \$136,090, for the years ended June 30, 2007, 2005, and 2004 respectively. Only the South Carolina State Budget and Control Board has authority to establish and amend the funding policy.

*Pension Plan B* – Certain employees of the City were members of the City of Simpsonville Retirement Plan (the “Plan”). The Plan was a single employer defined benefit pension plan administered by the Principal Life Insurance Company. The Plan was discontinued effective December 31, 1999, so that no new employees would become eligible for participation or further vesting in the Plan. Subsequent to this Plan discontinuance, practically all employees of the City became eligible for either the SCRS or PORS as noted above. During November 2004, City Council (Trustees for the Plan) approved the termination and liquidation of the Plan. The final distribution of Plan assets was completed in August of 2007 (See Note IV. J.). As a result of the advanced funding of the plan by the City, there was a surplus of funds after this distribution which was returned to the city and recognized as a prior period adjustment. Article VIII of the Plan limits the liability to the City after termination. There are no post employment liabilities due from the City.

B. Risk Management

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

The City is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, and natural disasters. The City has joined together with other municipalities in the state to form the South Carolina Municipal Insurance and Risk Financing Fund (“SCMIRF”), which is a public entity risk pool currently operating as a common risk management and insurance program. The City obtains its general risk insurance through SCMIRF. It pays an annual premium for this coverage. For the year ended December 31, 2006, the City made premium payments totaling approximately \$241,000. SCMIRF is self-sustaining through member premiums and reinsures through commercial companies. SCMIRF’s net assets from its most recently issued audited financial statements at December 31, 2006, totaled approximately \$16,798,000. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage in the past three fiscal years.

The City has also joined together with other municipalities in the state to form the South Carolina Municipal Insurance Trust (“SCMIT”), a public entity risk pool operating as a common risk management and insurance program for worker’s compensation. The City pays a quarterly premium to SCMIT. In the year ended June 30, 2007, the City made premium payments totaling approximately \$248,000. The Trust uses reinsurance agreements to reduce its exposure to large workers’ compensation losses. SCMIT’s net assets from its most recently issued audited financial statements at December 31, 2006, totaled approximately \$6,049,000. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage in the past three fiscal years.

**CITY OF SIMPSONVILLE, SOUTH CAROLINA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2007**

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**IV. OTHER INFORMATION (CONTINUED)**

**C. Grants**

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

**D. Excess of Expenditures Over Appropriations**

For the fiscal year ended June 30, 2007, there were small expenditures in excess of the budget for Repairs and Maintenance, Utilities and Vehicle Operating Costs which exceeded the revised budget. These overages were covered by existing fund balance.

**E. Litigation**

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

**F. Contingency**

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

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

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

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

**H. Prior Period Adjustments**

The City's fund balance/net assets in fiscal year 2006 were restated as follows:

The fund balance of the General Fund and Sewer Fund and the net assets of the Governmental Activities and Business-Type Activities were restated to recognize the City's receipt of surplus funds due to the termination of the City's Retirement Plan (see Notes IV.A. and IV.J.), the majority of which were earned in prior fiscal years and to establish a Sewer Enterprise Fund, which is required since the City issued a Sewer Revenue Bond in November, 2005 and Sewer Capital Assets, receivables, current liabilities, and long term liabilities that were historically accounted for in the General Fund had to reclassified into a Sewer Enterprise Fund.

**CITY OF SIMPSONVILLE, SOUTH CAROLINA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2007**

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**IV. OTHER INFORMATION (CONTINUED)**

**I. Special Item**

The City has classified \$105,983 as a Special Item in the current year financial statements which is for the fiscal year 2007 investment earnings related to the termination of the City of Simpsonville Retirement Plan.

**J. Subsequent Event**

The City issued a Tax Anticipation Note on July 12, 2007 for \$1,500,000, which is due April 14, 2008 at an annual interest rate of 3.96%.

The City is lowering its tax millage for operation from 50.7 mills. This is a result of the reassessment which has pushed the City's new tax base to \$59,500,000. Due to new state laws controlling municipal millage rollback, the final millage figure for 2008 has not been determined.

GO Bond – A GO Bond will be issued in early 2007-2008 for \$1,045,000. After an estimated \$45,000 cost of issuance, the proceeds will be used to payoff the purchase of the Simpsonville Elementary School which is currently owed to Greenville County Schools in the amount of \$427,500. The balance will be used for 2007-2008 capital purchases as defined in the budget for that year.

COP's Bond – A COP's will be issued in late 2007 or early 2008. Its estimate value is \$2,000,000. plus \$50,000 cost of issuance. The proceeds will be used to further develop Heritage Park, more specifically the amphitheater, park access and parking. This being done as increased use the amphitheater can be used to draw more business into Simpsonville. The City has hired a professional management company to oversee operations of this facility which will also aid in this effort. Hospitality and Accommodations tax receipts are already adequate to meet the requirements of this issue.

As a result of the termination of the City of Simpsonville Retirement Plan, the City received surplus funds of \$1,004,009 in August, 2007.

## 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, 2007

	GENERAL FUND			
	ORIGINAL BUDGET	REVISED BUDGET	ACTUAL	VARIANCE
<b>REVENUES</b>				
Taxes:				
Property	\$ 4,730,000	4,783,200	4,634,946	\$ (148,254)
MASC Telecommunication and Insurance	1,350,000	1,350,000	1,394,002	44,002
Franchise	805,000	805,000	836,748	31,748
Licenses, Permits, and Fees	1,816,500	1,730,300	1,616,881	(113,419)
Grants	570,000	270,000	289,820	19,820
Fines	248,500	248,500	231,614	(16,886)
Shared Revenue:				
County	100,000	100,000	100,070	70
State	527,000	527,000	509,817	(17,183)
Interest	50,000	50,000	66,565	16,565
Other	468,000	493,000	392,524	(100,476)
<b>TOTAL REVENUES ALL SOURCES</b>	<b>10,665,000</b>	<b>10,357,000</b>	<b>10,072,987</b>	<b>(284,013)</b>
<b>EXPENDITURES</b>				
Current:				
General Government:				
Mayor and City Council	100,000	100,000	88,377	11,623
City Administration	1,273,000	1,271,500	1,333,805	(62,305)
Public Safety:				
Police Department	2,592,000	2,603,700	2,622,142	(18,442)
Fire Department	2,307,000	2,327,200	2,378,857	(51,657)
Public Works	1,960,800	2,724,100	2,146,540	577,560
Recreation and Parks	807,000	966,500	1,105,072	(138,572)
Capital Outlay	444,200	475,200	171,269	303,931
<b>TOTAL EXPENDITURES</b>	<b>9,484,000</b>	<b>10,468,200</b>	<b>9,846,062</b>	<b>622,138</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>1,181,000</b>	<b>(111,200)</b>	<b>226,925</b>	<b>338,125</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Debt Issue	-	785,000	-	(785,000)
Insurance Proceeds	-	-	33,193	33,193
Transfers In	-	217,200	238,188	20,988
Transfers Out	(1,181,000)	(1,181,000)	(1,360,407)	(179,407)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(1,181,000)</b>	<b>(178,800)</b>	<b>(1,089,026)</b>	<b>(910,226)</b>
Special Item - Gain on Retirement Plan Termination	-	-	105,983	105,983
<b>NET CHANGE IN FUND BALANCE</b>	<b>-</b>	<b>(290,000)</b>	<b>(756,118)</b>	<b>(466,118)</b>
FUND BALANCE, Beginning of Year	2,077,903	2,077,903	2,077,903	-
PRIOR PERIOD ADJUSTMENT	-	-	261,394	261,394
FUND BALANCE, Beginning of Year, Restated	2,077,903	2,077,903	2,339,297	261,394
<b>FUND BALANCE, End of Year</b>	<b>\$ 2,077,903</b>	<b>1,787,903</b>	<b>1,583,179</b>	<b>\$ (204,724)</b>

Note: This schedule has been presented on the modified accrual basis of accounting, which is consistent with accounting principles generally

## Other Supplementary Information

CITY OF SIMPSONVILLE, SOUTH CAROLINA

SCHEDULE OF GENERAL FUND EXPENDITURES - REVISED BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2007

	<b>REVISED BUDGET</b>	<b>ACTUAL</b>	<b>VARIANCE</b>
<b>MAYOR AND CITY COUNCIL</b>			
Current:			
Salaries	\$ 46,000	45,908	\$ 92
Tax - Payroll	3,500	3,265	235
Retirement	2,900	2,981	(81)
Insurance - Group	17,000	17,747	(747)
Insurance - Worker's Compensation	500	811	(311)
Auto & Truck	300	79	221
Professional Training	600	212	388
Contingency	5,000	-	5,000
Discretionary Funds	21,000	13,487	7,513
Due, Subscriptions, and Memberships	200	606	(406)
Local Meetings and Meals	600	566	34
Office and Printing	500	1,698	(1,198)
Supplies:			
Other	700	-	700
Telephone, Modem and Fax	1,200	1,017	183
<b>TOTAL MAYOR AND CITY COUNCIL</b>	<b>100,000</b>	<b>88,377</b>	<b>11,623</b>

**CITY ADMINISTRATION**

**Administration:**

Current:			
Salaries	298,900	331,040	(32,140)
Overtime	200	314	(114)
Bonuses	2,700	2,500	200
Tax - Payroll	22,900	24,438	(1,538)
Retirement	24,100	26,184	(2,084)
Unemployment	3,000	-	3,000
Insurance - Group	26,150	30,838	(4,688)
Insurance - Worker's Compensation	5,150	5,825	(675)
Auto & Truck	1,800	2,790	(990)
Professional Training	15,000	13,749	1,251
Contractual Services:			
Professional	53,200	60,504	(7,304)
Due, Subscriptions, and Memberships	10,000	9,275	725
Office and Printing	28,000	28,442	(442)
Supplies:			
Office	7,500	6,159	1,341
Other	2,400	1,316	1,084
Telephone, Modem and Fax	12,000	11,990	10
IT Communications	-	164	(164)
Temporary Employees	500	-	500
Small Equipment	3,700	2,977	723
Utilities	105,000	101,491	3,509
Tort Liability	244,500	241,434	3,066
Physical Examinations and Drug / Alcohol Testing	\$ 250	125	\$ 125

(Continued)



CITY OF SIMPSONVILLE, SOUTH CAROLINA

SCHEDULE OF GENERAL FUND EXPENDITURES - REVISED BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2007

	<b>REVISED BUDGET</b>	<b>ACTUAL</b>	<b>VARIANCE</b>
<b>CITY ADMINISTRATION (CONTINUED)</b>			
<b>Administration (Continued):</b>			
Current (Continued):			
Local Meetings and Meals	\$ 4,000	3,053	\$ 947
Leases:			
Equipment	26,000	26,160	(160)
Bank Fees	-	7,135	(7,135)
Building Inspection Fees	88,000	126,976	(38,976)
Advertising	2,200	1,870	330
Community Relations	52,000	45,710	6,290
Employee Recognition	5,000	2,485	2,515
Miscellaneous	1,000	4,502	(3,502)
Postage	4,700	5,142	(442)
Business Services	1,650	1,294	356
Printing	2,700	2,414	286
Repairs & Maintenance:			
Buildings	5,000	7,674	(2,674)
Equipment	1,500	1,078	422
Contingency	33,000	14,498	18,502
Capital Outlay	5,000	4,747	253
<b>Total Administration</b>	<b>1,098,700</b>	<b>1,156,293</b>	<b>(57,593)</b>
<b>Court:</b>			
Current:			
Salaries	127,000	130,931	(3,931)
Overtime	400	253	147
Bonuses	800	1,050	(250)
Tax - Payroll	9,750	9,307	443
Retirement	10,250	11,400	(1,150)
Insurance - Group	13,100	11,506	1,594
Insurance - Worker's Compensation	3,000	3,707	(707)
Auto & Truck	100	1,052	(952)
Professional Training	900	2,691	(1,791)
Office and Printing	200	160	40
Supplies:			
Office	600	472	128
Other	150	41	109
Telephone, Modem and Fax	500	5,092	(4,592)
IT Communications	6,000	1,036	4,964
Printing	150	572	(422)
Repairs & Maintenance:			
Equipment	\$ 750	359	\$ 391

(Continued)

CITY OF SIMPSONVILLE, SOUTH CAROLINA

SCHEDULE OF GENERAL FUND EXPENDITURES - REVISED BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2007

	<b>REVISED BUDGET</b>	<b>ACTUAL</b>	<b>VARIANCE</b>
<b>CITY ADMINISTRATION (CONTINUED)</b>			
<b>Court (Continued):</b>			
Current (Continued) :			
Small Tools and Equipment	\$ 150	-	\$ 150
Jurors, Bailiffs and Witnesses	3,600	2,630	970
Contingency	400	-	400
<b>Total Court</b>	<b>177,800</b>	<b>182,259</b>	<b>(4,459)</b>
<b>TOTAL CITY ADMINISTRATION</b>	<b>1,276,500</b>	<b>1,338,552</b>	<b>(62,052)</b>
<b>POLICE DEPARTMENT</b>			
<b>Operations:</b>			
Current:			
Salaries	1,342,000	1,356,140	(14,140)
Overtime	130,000	165,276	(35,276)
Bonuses	15,000	14,150	850
Tax - Payroll	112,600	110,425	2,175
Retirement	154,600	158,428	(3,828)
Unemployment	8,000	-	8,000
Insurance - Group	168,300	165,247	3,053
Insurance - Worker's Compensation	87,000	88,403	(1,403)
Auto & Truck	72,200	84,671	(12,471)
Professional Training	18,000	12,760	5,240
Contractual Services:			
Inmate Labor	2,000	2,079	(79)
Due, Subscriptions, and Memberships	2,500	2,290	210
Office and Printing	3,000	3,457	(457)
Supplies:			
Office	7,000	6,822	178
Other	3,500	3,709	(209)
Safety	1,500	403	1,097
Police	1,000	108	892
Telephone, Modem and Fax	15,000	17,495	(2,495)
IT Communications	1,800	672	1,128
Small Equipment	1,200	94	1,106
Utilities	19,000	20,474	(1,474)
Tuition Reimbursement	5,500	90	5,410
Physical Examinations and Drug / Alcohol Testing	4,000	1,405	2,595
Local Meetings and Meals	800	732	68
Leases:			
Equipment	2,600	1,017	1,583
Advertising	200	-	200
Community Relations	2,400	1,565	835
Postage	800	1,000	(200)
Uniforms	\$ 25,000	25,654	\$ (654)

(Continued)

CITY OF SIMPSONVILLE, SOUTH CAROLINA

SCHEDULE OF GENERAL FUND EXPENDITURES - REVISED BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2007

	<b>REVISED BUDGET</b>	<b>ACTUAL</b>	<b>VARIANCE</b>
<b>POLICE DEPARTMENT (CONTINUED)</b>			
<b>Operations (Continued):</b>			
Current (Continued):			
Employee Uniform Allowance	\$ 6,000	6,000	\$ -
Printing	2,000	744	1,256
Repairs & Maintenance:			
Buildings	8,000	10,288	(2,288)
Equipment	3,300	3,124	176
Radios	6,000	5,699	301
Small Tools and Equipment	500	20	480
Contingency	1,000	3,060	(2,060)
Firearms / Ammunition	4,000	779	3,221
Chemicals	500	-	500
Informant Fees	500	-	500
Housing:			
Inmate	32,000	28,237	3,763
Juvenile	24,000	2,825	21,175
Police Services	3,000	2,489	511
Capital Outlay	21,000	35,191	(14,191)
<b>Total Operations</b>	<b>2,318,300</b>	<b>2,343,022</b>	<b>(24,722)</b>
<b>Dispatch:</b>			
Current:			
Salaries	204,300	209,623	(5,323)
Overtime	12,000	13,143	(1,143)
Bonuses	2,400	2,550	(150)
Tax - Payroll	16,550	16,099	451
Retirement	17,400	17,582	(182)
Insurance - Group	34,900	39,485	(4,585)
Insurance - Worker's Compensation	5,050	5,968	(918)
Professional Training	2,000	1,352	648
Due, Subscriptions, and Memberships	200	168	32
Office and Printing	1,000	550	450
Supplies:			
Other	500	206	294
IT Communications	4,000	4,157	(157)
Physical Examinations and Drug / Alcohol Testing	2,000	-	2,000
Repairs & Maintenance:			
Equipment	2,100	2,527	(427)
Radios	1,000	831	169
Contingency	1,000	70	930
<b>Total Dispatch</b>	<b>306,400</b>	<b>314,311</b>	<b>(7,911)</b>
<b>TOTAL POLICE DEPARTMENT</b>	<b>\$ 2,624,700</b>	<b>2,657,333</b>	<b>\$ (32,633)</b>

(Continued)

CITY OF SIMPSONVILLE, SOUTH CAROLINA

SCHEDULE OF GENERAL FUND EXPENDITURES - REVISED BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2007

	REVISED BUDGET	ACTUAL	VARIANCE
<b>FIRE DEPARTMENT</b>			
Current:			
Salaries	\$ 1,525,000	1,563,520	\$ (38,520)
Overtime	-	5,520	(5,520)
Bonuses	18,300	17,300	1,000
Tax - Payroll	116,700	112,885	3,815
Retirement	160,100	164,587	(4,487)
Unemployment	-	6,029	(6,029)
Insurance - Group	190,200	178,424	11,776
Insurance - Worker's Compensation	74,100	87,081	(12,981)
Auto & Truck	25,000	31,815	(6,815)
Professional Training	36,000	38,000	(2,000)
Due, Subscriptions, and Memberships	3,200	3,235	(35)
Office and Printing	5,400	8,505	(3,105)
Supplies:			
Office	4,900	4,294	606
Other	6,000	6,467	(467)
Safety	20,500	16,910	3,590
Landscaping	750	587	163
Telephone, Modem and Fax	14,400	13,027	1,373
IT Communications	2,400	1,710	690
Small Equipment	3,000	1,692	1,308
Utilities	26,000	25,060	940
Physical Examinations and Drug / Alcohol Testing	12,000	9,616	2,384
Local Meetings and Meals	1,200	1,404	(204)
Leases:			
Equipment	4,800	100	4,700
Advertising	500	-	500
Community Relations	2,000	1,696	304
Postage	400	140	260
Uniforms	24,700	22,607	2,093
Printing	550	475	75
Repairs & Maintenance:			
Buildings	16,000	21,637	(5,637)
Equipment	15,000	18,047	(3,047)
Radios	10,000	9,764	236
Contingency	2,100	1,686	414
Chemicals	1,200	1,290	(90)
Equipment:			
Tools	1,200	1,157	43
Tuition Reimbursement	3,600	2,590	1,010
<b>TOTAL FIRE DEPARTMENT</b>	<b>\$ 2,327,200</b>	<b>2,378,857</b>	<b>\$ (51,657)</b>

(Continued)

CITY OF SIMPSONVILLE, SOUTH CAROLINA

SCHEDULE OF GENERAL FUND EXPENDITURES - REVISED BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2007

	<b>REVISED BUDGET</b>	<b>ACTUAL</b>	<b>VARIANCE</b>
<b>PUBLIC WORKS</b>			
<b>Sanitation, Maintenance and Administration:</b>			
Current:			
Salaries	\$ 909,200	895,983	\$ 13,217
Overtime	15,000	35,904	(20,904)
Bonuses	11,300	9,950	1,350
Tax - Payroll	70,700	69,636	1,064
Retirement	74,400	73,505	895
Unemployment	5,000	1,299	3,701
Insurance - Group	157,400	147,840	9,560
Insurance - Worker's Compensation	56,000	62,254	(6,254)
Auto & Truck	86,000	148,191	(62,191)
Professional Training	4,000	2,329	1,671
Contractual Services:			
Inmate Labor	65,000	63,412	1,588
Professional	11,000	6,085	4,915
Due, Subscriptions, and Memberships	600	535	65
Office and Printing	2,000	2,485	(485)
Supplies:			
Electric and Lighting	15,000	13,725	1,275
Cement and Masonry	13,600	15,551	(1,951)
Asphalt and Paving	760,000	9,407	750,593
Office	1,800	2,140	(340)
Other	3,350	3,202	148
Safety	3,000	2,903	97
Landscaping	5,700	5,875	(175)
Telephone, Modem and Fax	16,000	18,552	(2,552)
Small Equipment	600	553	47
Utilities	18,000	17,920	80
Physical Examinations and Drug / Alcohol Testing	1,500	905	595
Leases:			
Equipment	-	206	(206)
Advertising	1,000	251	749
Employee Recognition	700	-	700
Miscellaneous	2,000	1,952	48
Postage	300	46	254
Uniforms	18,000	16,196	1,804
Employee Uniform Allowance	500	500	-
Printing	300	227	73
Repairs & Maintenance:			
Facilities	5,500	4,739	761
Buildings	12,000	11,486	514
Equipment	1,000	972	28
Radios	1,500	-	1,500
Contingency	400	907	(507)
Chemicals	1,500	1,510	(10)
Inmate Health Care	\$ 2,000	330	\$ 1,670

(Continued)

CITY OF SIMPSONVILLE, SOUTH CAROLINA

SCHEDULE OF GENERAL FUND EXPENDITURES - REVISED BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2007

	<b>REVISED BUDGET</b>	<b>ACTUAL</b>	<b>VARIANCE</b>
<b>PUBLIC WORKS (CONTINUED)</b>			
<b>Sanitation, Maintenance and Administration (Continued):</b>			
Current (Continued):			
Equipment:			
Tools	\$ 5,500	5,789	\$ (289)
Rent	800	707	93
Cost of Waste Cans	40,000	87,698	(47,698)
Cost of Rollaway Cans	5,850	5,783	67
Tipping Fees	1,000	6,482	(5,482)
Capital Outlay	419,200	126,128	293,072
<b>Total Sanitation, Maintenance and Administration</b>	<b>2,825,200</b>	<b>1,882,050</b>	<b>943,150</b>
<b>Fleet:</b>			
Current:			
Salaries	106,100	127,497	(21,397)
Overtime	2,200	1,742	458
Bonuses	1,500	1,150	350
Tax - Payroll	8,300	8,989	(689)
Retirement	8,700	10,203	(1,503)
Insurance - Group	17,000	15,366	1,634
Insurance - Worker's Compensation	5,000	8,836	(3,836)
Auto & Truck	39,500	36,304	3,196
Professional Training	500	-	500
Supplies:			
Office	300	277	23
Other	500	443	57
Safety	300	137	163
Telephone, Modem and Fax	1,400	-	1,400
Miscellaneous	1,000	485	515
Postage	300	-	300
Uniforms	2,000	718	1,282
Repairs & Maintenance:			
Buildings	1,000	82	918
Equipment	115,000	173,874	(58,874)
Radios	1,000	-	1,000
Contingency	1,000	-	1,000
Chemicals	4,000	2,847	1,153
Equipment:			
Tools	1,500	1,668	(168)
<b>Total Fleet</b>	<b>318,100</b>	<b>390,618</b>	<b>(72,518)</b>
<b>TOTAL PUBLIC WORKS</b>	<b>\$ 3,143,300</b>	<b>2,272,668</b>	<b>\$ 870,632</b>

(Continued)

CITY OF SIMPSONVILLE, SOUTH CAROLINA

SCHEDULE OF GENERAL FUND EXPENDITURES - REVISED BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2007

	REVISED BUDGET	ACTUAL	VARIANCE
<b>RECREATION AND PARKS</b>			
<b>Recreation:</b>			
Current:			
Salaries	\$ 213,400	207,222	\$ 6,178
Overtime	5,000	5,136	(136)
Bonuses	2,700	2,650	50
Tax - Payroll	16,700	15,928	772
Retirement	17,600	15,638	1,962
Unemployment	500	57	443
Insurance - Group	26,200	22,160	4,040
Insurance - Worker's Compensation	7,500	6,217	1,283
Insurance - General	5,000	6,378	(1,378)
Auto & Truck	8,000	9,352	(1,352)
Professional Training	6,600	6,207	393
Contractual Services:			
Inmate Labor	2,100	-	2,100
Recreation	55,000	82,380	(27,380)
Due, Subscriptions, and Memberships	1,200	1,207	(7)
Office and Printing	2,000	1,872	128
Supplies:			
Recreation	90,000	91,412	(1,412)
Electric and Lighting	2,000	2,369	(369)
Cement and Masonry	500	20	480
Office	2,500	2,341	159
Other	4,500	5,393	(893)
Safety	300	302	(2)
Landscaping	4,500	4,277	223
Telephone, Modem and Fax	11,000	8,235	2,765
IT Communications	-	664	(664)
Temporary Employees	3,500	412	3,088
Small Equipment	1,300	26	1,274
Utilities	55,000	56,285	(1,285)
Physical Examinations and Drug / Alcohol Testing	500	-	500
Leases:			
Equipment	1,200	293	907
Advertising	1,500	1,199	301
Postage	800	1,151	(351)
Uniforms	3,000	3,349	(349)
Employee Uniform Allowance	1,600	1,669	(69)
Printing	1,000	907	93
Repairs & Maintenance:			
Facilities	5,000	3,310	1,690
Buildings	7,000	7,288	(288)
Equipment	8,000	5,610	2,390
Contingency	1,000	974	26
Capital Outlay	15,000	12,487	2,513
Chemicals	\$ 1,000	59	\$ 941

(Continued)

CITY OF SIMPSONVILLE, SOUTH CAROLINA

SCHEDULE OF GENERAL FUND EXPENDITURES - REVISED BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2007

	REVISED BUDGET	ACTUAL	VARIANCE
<b>RECREATION AND PARKS (CONTINUED)</b>			
<b>Recreation (Continued):</b>			
Current (Continued):			
Equipment:			
Tools	\$ 1,500	1,121	\$ 379
<b>Total Recreation</b>	<b>592,700</b>	<b>593,557</b>	<b>(857)</b>
<b>Heritage Park:</b>			
Current:			
Salaries	132,300	139,878	(7,578)
Overtime	3,500	9,919	(6,419)
Bonuses	1,100	1,050	50
Tax - Payroll	10,400	11,309	(909)
Retirement	7,800	6,424	1,376
Insurance - Group	12,800	11,466	1,334
Insurance - Worker's Compensation	4,000	7,576	(3,576)
Auto & Truck	4,000	1,949	2,051
Professional Training	1,500	788	712
Contractual Services:			
Inmate Labor	3,000	3,000	-
Due, Subscriptions, and Memberships	600	-	600
Office and Printing	1,000	927	73
Supplies:			
Recreation	-	5,835	(5,835)
Electric and Lighting	3,000	3,929	(929)
Office	2,000	2,164	(164)
Other	4,500	10,627	(6,127)
Safety	800	-	800
Landscaping	15,000	16,135	(1,135)
Telephone, Modem and Fax	4,000	3,869	131
Utilities	75,000	110,148	(35,148)
Physical Examinations and Drug / Alcohol Testing	350	-	350
Advertising	1,500	390	1,110
Donations	25,000	24,202	798
Postage	400	168	232
Uniforms	1,200	1,957	(757)
Employee Uniform Allowance	750	750	-
Printing	1,000	1,296	(296)
Repairs & Maintenance:			
Facilities	3,000	5,632	(2,632)
Buildings	4,000	7,623	(3,623)
Equipment	4,500	14,861	(10,361)
Contingency	800	812	(12)
Chemicals	2,000	3,366	(1,366)
Equipment:			
Tools	\$ 1,000	1,573	\$ (573)

(Continued)



CITY OF SIMPSONVILLE, SOUTH CAROLINA

SCHEDULE OF GENERAL FUND EXPENDITURES - REVISED BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2007

	<u>REVISED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
<b>RECREATION AND PARKS (CONTINUED)</b>			
<b>Heritage Park (Continued):</b>			
Current (Continued):			
Promotional	\$ 2,000	9,193	\$ (7,193)
Cost of Concession Goods Sold	55,000	92,699	(37,699)
Capital Outlay	15,000	5,203	9,797
<b>Total Heritage Park</b>	<u>403,800</u>	<u>516,718</u>	<u>(112,918)</u>
<b>TOTAL RECREATION AND PARKS</b>	<u>996,500</u>	<u>1,110,275</u>	<u>(113,775)</u>
<b>TOTAL EXPENDITURES</b>	<u>\$ 10,468,200</u>	<u>9,846,062</u>	<u>\$ 622,138</u>

CITY OF SIMPSONVILLE, SOUTH CAROLINA

SCHEDULE OF FINES, ASSESSMENTS, AND SURCHARGES

YEAR ENDED JUNE 30, 2007

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**Court Fines**

Court Fines Collected	\$	265,327
Court Fines Retained by the City		141,739
<b>Total Court Fines Remitted to the State Treasurer</b>	<b>\$</b>	<b>123,588</b>

**Court Assessments**

Court Assessments Collected	\$	178,609
Court Assessments Retained by the City		90,645
<b>Court Assessments Remitted to the State Treasurer</b>	<b>\$</b>	<b>87,964</b>

**Victim Services**

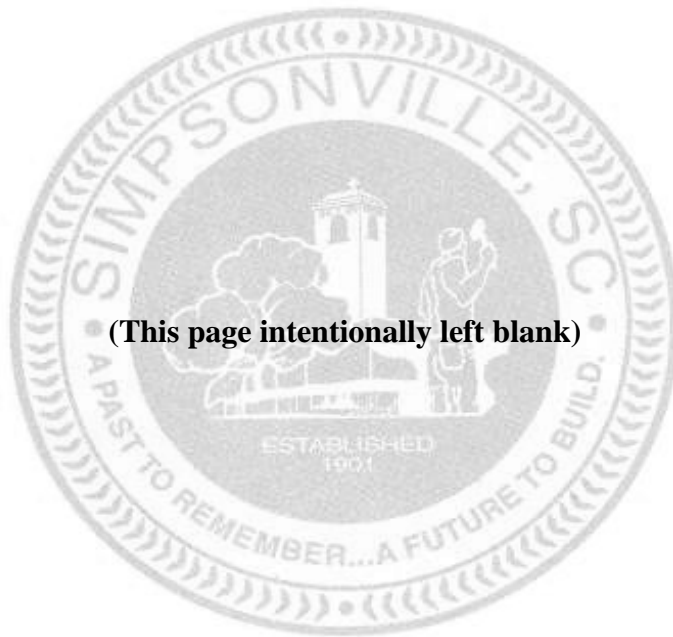
Court Assessments Allocated to Victim Services	\$	16,623
Victim Services Expenditures		47,569
<b>Net Funds Used from Carry Forwards and Assessments</b>	<b>\$</b>	<b>(30,946)</b>

## STATISTICAL SECTION

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

<b>Contents</b>	<b>Page</b>
Financial Trends <i>These schedules contain trend information to help the reader understand how the City’s financial performance and well-being have changed over time.</i>	73
Revenue Capacity <i>These schedules contain information to help the reader assess the City’s most significant local revenue source, the property tax.</i>	81
Debt Capacity <i>These schedules present information to help the reader assess the affordability of the City’s current levels of outstanding debt and the City’s ability to issue additional debt in the future.</i>	85
Demographic and Economic Information <i>These schedules offer demographic and economic indicators to help the reader understand the environment within the City’s financial activities take place.</i>	90
Operating Information <i>These schedules contain service and infrastructure data to help the reader understand how the information in the City’s financial report related to the services the city provides and the activities it performs.</i>	92

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



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NET ASSETS BY COMPONENT

LAST FOUR FISCAL YEARS  
(Accrual Basis of Accounting)

UNAUDITED

	Fiscal Year			
	2004	2005	2006	2007
Governmental Activities				
Invested in Capital Assets, Net of Related Debt	\$ 17,922,370	18,639,103	14,649,377	\$ 15,570,428
Restricted	161,226	-	339,862	355,787
Unrestricted	1,191,804	483,822	1,964,980	530,234
Total Governmental Activities Net Assets	<u>19,275,400</u>	<u>19,122,925</u>	<u>16,954,219</u>	<u>16,456,449</u>
Business-Type Activities				
Invested in Capital Assets, Net of Related Debt			2,724,234	3,033,775
Restricted			-	-
Unrestricted			613,288	936,143
Total Business-Type Activities Net Assets			<u>3,337,522</u>	<u>3,969,918</u>
Primary Government				
Invested in Capital Assets, Net of Related Debt	17,922,370	18,639,103	17,373,611	18,604,203
Restricted	161,226	-	339,862	355,787
Unrestricted	1,191,804	483,822	2,578,268	1,466,377
Total Primary Government Net Assets	<u>\$ 19,275,400</u>	<u>19,122,925</u>	<u>20,291,741</u>	<u>\$ 20,426,367</u>

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

CHANGES IN NET ASSETS

LAST FOUR FISCAL YEARS  
(Accrual Basis of Accounting)

UNAUDITED

	Fiscal Year			
	2004	2005	2006	2007
<b>Expenses</b>				
Governmental Activities:				
General Government	\$ 1,349,029	1,218,642	2,057,419	\$ 1,057,852
Justice and Legal	-	-	-	
Health and Human Services	-	-	-	
Public Safety	4,431,552	4,763,954	4,495,325	5,564,184
Public Service	2,174,271	2,511,132	2,731,964	2,393,753
Parks and Recreation	1,058,845	1,070,130	1,282,466	2,098,220
Interest and Other Charges	495,663	538,508	711,440	682,171
Total Governmental Activities Expenses	<u>9,509,360</u>	<u>10,102,366</u>	<u>11,278,614</u>	<u>11,796,180</u>
<b>Program Revenues</b>				
Governmental Activities:				
Charges for Services:				
General Government	644,272	1,021,742	1,508,138	1,593,984
Health and Human Services	-	-	-	
Public Safety	144,062	216,581	257,659	261,601
Public Works	175,550	413,047	470,913	-
Parks and Recreation	-	96,640	95,231	112,025
Operating Grants and Contributions	508,372	362,913	511,303	389,889
Capital Grants and Contributions	-	-	-	
Total Governmental Activities Program Revenues	<u>1,472,256</u>	<u>2,110,923</u>	<u>2,843,244</u>	<u>2,357,499</u>
Total Primary Government Program Revenues	<u>\$ 8,037,104</u>	<u>7,991,443</u>	<u>8,435,370</u>	<u>\$ 9,438,681</u>

(Continued)

## CHANGES IN NET ASSETS (CONTINUED)

## LAST FOUR FISCAL YEARS

(Accrual Basis of Accounting)

## UNAUDITED

	Fiscal Year			
	2004	2005	2006	2007
<b>Net (Expense)/Revenue</b>				
Governmental Activities	\$(8,037,104)	(7,991,443)	(8,435,370)	\$ (8,806,285)
Total Primary Government Net (Expense)/Revenue	<u>(8,037,104)</u>	<u>(7,991,443)</u>	<u>(8,435,370)</u>	<u>(8,806,285)</u>
<b>General Revenues and Other Changes in Net Assets</b>				
Governmental Activities:				
Taxes by Source:				
Property Tax	3,917,605	4,121,781	4,509,198	4,639,605
Accommodations Tax	747,092	925,893	1,116,394	1,199,782
MASC Telecommunications and Insurance Taxes	1,168,256	1,244,729	1,480,884	1,394,002
Franchise Fees	588,477	775,039	787,461	836,748
Unrestricted State Grants	113,469	364,373	397,018	419,589
Unrestricted Investment Earnings	14,577	37,808	35,419	177,776
Miscellaneous Revenues	-	-	-	-
Intergovernmental Revenue	-	-	-	-
Unrestricted Investment Earnings	-	-	-	-
Miscellaneous	-	168,869	217,014	273,409
Gains on Disposal/Sale of Capital Assets	-	-	-	-
Transfers	-	-	-	-
Total Governmental Activities	<u>6,549,476</u>	<u>7,638,492</u>	<u>8,543,388</u>	<u>8,940,911</u>
<b>Change in Net Assets:</b>				
Governmental Activities	(1,487,628)	(352,951)	108,018	134,626
Prior Period Adjustments		200,476	175,227	885,571
Total Primary Government	<u>\$(1,487,628)</u>	<u>(152,475)</u>	<u>283,245</u>	<u>\$ 1,020,197</u>

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

GOVERNMENTAL ACTIVITIES TAX REVENUE BY SOURCE

LAST FOUR FISCAL YEARS  
(Accrual Basis of Accounting)

UNAUDITED

	Fiscal Year			
	2004	2005	2006	2007
Property Tax	\$ 3,917,605	4,121,781	4,509,198	\$ 4,639,605
Hospitality & Accommodations Tax	747,092	925,893	1,116,394	1,199,782
MASC Telecommunications and Insurance Taxes	1,549,810	1,244,729	1,480,884	1,394,002
Franchise Fees	206,923	775,039	787,461	836,748
Unrestricted State Grants	113,469	364,373	397,018	121,755
Unrestricted Investment Earnings	14,577	37,808	35,419	177,776
Miscellaneous Revenues	-	33,539	33,151	33,193
Total	<u>\$ 6,549,476</u>	<u>7,503,162</u>	<u>8,359,525</u>	<u>\$ 8,402,861</u>

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



CITY OF SIMPSONVILLE, SOUTH CAROLINA

FUND BALANCES OF GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS  
(Modified Accrual Basis of Accounting)

UNAUDITED

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007 *
General Fund										
Reserved	\$ 2,800,000	-	3,000,000	936,395	-	-	868,561	1,139,681	-	\$ -
Unreserved	380,929	3,825,868	15,700	2,415,928	2,961,303	2,590,778	1,247,665	728,841	2,077,903	1,583,179
Total General Fund	3,180,929	3,825,868	3,015,700	3,352,323	2,961,303	2,590,778	2,116,226	1,868,522	2,077,903	1,583,179
All Other Governmental Funds										
Reserved										
Special Revenue Funds	-	-	-	3,776,199	3,729,291	2,771,906	161,226	(191,155)	212,967	355,787
Capital Projects Funds	219,337	-	-	-	-	-	-	9,067	(992,017)	-
Debt Service Funds	-	-	-	-	-	-	921,384	-	-	-
Total All Other Governmental Funds	219,337.00	-	-	3,776,199	3,729,291	2,771,906	1,082,610	(182,088)	(779,050)	355,787
Total All Governmental Funds	\$ 3,400,266	3,825,868	3,015,700	7,128,522	6,690,594	5,362,684	3,198,836	1,686,434	1,298,853	\$ 1,938,966

\* \$623,899 was removed from the General Fund and placed into the Sewer Fund

## CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS  
(Modified Accrual Basis of Accounting)

## UNAUDITED

	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
<b>Revenues</b>										
Taxes by Source:										
Property Tax	\$ 3,028,740	3,167,972	3,337,949	3,514,611	4,234,921	3,933,218	3,928,550	4,109,348	4,506,548	\$ 4,634,946
Accommodations Tax	-	-	-	377,470	638,476	696,513	747,092	925,893	1,017,938	1,199,782
MASC Telecommunications and Insurance	552,564	603,198	700,485	876,765	937,393	978,130	1,119,143	1,244,729	1,480,884	1,394,002
Franchise	-	-	-	-	-	-	-	775,039	787,461	836,748
Intergovernmental	1,203,209	632,731	565,926	608,955	907,578	724,087	598,060	727,286	1,006,777	809,480
Charges for Services	-	-	-	47,277	43,760	10,316	178,965	413,047	470,913	357,780
Fines and Forfeitures	265,357	189,189	86,421	221,742	144,439	161,261	144,066	228,842	246,307	231,614
Licenses and Fees	1,087,223	1,236,610	1,265,336	1,223,042	1,233,042	1,502,222	1,275,547	1,046,996	1,520,817	1,616,881
Investment Earnings	186,632	146,101	116,140	334,650	196,145	120,297	14,577	37,808	35,314	177,776
Miscellaneous	29,524	233,491	117,393	146,382	279,258	68,741	26,681	227,994	311,023	34,744
Total Revenues	6,353,249	6,209,292	6,189,650	7,350,894	8,615,012	8,194,785	8,032,681	9,736,982	11,383,982	11,293,753
<b>Expenditures</b>										
Current:										
General Government	741,889	1,051,233	1,032,684	1,155,649	983,582	1,218,761	1,305,418	1,185,460	1,412,882	1,422,182
Public Safety	2,339,300	2,418,981	2,794,155	3,020,281	3,426,842	3,797,223	4,023,450	4,373,203	4,915,917	5,000,999
Public Service	1,042,764	935,740	1,154,720	1,178,685	1,513,217	1,525,374	1,577,701	1,837,692	2,048,782	2,146,540
Parks and Recreation	397,097	605,505	600,238	541,456	579,088	592,448	632,704	839,791	948,822	1,105,072
Contingencies	-	-	-	786,513	63,836	40,388	-	-	-	-
Capital Outlay	32,552	7,100	9,919	29,150	13,703	2,850	-	-	-	-
Debt Service:	2,001,555	973,543	865,804	2,594,136	2,211,170	1,342,574	6,090,631	3,506,755	1,880,171	1,929,021
Principal										
Interest and Fiscal Charges	2,072,275	88,302	397,494	520,371	943,021	895,887	1,004,638	1,203,356	1,354,815	1,561,648
Bond Issuance Costs	87,975	164,293	144,804	185,422	446,054	448,194	492,681	465,639	527,377	491,835
Total Expenditures	-	-	-	179,179	-	-	238,636	40,000	24,453	80,930
Total Expenditures	8,715,407	6,244,697	6,999,818	10,190,842	10,180,513	9,863,699	15,365,859	13,451,896	13,113,219	13,738,227
Excess of Revenues Over (Under) Expenditures	\$(2,362,158)	(35,405)	(810,168)	(2,839,948)	(1,565,501)	(1,668,914)	(7,333,178)	(3,714,914)	(1,729,237)	\$(2,444,474)

(Continued)

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS (CONTINUED)

LAST TEN FISCAL YEARS  
(Modified Accrual Basis of Accounting)

UNAUDITED

	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
<b>Other Financing Sources (Uses)</b>										
Transfers In	\$ -	-	-	-	-	-	12,092,039	1,895,777	3,064,511	\$ 2,329,945
Transfers Out	-	-	-	-	-	-	(12,092,039)	(1,895,777)	(3,064,511)	(2,329,945)
Premium on Bonds Sold	2,000,000	-	-	5,490,000	525,000	-	-	-	-	-
Proceeds from Capital Lease	-	461,007	-	1,443,500	572,500	353,678	-	860,000	-	-
Issuance of Note Payable	-	-	-	-	-	-	-	103,150	-	33,193
Issuance of Certificated of Participation	-	-	-	-	-	-	-	1,340,000	1,047,500	2,790,000
Issuance of Refunding Debt	-	-	-	-	-	-	12,015,000	-	-	-
Payment to Refunded Debt Escrow Agent	-	-	-	-	-	-	(8,057,032)	-	-	-
Sale of Capital Assets	-	-	-	19,270	30,073	54,100	929,656	-	-	-
Prior Period Adjustment	-	-	-	-	-	-	281,706	(100,638)	294,156	885,293
Transfer to Sewer Fund	-	-	-	-	-	-	-	-	-	(623,899)
<b>Total Other Financing Sources (Uses)</b>	<b>2,000,000</b>	<b>461,007</b>	<b>-</b>	<b>6,952,770</b>	<b>1,127,573</b>	<b>407,778</b>	<b>5,169,330</b>	<b>2,202,512</b>	<b>1,341,656</b>	<b>3,084,587</b>
<b>Net Change in Fund Balances</b>	<b>\$ (362,158)</b>	<b>425,602</b>	<b>(810,168)</b>	<b>4,112,822</b>	<b>(437,928)</b>	<b>(1,261,136)</b>	<b>(2,163,848)</b>	<b>(1,512,402)</b>	<b>(387,581)</b>	<b>\$ 640,113</b>
<b>Capital Asset Expenditures</b>	<b>\$ 2,001,555</b>	<b>973,543</b>	<b>865,804</b>	<b>2,594,136</b>	<b>2,211,170</b>	<b>1,342,574</b>	<b>6,090,631</b>	<b>3,506,755</b>	<b>1,880,171</b>	<b>\$ 1,929,021</b>
<b>Debt Service as a</b>										
Percentage of Noncapital Expenditures	32.2%	4.8%	8.8%	11.6%	17.4%	15.8%	18.7%	17.2%	17.0%	18.1%

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

CITY OF SIMPSONVILLE, SOUTH CAROLINA

GENERAL GOVERNMENTAL TAX REVENUE BY SOURCE

LAST TEN FISCAL YEARS  
(Modified Accrual Basis of Accounting)

UNAUDITED

	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Property Tax	\$ 3,028,740	3,167,972	3,337,949	3,514,611	4,234,921	3,933,218	3,928,550	4,109,348	4,506,548	\$ 4,634,946
Accommodations Tax	-	-	-	377,470	638,476	696,513	747,092	925,893	1,017,938	1,199,782
MASC Telecommunications and Insurance	552,564	603,198	700,485	876,765	937,978	978,130	1,119,143	1,244,729	1,480,884	1,394,002
Franchise	-	-	-	-	-	-	-	775,039	787,461	836,748
Total	<u>\$ 3,581,304</u>	<u>3,771,170</u>	<u>4,038,434</u>	<u>4,768,846</u>	<u>5,811,375</u>	<u>5,607,861</u>	<u>5,794,785</u>	<u>7,055,009</u>	<u>7,792,831</u>	<u>\$ 8,065,478</u>

ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY

LAST TEN FISCAL YEARS

UNAUDITED

Fiscal Year Ended June 30	Assessed Real Property		Assessed Pers. Prop.	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Tax Value	Assessed Value as a Percentage of Actual Value
	Residential Property	Commercial Property	Total				
1998	\$ 10,154,144	9,339,366	9,478,647	28,972,157	53.2	\$ 567,487,150	5.1%
1999	10,774,979	9,465,321	11,065,375	31,305,675	53.2	611,552,742	5.1%
2000	11,376,990	10,368,080	12,230,281	33,975,351	53.2	661,064,100	5.1%
2001	11,801,751	10,681,269	12,028,800	34,511,820	53.2	673,544,925	5.1%
2002	14,330,873	12,970,271	9,936,630	37,237,774	50.7	740,053,508	5.0%
2003	15,430,557	13,694,805	9,656,848	38,782,210	50.7	774,958,142	5.0%
2004	15,916,355	15,366,165	9,316,099	40,598,619	50.7	800,946,608	5.1%
2005	16,227,943	15,947,037	9,324,058	41,499,038	50.7	813,421,489	5.1%
2006	17,138,640	16,312,030	9,791,260	43,241,930	50.7	826,883,492	5.2%
2007	\$ 18,501,160	18,912,840	8,386,851	45,800,851	50.7	\$ 840,253,021	5.5%

Source: Greenville County Tax Receipt Reports

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

PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS

LAST TEN FISCAL YEARS

UNAUDITED

	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
<b>City Direct Rates:</b>										
Basic Rate	53.20	53.20	53.20	53.20	50.70	50.70	50.70	50.70	\$50.70	\$50.70
<b>County Rates:</b>										
Greenville County	55.90	55.90	55.90	49.90	49.90	49.90	49.90	49.90	49.90	49.90
<b>School District Rates</b>										
Greenville County Schools	134.60	141.60	145.60	138.90	140.10	144.10	144.10	147.80	147.90	156.40
<b>Fire District Rates:</b>										
Simpsonville Fire District	23.40	23.40	23.40	23.40	23.40	23.40	23.40	23.40	\$23.40	\$23.40

Source: Greenville County Millage Rate Sheets

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

PRINCIPAL PROPERTY TAXPAYERS

CURRENT YEAR AND NINE YEARS AGO

UNAUDITED

Taxpayer	2007			1998		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Verizon South. Inc.	\$ 941,960	1	2.1%	n/a	n/a	n/a
Wares Delaware Corp.	631,440	2	1.4%	n/a	n/a	n/a
Duke Energy	596,790	3	1.3%	n/a	n/a	n/a
Developers Diversified Finance	508,130	4	1.1%	n/a	n/a	n/a
Cedar Pines Apartment	468,410	5	1.0%	n/a	n/a	n/a
PCA Limited Partnership	450,000	6	1.0%	n/a	n/a	n/a
Piedmont Natural Gas	395,650	7	0.9%	n/a	n/a	n/a
Mid America Runaways Bay Ltd.	343,200	8	0.7%	n/a	n/a	n/a
Garrett Simpsonville Center	318,370	9	0.7%	n/a	n/a	n/a
Belk Simpson	314,830	10	0.7%	n/a	n/a	n/a
Totals	<u>\$ 4,968,780</u>		<u>10.8%</u>	<u>n/a</u>		<u>n/a</u>

**CITY OF SIMPSONVILLE, SOUTH CAROLINA  
PROPERTY TAX LEVIES AND COLLECTIONS**

**LAST TEN FISCAL YEARS**

**UNAUDITED**

Fiscal Year Ended June 30	Original Tax Levy for Fiscal Year		Adjustments to Original Tax Levy for Fiscal Year		Adjusted Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
	Amount	Percentage of Levy	Amount	Percentage of Levy		Amount	Percentage of Levy		Amount	Percentage of Levy
1998	\$ 1,474,190		n/a		1,474,190	1,440,445	97.7%	91,933	\$ 1,459,332	99.0%
1999	1,664,720		n/a		1,664,720	1,604,190	96.4%	24,134	1,657,545	99.6%
2000	1,814,878		n/a		1,814,878	1,689,605	93.1%	74,820	1,798,853	99.1%
2001	1,836,029		n/a		1,836,029	1,717,906	93.6%	101,040	1,818,946	99.1%
2002	1,981,050		n/a		1,981,050	1,897,761	95.8%	98,366	1,966,425	99.3%
2003	2,081,347		n/a		2,081,347	1,935,771	93.0%	107,505	2,075,340	99.7%
2004	2,058,350		n/a		2,058,350	1,966,385	95.5%	74,124	2,040,509	99.1%
2005	2,104,001		n/a		2,104,001	2,049,860	97.4%	98,214	2,090,858	99.4%
2006	2,192,365		n/a		2,192,365	2,190,363	99.9%	111,143	2,175,551	99.2%
2007	\$ 2,322,103		174,500		2,496,603	2,482,425	99.4%	108,124	\$ 2,482,425	99.4%

Source: Greenville County Auditor's Office



**RATIOS OF OUTSTANDING DEBT BY TYPE**

**LAST TEN FISCAL YEARS**

**UNAUDITED**

Fiscal Year Ended June 30	Governmental Activities			Total Primary Government	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Other Debt	Capital Leases			
1998	\$ 2,003,000	-	402,735	\$ 2,405,735	0.7%	\$ 171
1999	1,960,000	-	362,241	2,322,241	0.7%	\$ 165
2000	1,750,000	-	1,762,898	3,512,898	1.0%	\$ 249
2001	2,380,000	4,640,000	2,186,289	9,206,289	2.4%	\$ 641
2002	2,635,000	4,500,000	2,153,337	9,288,337	2.3%	\$ 625
2003	2,320,000	4,335,000	1,719,234	8,374,234	1.9%	\$ 555
2004	2,595,000	8,070,000	2,244,805	12,909,805	2.8%	\$ 844
2005	2,515,000	9,293,150	2,565,230	14,373,380	2.9%	\$ 927
2006	2,155,000	9,635,498	1,987,123	13,777,621	2.5%	\$ 841
2007	\$ 2,540,000	10,752,500	1,364,827	\$ 14,657,327	2.4%	\$ 872

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

**RATIOS OF GENERAL BONDED DEBT OUTSTANDING**

**LAST TEN FISCAL YEARS**

**UNAUDITED**

<b>Fiscal Year Ended June 30</b>	<b>General Obligation Bonds</b>	<b>Less: Amounts Available in Debt Service Funds</b>	<b>Total</b>	<b>Percentage of Estimated Actual Taxable Value of Property</b>	<b>Per Capita</b>
1998	\$ 2,003,000	-	\$ 2,003,000	0.4%	\$ 143
1999	1,960,000.0	-	1,960,000.0	0.3%	\$ 139
2000	1,750,000.0	-	1,750,000.0	0.3%	\$ 124
2001	2,380,000.0	-	2,380,000.0	0.4%	\$ 166
2002	2,635,000.0	-	2,635,000.0	0.4%	\$ 177
2003	2,320,000.0	-	2,320,000.0	0.3%	\$ 154
2004	2,595,000.0	550,000.0	3,145,000.0	0.4%	\$ 206
2005	2,515,000.0	-	2,515,000.0	0.3%	\$ 162
2006	2,155,000.0	-	2,155,000.0	0.3%	\$ 132
2007	\$ 2,540,000	-	\$ 2,540,000	0.3%	\$ 151

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

**DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT**

AS OF JUNE 30, 2007

**UNAUDITED**

<b>Governmental Unit</b>	<b>Governmental Activities Debt Outstanding</b>	<b>Estimated Percentage Applicable</b>	<b>Estimated Share of Overlapping Debt</b>
<b>County:</b>			
Greenville County	\$ 65,435,000	3.3%	\$ 2,159,355
<b>School District:</b>			
Greenville County Schools	-	8.0%	-
<b>Special Purpose District:</b>			
Memorial Auditorium District	\$ 9,620,000	3.3%	317,460
Subtotal, Overlapping Debt			<u>2,476,815</u>
City of Simpsonville			<u>2,540,000</u>
Total Direct and Overlapping Debt			<u><u>\$ 5,016,815</u></u>

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

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

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

CITY OF SIMPSONVILLE, SOUTH CAROLINA

Table 14

LEGAL DEBT MARGIN INFORMATION

LAST TEN FISCAL YEARS

UNAUDITED

	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Debt Limit	\$2,317,773	2,504,454	2,718,028	2,760,946	2,979,022	3,105,697	3,247,890	3,319,923	3,459,354	\$ 3,664,068
Total Net Debt Applicable to Debt Limit	2,003,000	1,960,000	1,750,000	2,380,000	2,635,000	2,320,000	2,595,000	2,515,000	2,155,000	2,540,000
Legal Debt Margin	\$ 314,773	544,454	968,028	380,946	344,022	785,697	652,890	804,923	1,304,354	\$ 1,124,068
Total Net Debt Applicable to Debt Limit as a Percentage of Debt Limit	86.4%	78.3%	64.4%	86.2%	88.5%	74.7%	79.9%	75.8%	62.3%	69.3%

Legal Debt Margin Calculation for Fiscal Year 2007

Total Assessed Value	\$45,800,851
Debt Limit (8% of Total Assessed Value)	3,664,068
Amount of Debt Applicable to Debt Limit:	
Total Bonded Debt	2,540,000
Less: Debt Service Fund Balance	-
Less: Debt Issued Through Referendum	-
Total Amount of Debt Applicable to Debt Limit	<u>2,540,000</u>
Legal Debt Margin	<u>\$ 1,124,068</u>

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

**PLEDGED REVENUE COVERAGE**

**CURRENT YEAR**

**UNAUDITED**

Fiscal Year Ended June 30	Sewer Revenue Bond					Coverage
	Charges and Other Revenue	Less: Operating Expenses	Net Available Revenue	Debt Service Interest		
2006	\$ 470,913	278,528	192,385	\$ -		
2007	\$ 1,039,845	270,540	769,305	\$ 14,065		54.7

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

Note: Operating expenses do not include interest or depreciation.

DEMOGRAPHIC AND ECONOMIC STATISTICS

LAST TEN FISCAL YEARS

UNAUDITED

<b>Fiscal Year Ended June 30</b>	<b>(1) Population</b>	<b>(2) Personal Income</b>	<b>(3) Per Capita Personal Income</b>	<b>(4) Median Age</b>	<b>(7) Unemployment Rate</b>
1998	14,038	\$ 330,398,368	\$ 23,536	33.7	2.0%
1999	14,087	344,779,325	24,475	33.7	2.3%
2000	14,136	359,817,744	25,454	33.7	1.2%
2001	14,352	376,266,384	26,217	33.9	2.4%
2002	14,850	405,672,300	27,318	33.9	2.8%
2003	15,100	435,423,600	28,836	33.7	4.6%
2004	15,300	461,371,500	30,155	33.5	4.5%
2005	15,500	497,658,500	32,107	33.5	5.2%
2006	16,380	551,252,520	33,654	33.5	4.8%
2006	16,380	551,252,520	33,654	33.5	4.8%
2007	16,800	\$ 589,680,000	\$ 35,100	33.5	4.7%

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

PRINCIPAL EMPLOYERS

CURRENT YEAR AND NINE YEARS AGO

UNAUDITED

Employer	2007			1998		
	Number of Employees	Rank	Percentage of Total City Employment	Number of Employees	Rank	Percentage of Total City Employment
Greenville Hospital System	7,792	1	4.04%	5,922	2	3.12%
School District of Greenville Cou	7,207	2	3.73%	6,294	1	3.31%
SC Budget and Control Board	2,524	3	1.31%	2,461	6	1.30%
General Electric Company	2,200	4	1.14%	2,000	8	1.05%
St. Francis Health System	2,027	5	1.05%	-	-	-
Bob Jones University	1,800	6	0.93%	-	-	-
Sealed Air Corp-Cryovac Divisior	1,700	7	0.88%	1,650	9	0.87%
Greenville County Government	1,627	8	0.84%	-	-	-
Flour Corporation	1,520	9	0.79%	2,500	4	1.32%
Michelin Corporation	1,468	10	0.76%	1,150	10	0.61%
Bi-Lo	-	-	-	2,567	3	1.35%
JPS	-	-	-	2,464	5	1.30%
Kemet Electronics	-	-	-	2,350	7	1.24%
Totals	<u>29,865</u>		<u>15.47%</u>	<u>29,358</u>		<u>15.45%</u>

Source: Greenville County 2006 Audit

OPERATING INDICATORS BY FUNCTION/PROGRAM

LAST TEN FISCAL YEARS

UNAUDITED

Function/Program	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
General Government										
Business Licenses	1,112	1,189	1,132	965	1,175	1,246	1,256	1,192	1,360	1,338
Building Permits Issued	463	435	524	518	466	1,205	654	609	744	713
Building Inspections Conducted	3,933	4,097	3,572	3,152	3,728	4,094	3,966	3,515	3,693	3,394
Justice and Legal										
Number of Cases	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Jail Bookings	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Public Safety - Police										
Physical Arrests	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Parking and Traffic Violations	n/a	n/a	n/a	n/a	n/a	n/a	4,139	3,807	4,191	4,207
Public Safety - Fire										
Emergency Responses	n/a	n/a	n/a	n/a	1,209	1,266	1,284	1,485	1,613	1,780
Fires Extinguished	n/a	n/a	n/a	134	128	115	110	125	112	120
Inspections	n/a	n/a	n/a	n/a	1,205	1,531	1,361	1,308	1,428	1,438
Public Service										
Potholes Repaired	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Roads Maintained (in Miles)	175	175	175	178	178	179	179	185	188	188
Parks and Recreation										
Recreational Participants	n/a	n/a	1,552	1,572	1,578	1,565	1,847	2,039	2,103	2,231

Source: City Departmental Records



CITY OF SIMPSONVILLE, SOUTH CAROLINA

Table 19

FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION

LAST TEN FISCAL YEARS

UNAUDITED

Function	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Governmental Activities										
General Government	5	5	5	6	6	6	6	6	6	6
Justice and Legal	3	3	3	3	3	3	3	3	3	3
Public Safety	74	74	77	88	91	90	93	93	93	93
Public Works	29	29	33	40	42	41	44	44	44	44
Parks and Recreation	4	4	4	5	6	6	6	12	12	12
Total	115	115	122	142	148	146	152	158	158	158

Source: Payroll Records

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

CITY OF SIMPSONVILLE, SOUTH CAROLINA

CAPITAL ASSET STATISTICS BY FUNCTION

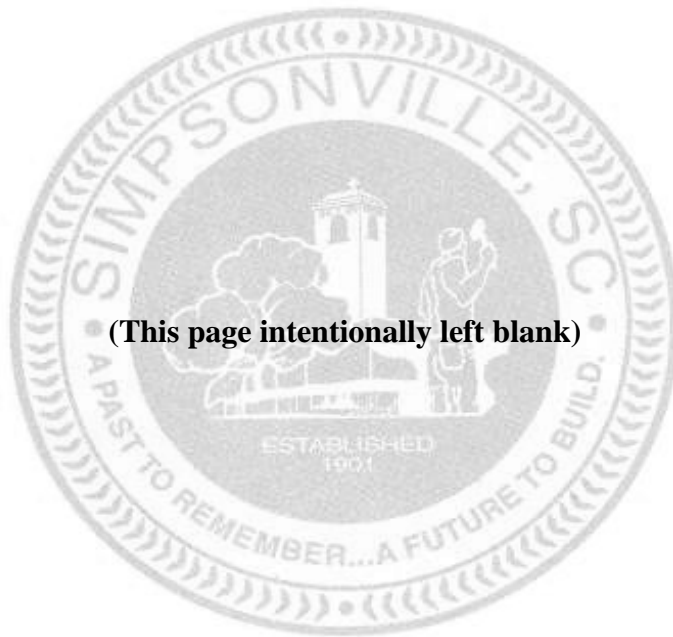
LAST TEN FISCAL YEARS

UNAUDITED

Function	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Justice and Legal										
Correction/Jail Cell Facility Capacity	4	4	4	4	4	4	4	4	4	4
Public Safety - Police										
Number of Police Stations	1	1	1	1	1	1	1	1	1	1
Number of Patrol Units	25	25	25	25	25	27	27	29	29	29
Public Safety - Fire										
Number of Fire Stations	3	3	3	3	3	4	4	4	4	4
Number of Fire Trucks	5	5	5	6	6	6	6	8	8	8
Public Service										
Streets (in Miles)	46	47	49	50	52	53	55	57	59	59
Traffic Signals	11	11	11	11	11	16	16	16	17	17
Parks and Recreation										
Parks Acreage	31	35	35	35	35	35	35	125	125	125
Parks	7	8	8	8	8	8	8	9	9	9
Ball fields	6	6	6	6	6	6	6	12	12	12
Solid Waste										
Collection/Refuse Trucks	4	4	4	5	5	5	5	5	6	6

Sources: Various City of Simpsonville departments.

# **COMPLIANCE SECTION**



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**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 and Members of City Council  
City of Simpsonville  
Simpsonville, South Carolina

We have audited the basic financial statements of the City of Simpsonville (“City”) as of and for the year ended June 30, 2007, and have issued our reports thereon dated September 25, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City’s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City’s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City’s internal control over financial reporting.

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City’s basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of basic financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as item 2007-1.

We noted certain matters that we reported to management of the City in a separate letter dated September 25, 2007.

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

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

*Greene, Finney & Horton LLP*

Greene, Finney & Horton, LLP  
September 25, 2007

**CITY OF SIMPSONVILLE, SOUTH CAROLINA**

**SCHEDULE OF FINDINGS**

**YEAR ENDED JUNE 30, 2007**

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**Findings - 2007 Financial Statements Audit**

2007-1: NONCOMPLIANCE WITH LAWS AND REGULATIONS

- Condition:** The City of Simpsonville's ("City") bank deposits were under collateralized by approximately \$71,000 at June 30, 2007.
- 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, 2007.
- 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.