

# Comprehensive Annual Financial Report

Fiscal Year Ended  
June 30, 2012



2012 Photo of the Downtown Memorial Airport by Sonya Culbreth.  
Cover Layout by the City's Finance Staff

# **Comprehensive Annual Financial Report**

**City of Spartanburg, South Carolina**

For the Fiscal Year Ended June 30, 2012

Prepared by the City's Finance Division



City of  
**SPARTANBURG**  
south carolina

CITY OF SPARTANBURG, SOUTH CAROLINA

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# CITY OF SPARTANBURG FINANCE

Telephone: 864.596.2059  
Fax: 864.596.2424

December 19, 2012

The Honorable Mayor  
and Members of the City Council  
City of Spartanburg, South Carolina

We are pleased to present to you the City of Spartanburg's Comprehensive Annual Financial Report for the fiscal year ended June 30, 2012. 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 generally accepted accounting principles in the United States of America ("GAAP") and audited in accordance with generally accepted 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 Spartanburg, South Carolina for the fiscal year ended June 30, 2012.

This report consists of management's representations concerning the finances of the City of Spartanburg. Consequently, management assumes full responsibility for the completeness and reliability of all the information presented in this report. To provide a reasonable basis for making these representations, management of the City of Spartanburg has established a comprehensive internal control framework that is designed (a) to protect the government's assets from loss, theft, or misuse, and (b) to assemble sufficiently reliable information for the preparation of the City of Spartanburg's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City of Spartanburg'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 Spartanburg's financial statements have been audited by Greene, Finney and Horton, LLP, a firm of licensed public accountants. The goal of the independent audit is to provide reasonable assurance that the City of Spartanburg's financial statements for the fiscal year ending June 30, 2012 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the numbers 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 Spartanburg's financial statements for the fiscal year ended June 30, 2012 are fairly presented in conformity with GAAP. The independent auditors' report is presented in the Financial Section of this report.

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

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

## **Profile of the Government**

Spartanburg, South Carolina is located near the foothills of the beautiful Blue Ridge Mountains. The mild climate, with its four distinct seasons, provides fine weather for outdoor activities year around. The City of approximately 40,000, which is part of a county of approximately 275,000, is conveniently situated at the junction of I-26 and I-85.

Spartanburg is known for its beauty, quality of life and friendly people. The area of the City covers approximately 20 square miles. Although the City is restricted in its ability to expand, it draws on a population of nearly 750,000 within a 30-mile radius of its location.

Spartanburg is steeped in proud history. The county and city are named for a regiment of soldiers, the “Spartan Rifles,” who teamed with General Daniel Morgan’s troops to defeat the British in the Battle of Cowpens in 1781. The battle, recognized as the turning point of the Revolutionary War, is commemorated at the Cowpens National Battlefield, located in the eastern part of Spartanburg County. The Town of Spartanburg was founded in 1831 and later incorporated as a City in 1881.

The City operates under a Council-Manager form of government. The Mayor and six Council Members serve staggered four-year terms. The Mayor is elected at large, and Council Members represent single-member districts. The City Council appoints the City Manager, who is the chief administrative officer of the City, and who carries out the policies set by Council. The City Council also appoints the City Attorney and Municipal Judge. All other municipal officials are appointed by the City Manager.

### **Budget Process**

The annual budget serves as the foundation for the City’s financial planning and control. All agencies of the City are required to submit requests for appropriation to the City Manager in the spring of each year. The City Manager uses these requests as the starting point for developing a proposed budget. The City Manager then presents this proposed budget to the City Council for review. The City Council is required to hold a public hearing on the proposed budget and to adopt a final budget no later than June 30, the close of the City’s fiscal year. The appropriated budget is prepared by fund and department. Budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is maintained by the City Manager at the fund level and may be amended as necessary during the fiscal year. Budget-to-actual comparisons are provided in this report for each individual government fund for which an appropriated annual budget has been adopted. For the General Fund, this detailed comparison is presented beginning on page 91, as part of the financial statements for the government funds.

The City Council adopts annual operating budgets for the General Fund, the Enterprise Funds, Debt Service Funds, and certain Special Revenue Funds. Following this process, the City distributes the budget, realizing that adjustments are sometimes necessary during the fiscal year. Any material changes are presented to the City Council.

The City's accounting records for general governmental operations are maintained on a modified accrual basis, with the revenue being recorded when measurable and available. Expenditures are recorded when the related fund liability is incurred. As part of its management program, the City maintains an encumbrance system. As purchase orders are issued, corresponding amounts of appropriations are reserved by the use of encumbrances for later payment so that the appropriation may not be overspent. Throughout these processes, City management seeks to develop a comprehensive management and fiscal system aimed at achieving the objectives of each operating level, consistent with those set by the City Council. Subject to oversight by the City Manager, each department manager is held directly accountable, not only to accomplish his/her departmental goals, but also to monitor the use of budget allocations consistent with City Council policies.

### **Factors Affecting Financial Conditions**

#### **Local Economy**

The local economy continues to experience slow yet steady recovery for the recent recession. Business license renewals and new business license requests were strong in FY2012. Hospitality tax revenue grew at a strong rate and new establishments opened in the heart of the city.

Downtown job counts were fueled by the continuing growth of locally based American Credit Acceptance Corporation which joined Advance America, QS1, Johnson Development Associates, the list of professional firms headquartered in the heart of the city. The City’s two retail hubs, located on the East and West sides respectively, each experienced strong investment and positive redevelopment with redevelopment of Converse Plaza and Westgate Village. The northern edge of downtown has new momentum via multi-million dollar renovation of the Marriot Hotel and Conference Center and the \$3.2 million Magnolia Lofts adaptive reuse apartment project.

The city continues to benefit from increased activity generated by our local institutions Wofford College, Spartanburg Regional Healthcare Systems, Via College of Osteopathic Medicine, and Meeting Street Academy continue their growth. The \$15 million new YMCA opened as well.

**Financial Policies and Practices**

The Finance division and Budget & Accounting division are responsible for providing comprehensive financial management, management analysis and support services to City Council, City management, and City departments in order to promote fiscal accountability, enhance public services, maximize revenue collections, contain costs, and ensure accurate performance reporting consistent with governmental standards and regulations. Administrative policies and procedures are developed to facilitate accomplishing these goals by providing guidance to City management and supervisory personnel.

**Major Initiatives and Long-Term Financial Planning**

The City continues to maintain fiscal stability driven largely by improved efficiency. A much smaller public works department has continued to meet service demands while operating within a budget reduced by \$500,000. This significant realignment enabled the city to implement a balanced long term strategy that fully funds the city legacy pension system liability. Likewise, for the first time in many years, the city significantly addressed unfunded deferred maintenance on city building facilities by budgeting a recurring maintenance fund and reducing those costs by closing a obsolete facility.

The city has now completed the remediation of the Arkwright Dump which has been a financial concern for many years. The massive \$6 million earth moving and capping project was completed safely on time and on budget.

Progress accelerated on the City’s Northside Initiative which is aimed, in part, at transitioning a large high cost area of the city into a stable and contributing mixed use neighborhood. The city and partners received a HUD Choice Neighborhood planning grant in hopes of a successful implementation grant next year.

The combined effort on these and other fiscal challenges have the city on sound financial footing.

**Acknowledgements**

The preparation of this report could not be accomplished without the efficient and dedicated services of the entire staff of the Finance Division. We would like to express our appreciation to all members of other departments who assisted and contributed to its preparation and especially to the independent auditors who provided both energy and sound advice.

The GFOA awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Spartanburg for its comprehensive annual financial report for the fiscal year ended June 30, 2012. This was the 19<sup>th</sup> consecutive year that the City of Spartanburg has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program’s requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

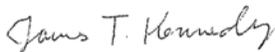
Respectfully submitted,



Ed Memmott  
City Manager



Dennis R. Locke, CGFO  
Finance Director



James T. Kennedy II, CPA  
Budget & Accounting Director



City of  
**SPARTANBURG**  
south carolina



## **CITY COUNCIL**

**Junie White, Mayor**

**Cate Brandt Ryba, Mayor Pro Tem**

**W. Sterling Anderson II, Councilmember**

**Linda Dogan, Councilmember**

**Robert Reeder, Councilmember**

**Jan Scalisi, Councilmember**

**Jerome Rice, Jr., Councilmember**

## **APPOINTED OFFICIALS**

**Ed Memmott  
City Manager**

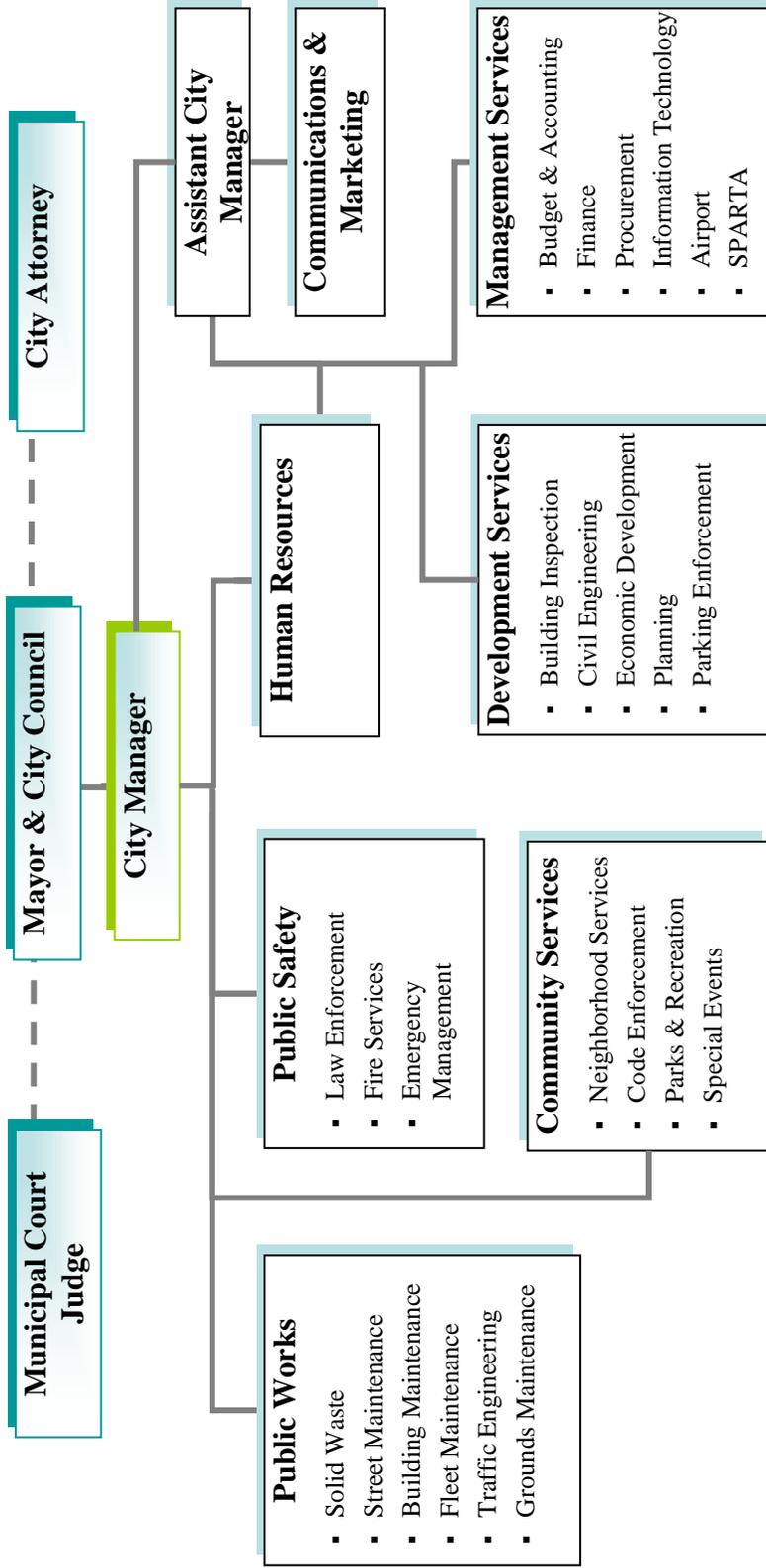
**Cathy Hofer McCabe  
City Attorney**

**Erika McJimpsey  
Chief Municipal Judge**



City of  
**SPARTANBURG**  
south carolina

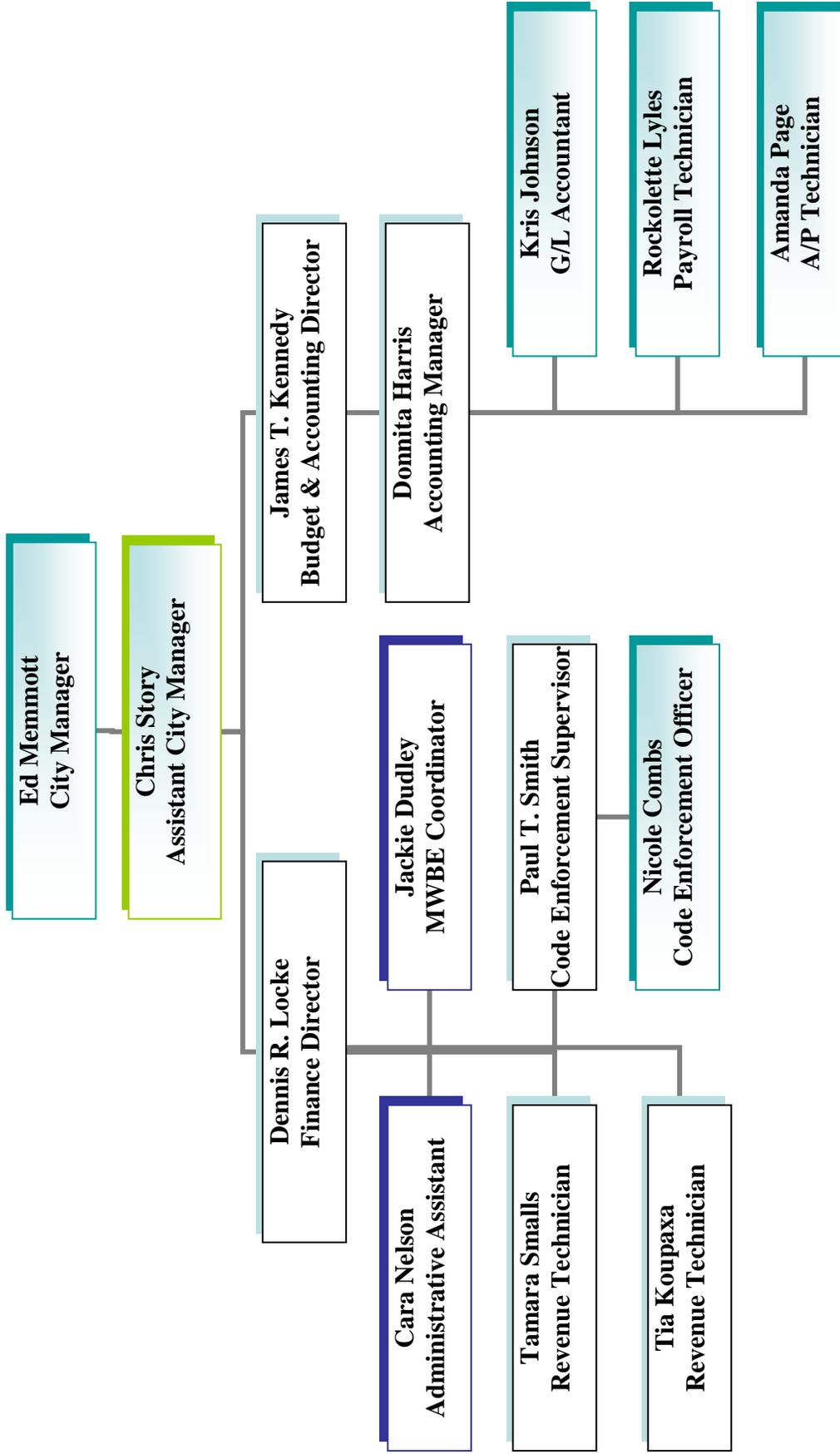
# City of Spartanburg Organizational Chart





City of  
**SPARTANBURG**  
south carolina

# Finance Division





City of  
**SPARTANBURG**  
south carolina

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Spartanburg  
South Carolina

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2011

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.



*Linda C. Davison*

President

*Jeffrey R. Emer*

Executive Director



City of  
**SPARTANBURG**  
south carolina



**INDEPENDENT AUDITORS' REPORT**

Honorable Mayor and City Council  
City of Spartanburg  
Spartanburg, South Carolina

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Spartanburg, South Carolina (the "City") as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these basic financial statements based on our audit.

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

In our opinion, the basic financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2012 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, the budgetary comparison schedules for the General Fund and the Hospitality Tax Fund, and the other postemployment benefit plan schedules, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The other supplementary information, as listed in the table of contents, and the schedule of expenditures of federal awards, as required by the Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations (Circular A-133)*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section and the statistical section, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.



Greene, Finney & Horton, LLP  
Mauldin, South Carolina  
December 19, 2012

## CITY OF SPARTANBURG, SOUTH CAROLINA

### MANAGEMENT'S DISCUSSION AND ANALYSIS

#### YEAR ENDED JUNE 30, 2012

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This discussion and analysis of the City of Spartanburg's ("City") financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2012. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the transmittal letter, basic financial statements, and notes to the basic financial statements to enhance their understanding of the City's financial performance.

#### FINANCIAL HIGHLIGHTS

Key financial highlights for 2012 were as follows:

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by approximately \$79,091,000 (net assets). Of this amount, approximately \$1,807,000 (unrestricted net assets) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net assets decreased by approximately \$291,000 which consisted of a decrease in governmental activities of approximately \$4,120,000 and an increase in business-type activities of approximately \$3,829,000. The decrease was due primarily to a reduction of restricted cash and cash equivalents as a result of capital expenditures for the Arkwright Landfill.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balance of approximately \$12,640,000, a decrease of approximately \$6,084,000 or approximately 32% in comparison with the prior year fund balance of approximately \$18,724,000. The fund balance for the General Fund increased approximately \$138,000 (2%) to approximately \$5,943,000 at June 30, 2012 compared to the prior year fund balance of approximately \$5,805,000. The increase is primarily due to cost savings from reorganization in Public Works and salary savings. Approximately \$106,000 of the General Fund balance at year end is nonspendable (prepaids and inventories). Approximately \$650,000 is assigned for utility projects and \$250,000 is assigned for worker's compensation, with the remainder unassigned.
- At the end of the current fiscal year, the unassigned fund balance for the General Fund was approximately 16% of total General Fund expenditures (approximately \$31,152,000).
- The City's total capital assets decreased by approximately \$2,862,000 (2%) during the current fiscal year. Total additions and other increases were approximately \$7,271,000, which was offset by depreciation expense of approximately \$5,894,000, prior period adjustment of approximately \$2,752,000, impairment of approximately \$1,446,000 and disposals, and other decreases of approximately \$42,000.
- The City's long-term obligations decreased by approximately \$7,215,000 or 10% during the fiscal year. The decrease was due primarily to expenses paid for landfill remediation and scheduled debt payments. During the year, the City also made the final payments on the 2002 Series COPS and the 2002 GO Bond series.

#### OVERVIEW OF THE FINANCIAL STATEMENTS

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

**Government-Wide Basic Financial Statements.** The basic financial statements include two kinds of statements that present different views of the City. The first two statements are *government-wide financial statements* that provide a broad overview of the City's overall financial status, in a manner similar to a private-sector enterprise.

The basic financial statements include not only the City itself (known as the primary government), but also four component units - the Spartanburg Public Facilities Corporation, the Spartanburg Recreational Facilities Corporation ("CC Woodson"), the Spartanburg Parking Facilities Corporation, and the Spartanburg Airport Facilities Corporation. These are separate nonprofit corporations for which the City is financially accountable. Financial information for the four Corporations are included in the amounts reported for the City because the nonprofit Corporations are considered "blended" component units, and as such, is included in the business-type activities of the City.

## CITY OF SPARTANBURG, SOUTH CAROLINA

### MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2012

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#### OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

The *statement of net assets* presents information on all of the City's assets and liabilities, with the difference 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 (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide basic financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (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 Policy Formulation and Administration, Public Safety, Parks, Recreation, and Special Events, Community Development, Public Works, Finance and Administrative Services, Operating, and Interest and Other Charges. The business-type activities of the City are Transit, Parking, Storm Water, Airport, CC Woodson, Spartanburg Parking Facilities Corporation, and Spartanburg Airport Facilities Corporation. The government-wide basic financial statements can be found as listed in the table of contents of this report.

**Fund Basic Financial Statements.** The remaining basic financial statements are *fund financial statements* that focus on *individual parts* of the City, reporting the City's operations in *more detail* than the government-wide basic financial statements.

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 other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide basic financial statements. However, unlike the government-wide basic financial statements, governmental fund basic financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide basic financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide basic financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate the comparison between governmental funds and governmental activities.

The City maintains several different types of governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General, Capital Projects, Hospitality Tax, and St. John – Daniel Morgan TIF funds which are considered to be major funds. The remaining special revenue funds and debt service funds are combined in the balance sheet and the statement of revenues, expenditures, and changes in fund balance since they aren't considered major funds. The governmental fund basic financial statements can be found as listed in the table of contents of this report.

**CITY OF SPARTANBURG, SOUTH CAROLINA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**YEAR ENDED JUNE 30, 2012**

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**OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)**

**Proprietary Funds.** The City maintains two types of proprietary funds – Enterprise Funds and Internal Service Funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide basic financial statements. The City uses enterprise funds to account for its Transit, Parking, Storm Water, Airport, CC Woodson, Spartanburg Parking Facilities Corporation, and Spartanburg Airport Facilities Corporation operations. The Internal Service Funds include those that provide centralized services, usually on a citywide basis. The main purpose of these funds is to identify costs associated with these services. These funds include the Equipment Replacement Fund and the Medical Insurance Trust Fund.

Proprietary funds provide the same type of information as the government-wide basic financial statements, only in more detail; therefore, the proprietary fund basic financial statements provide more detailed information for the Transit, Parking, Storm Water, Airport, CC Woodson, Spartanburg Parking Facilities Corporation, and Spartanburg Airport Facilities Corporation operations, which are all considered major funds of the City. The basic proprietary fund financial statements can be found as listed in the table of contents of this report.

**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 basic financial statement because the resources of those funds are not available to support the City's own programs. The City is the trustee, or fiduciary, for the Pension Fund and Agency Fund activity. The fiduciary fund basic financial statements can be found as listed in the table of contents of this report.

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

**Other Information.** The City also provides combining and individual fund schedules and other supplementary information as referred to earlier which can be found as listed in the table of contents of this report. The City adopts an annually appropriated budget for its General Fund and four Special Revenue Funds, which are the Hospitality Tax Fund, the Victims Assistance Fund, the Federal Home Program Fund, and the Community Development Fund. A budgetary comparison schedule has been provided as required supplementary information for the General Fund and Hospitality Tax Fund (major funds) to demonstrate compliance with their budgets. These schedules can be found as listed in the table of contents of this report.

The City has also provided budgetary comparison schedules as other supplementary information for its non-major special revenue funds that have legally adopted budgets. These schedules begin as listed in the table of contents of this report.

**CITY OF SPARTANBURG, SOUTH CAROLINA**

**MANAGEMENT’S DISCUSSION AND ANALYSIS**

**YEAR ENDED JUNE 30, 2012**

**OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)**

Figure A-1				
Major Features of the City of Spartanburg’s Government-Wide and Fund Basic Financial Statements				
	Government-Wide Basic Financial Statements	Fund Basic Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire City government (except fiduciary funds) and the City’s component units (if any).	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</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 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 SPARTANBURG, SOUTH CAROLINA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**YEAR ENDED JUNE 30, 2012**

**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 \$79,091,000 at the close of the most recent fiscal year. The following table provides a summary of the City's net assets at June 30, 2012 compared to June 30, 2011:

	Governmental Activities		Business-Type Activities		Total	
	2012	2011*	2012	2011	2012	2011
<b>Assets</b>						
Current & Other Assets	\$ 27,458,199	33,899,982	4,331,984	4,133,208	31,790,183	\$ 38,033,190
Capital Assets, Net	73,516,978	79,191,345	44,998,446	42,185,779	118,515,424	121,377,124
<b>Total Assets</b>	<b>100,975,177</b>	<b>113,091,327</b>	<b>49,330,430</b>	<b>46,318,987</b>	<b>150,305,607</b>	<b>159,410,314</b>
<b>Liabilities</b>						
Long-Term Liabilities	39,490,727	46,097,618	22,858,341	23,466,881	62,349,068	69,564,499
Other Liabilities	6,975,229	5,613,183	1,890,673	2,099,639	8,865,902	7,712,822
<b>Total Liabilities</b>	<b>46,465,956</b>	<b>51,710,801</b>	<b>24,749,014</b>	<b>25,566,520</b>	<b>71,214,970</b>	<b>77,277,321</b>
<b>Net Assets</b>						
Invested in Capital Assets, Net of Related Debt	49,678,593	54,003,930	22,706,093	19,671,901	72,384,686	73,675,831
Restricted	4,898,660	3,962,772	-	-	4,898,660	3,962,772
Unrestricted	(68,032)	3,413,824	1,875,323	1,080,566	1,807,291	4,494,390
<b>Total Net Assets</b>	<b>\$ 54,509,221</b>	<b>61,380,526</b>	<b>24,581,416</b>	<b>20,752,467</b>	<b>79,090,637</b>	<b>\$ 82,132,993</b>

\* Certain amounts have been restated

The net assets of the City's governmental activities decreased by approximately 7% (approximately \$54,509,000 compared to the prior year restated balance of approximately \$61,381,000). The various components of the City's governmental activities net assets changed as follows:

- Invested in Capital Assets, Net of Related Debt decreased by approximately \$4,325,000 or approximately 8%, primarily due to net capital asset decreases of approximately \$6,393,000, offset by a decrease in related debt of approximately \$2,068,000.
- Restricted net assets increased by approximately \$936,000, primarily due to increased amounts restricted for special revenue offset by lower restricted amounts for debt service and capital projects.
- Unrestricted net assets, the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements, decreased from approximately \$3,414,000 at June 30, 2011 to approximately (\$68,000) at June 30, 2012 as a result of a decrease in property held for redevelopment, landfill remediation expense, and the change in the net pension obligation.

The net assets of business-type activities increased by approximately less than 18% (approximately \$24,581,000 in the current year compared to approximately \$20,752,000 in the prior year) for the year ended June 30, 2012. The various components of the business-type activities changed as follows:

- Invested in Capital Assets, Net of Related Debt increased by approximately \$3,034,000 or approximately 15% primarily due to increases in net capital assets of approximately \$2,813,000 and decreases in related debt of approximately \$221,000.
- Unrestricted net assets increased by approximately \$795,000. The increase was due primarily due to an increase in grants and Storm Water Fund revenues.

**CITY OF SPARTANBURG, SOUTH CAROLINA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**YEAR ENDED JUNE 30, 2012**

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

The following table shows the changes in net assets for fiscal year 2012 compared to 2011.

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011*	2012	2011
<b>Revenues</b>						
<b>Program Revenues:</b>						
Charges for Services	\$ 17,259,951	\$ 17,478,620	3,420,361	2,878,921	20,680,312	\$ 20,357,541
Operating Grants	4,574,421	3,865,402	-	-	4,574,421	3,865,402
Capital Grants	-	-	4,973,044	1,698,599	4,973,044	1,698,599
<b>General Revenue:</b>						
Property Taxes	16,750,355	16,797,552	-	-	16,750,355	16,797,552
Other Taxes	4,585,868	4,317,918	-	-	4,585,868	4,317,918
Intergovernmental Revenue	688,658	881,044	-	-	688,658	881,044
Other	1,736,489	1,558,130	53,141	40,436	1,789,630	1,598,566
<b>Total Revenues</b>	<b>45,595,742</b>	<b>44,898,666</b>	<b>8,446,546</b>	<b>4,617,956</b>	<b>54,042,288</b>	<b>49,516,622</b>
<b>Program Expenses</b>						
Policy Formulation & Administration	4,858,280	5,427,127	-	-	4,858,280	5,427,127
Public Safety	14,047,102	13,814,584	-	-	14,047,102	13,814,584
Parks, Recreation, and Special Events	2,628,409	2,665,563	-	-	2,628,409	2,665,563
Community Development	4,311,104	1,582,139	-	-	4,311,104	1,582,139
Public Works	9,271,201	10,764,474	-	-	9,271,201	10,764,474
Finance and Administrative Services	2,389,918	2,698,109	-	-	2,389,918	2,698,109
Operating	6,375,577	4,706,519	-	-	6,375,577	4,706,519
Interest and Other Charges	1,983,406	2,156,316	-	-	1,983,406	2,156,316
Transit	-	-	2,124,224	2,112,672	2,124,224	2,112,672
Parking	-	-	971,528	871,809	971,528	871,809
Sanitary Sewer	-	-	-	77,419	-	77,419
Storm Water	-	-	697,833	649,945	697,833	649,945
Airport	-	-	1,549,591	1,468,607	1,549,591	1,468,607
CC Woodson	-	-	444,010	677,770	444,010	677,770
St. John Parking Facility	-	-	858,495	806,896	858,495	806,896
Spartanburg Airport Facilities Corp.	-	-	376,667	212,804	376,667	212,804
<b>Total Expenses</b>	<b>45,864,997</b>	<b>43,814,831</b>	<b>7,022,348</b>	<b>6,877,922</b>	<b>52,887,345</b>	<b>50,692,753</b>
Change in Net Assets						
Before Transfers	(269,255)	1,083,835	1,424,198	(2,259,966)	1,154,943	(1,176,131)
Special Item- Impairment of Asset	(1,445,731)	-	-	-	(1,445,731)	-
Transfers In (Out)	(2,404,751)	(2,344,591)	2,404,751	2,344,591	-	-
<b>Change in Net Assets</b>	<b>(4,119,737)</b>	<b>(1,260,756)</b>	<b>3,828,949</b>	<b>84,625</b>	<b>(290,788)</b>	<b>(1,176,131)</b>
Net Assets - Beginning of Year	58,628,958	62,641,282	20,752,467	20,667,842	79,381,425	83,309,124
Net Assets - Period Adjustments	-	(2,751,568)	-	-	-	-
Net Assets - Beginning of Year, Restated	58,628,958	59,889,714	20,752,467	20,667,842	79,381,425	83,309,124
<b>Net Assets - End Year</b>	<b>\$ 54,509,221</b>	<b>58,628,958</b>	<b>24,581,416</b>	<b>20,752,467</b>	<b>79,090,637</b>	<b>\$ 82,132,993</b>

\* Certain amounts have been restated to be comparable with current year

## CITY OF SPARTANBURG, SOUTH CAROLINA

### MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2012

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

##### **Governmental Activities:**

Net assets decreased by approximately \$4,120,000 for fiscal year 2012 for governmental activities. Revenues increased by approximately \$697,000 (2%) to approximately \$45,596,000 from the prior year. This increase was primarily due to an increase in hospitality tax revenues and federal and state contributions. Expenses increased by approximately \$2,050,000 (5%) to approximately \$45,865,000 from the prior year. The increase in expenses from the prior year was primarily due to a decrease in property held for redevelopment, landfill remediation expense, and the change in the net pension obligation.

##### **Business-Type Activities:**

Net assets increased by approximately \$3,829,000 for fiscal year 2012 for business-type activities. In aggregate, business-type revenues increased approximately 83% to \$8,447,000 compared to approximately \$4,618,000 in the prior year. The increase in revenue was primarily due to an increase in grant revenue of approximately \$3,274,000. Total expenses increased approximately \$144,000 (2%) to approximately \$7,022,000 compared to approximately \$6,878,000 in the prior year. The increase was primarily due to increases from Airport operations.

#### 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, unassigned fund balance can be a useful measure of a government's net resource available for spending at the end of the fiscal year. The General Fund is the chief operating fund of the City.

At June 30, 2012, the City's governmental funds reported a combined ending fund balance of approximately \$12,640,000, a decrease of approximately \$6,084,000 in comparison with the prior year fund balance. Approximately 39% of this total amount (approximately \$4,937,000) constitutes unassigned fund balance. The remainder of fund balance is assigned, restricted, committed, or nonspendable. The amounts are nonspendable (approximately \$280,000), committed for special revenue (approximately \$203,000), assigned for utility projects (approximately \$650,000), assigned for insurance (approximately \$250,000), restricted for debt service (approximately \$2,521,000), special revenue (\$1,685,000), and capital projects (approximately \$2,114,000).

**Proprietary Funds.** The City's *proprietary funds* provide the same type of information found in the government-wide basic financial statements but in more detail. Net Assets of the Enterprise Funds at the end of the fiscal year amounted to approximately \$24,581,000. Factors concerning the operations of these seven funds have already been addressed in the discussion of the City's business-type activities.

##### General Fund Revenues

The General Fund is the principal fund that accounts for the daily operations of the City. Total revenue for 2012 was approximately \$32,209,000, a decrease of 1% from the previous year. Property tax collections increased slightly to approximately \$13,427,000 (less than 1%) compared to approximately \$13,410,000 for the previous year. Intergovernmental revenues decreased to approximately \$3,180,000 (9%) compared to approximately \$3,504,000 for the previous year. These decreases were primarily due to the reductions in State shared revenues.

As with most municipalities in the State of South Carolina, the City is dependent on property taxes to pay for many of the services provided to its citizens. The current millage rate for property taxes is 101.0 mills. The assessed value is 4% of market value for residential property, 6% for rental and other real property, and 10.5% for personal property. Property taxes accounted for 42% or approximately \$13,427,000 of total General Fund revenue for the fiscal year ending June 30, 2012.

The City received approximately \$12,855,000 in revenue from licenses, permits, and franchise fees. The remaining General Fund revenue sources were charges for services of approximately \$1,866,000, intergovernmental revenue of approximately \$3,180,000, fines and forfeitures of approximately \$656,000, and other revenues of approximately \$225,000.

**CITY OF SPARTANBURG, SOUTH CAROLINA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**YEAR ENDED JUNE 30, 2012**

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

General Fund Expenditures

General Fund expenditures at June 30, 2012 total approximately \$31,152,000, a less than 1% increase over the previous fiscal year. This reflects increases in salaries, overtime, unemployment insurance, and health insurance. The largest General Fund departmental budget is Public Safety, which accounted for approximately 42% of total General Fund expenditures. Public Works accounted for the second largest departmental budget, which accounted for approximately 23% of total General Fund expenditures. Actual expenditures for these departments, not including capital outlay, were approximately \$13,196,000 for Public Safety and approximately \$7,099,000 for Public Works. As comparison for FY 2010 – 2011, the Public Safety department budget accounted for approximately 41% and Public Works accounted for approximately 23% of total General Fund expenditures. The remaining 35% of General Fund expenditures came from the areas of Policy Formulation and Administration – approximately \$4,471,000, Parks, Recreation, and Special Events - \$2,126,000, Development Services \$1,782,000, Finance and Administrative Services - \$1,545,000, and total Capital Outlays of approximately \$933,000.

General Fund Balance

Total fund balance in the General Fund increased by approximately \$138,000 from approximately \$5,805,000 at June 30, 2011 to \$5,943,000 at June 30, 2012. The unassigned fund balance decrease by approximately \$84,000 to approximately \$4,937,000. Unassigned fund balance represents 16% of total General Fund expenditures. The decrease in unassigned fund balance is mainly due to an additional \$233,000 assignment of fund balance for utility projects offset by the increase in the General Fund of approximately \$138,000.

**General Fund Budgetary Highlights**

The City's budget is prepared according to South Carolina law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund. The original revenue/expenditure budget of approximately \$32,708,000 (including other financing sources/uses) wasn't adjusted during the fiscal year. More information about our budgetary process can be found in Note II.A of the notes to the basic financial statements.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

At June 30, 2012, the City had approximately \$118,515,000 in capital assets, net of depreciation. The total decrease in the City's capital assets was approximately \$2,862,000 (2%). Total additions and other increases were approximately \$7,271,000, which was offset by depreciation expense of approximately 5,894,000 and disposals, and other decreases of approximately of \$42,000. The following table shows capital asset balances (net of depreciation) at June 30, 2012 compared to June 30, 2011:

	<u>Government Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2012</u>	<u>2011 *</u>	<u>2012</u>	<u>2011 *</u>	<u>2012</u>	<u>2011 *</u>
Land	\$ 27,851,457	27,804,286	2,102,668	2,102,668	29,954,125	\$ 29,906,954
Construction in Progress	1,565,702	1,006,724	5,024,655	6,070,630	6,590,357	7,077,354
Building & Improvements	14,686,753	16,511,533	34,999,243	32,244,221	49,685,996	48,755,754
Infrastructure	23,436,058	25,363,417	757,727	697,866	24,193,785	26,061,283
Machinery & Equipment	1,030,168	1,079,203	473,282	579,139	1,503,450	1,658,342
Vehicles	4,946,840	4,674,614	1,640,871	491,255	6,587,711	5,165,869
Totals	<u>\$ 73,516,978</u>	<u>76,439,777</u>	<u>44,998,446</u>	<u>42,185,779</u>	<u>118,515,424</u>	<u>\$ 118,625,556</u>

\* Amounts have been restated due to a prior period adjustment. See Note III.C for further information.

For more information on capital assets, please see Note III.C of the notes to the basic financial statements.

**CITY OF SPARTANBURG, SOUTH CAROLINA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**YEAR ENDED JUNE 30, 2012**

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

**Long-Term Obligations**

At June 30, 2012, the City had long-term obligations of approximately \$62,349,000 versus approximately \$69,564,000 in the prior year, a decrease of approximately \$7,215,000 or 10%. The decrease was due primarily to regularly scheduled principal payments.

The following table shows long-term obligation balances at June 30, 2012 compared to June 30, 2011:

Long-Term Obligations	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Debt:						
Tax Increment Bonds	\$ 9,651,000	10,995,000	-	-	9,651,000	\$ 10,995,000
Certificates of Participation	1,995,000	2,690,000	-	-	1,995,000	2,690,000
Hospitality Tax Bonds	9,315,000	9,405,000	-	-	9,315,000	9,405,000
Revenue Bonds	-	-	2,180,000	2,565,000	2,180,000	2,565,000
General Obligation Bonds	6,730,000	6,995,000	-	220,000	6,730,000	7,215,000
Promissory Note	-	-	20,600,000	20,600,000	20,600,000	20,600,000
HUD 108 Loan	3,285,000	3,470,000	-	-	3,285,000	3,470,000
<b>Total Debt</b>	<b>30,976,000</b>	<b>33,555,000</b>	<b>22,780,000</b>	<b>23,385,000</b>	<b>53,756,000</b>	<b>56,940,000</b>
Capital Leases	3,663,326	2,009,763	-	-	3,663,326	2,009,763
Landfill Rem/Post-Closure Liability	1,541,839	6,850,408	-	-	1,541,839	6,850,408
Compensated Absences	3,309,561	3,682,447	78,341	81,881	3,387,902	3,764,328
<b>Total</b>	<b>\$ 39,490,726</b>	<b>46,097,618</b>	<b>22,858,341</b>	<b>23,466,881</b>	<b>62,349,067</b>	<b>\$ 69,564,499</b>

The State limits the amount of general obligation debt that cities can issue to eight percent of the assessed value of all taxable property within the City's corporate limits. The City is authorized by state statute to exceed the legal debt margin of eight percent, if citizens of the City approve such additional debt. The City's outstanding general obligation debt is below this state-imposed legal debt limit of approximately \$11,175,000. The current amount of outstanding general obligation debt at June 30, 2012 is \$6,730,000 which leaves an unused legal debt margin of approximately \$4,445,000.

The City's revenue and tax increment bonds have an Aaa and AAA rating from Moody's and Standard & Poor's, respectively, secured through bond insurance. For general obligation debt the City's credit rating is:

Moody's	Aa3
Standard & Poor's	A+

As noted above, other long-term obligations include capital leases, landfill remediation, and accrued compensated absences. More detailed information about the City's debt and long-term obligations is presented in Note III.D of the notes to the basic financial statements.

**CITY OF SPARTANBURG, SOUTH CAROLINA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**YEAR ENDED JUNE 30, 2012**

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**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

The primary goal of the City of Spartanburg's 2012 – 2013 budget appropriation is to provide a financial plan for City officials to carry out both short-term and long-term priorities set by City Council to meet the expectations of our citizens.

The FY 2012 – 2013 budget was developed with several challenges in mind. On the revenue side the City was faced with a flat projection of current real estate property tax revenue, a significant decrease in delinquent real estate property taxes, minimal projected increases in business licenses and building permit revenues. In addition, the City is experiencing minimal increases in our St. John-Daniel Morgan Tax Increment Financing District. On the expenditure side the City was faced with debt service associated with the Arkwright Landfill and Stewart Park, significant progress to address a pension liability, the first cost-of-living-adjustment in four years, and a mandatory increase in both the employee and employer retirement system contribution rates. In addition, the City is faced with the burden of increase medical cost, utility, required information technology infrastructure upgrades, and operating costs. Departments were asked to submit their funding requests with a projected reduction to their operating budgets. For the seventh consecutive year, capital funding for equipment replacement was reduced.

The Spartanburg City Council adopted the 2012 – 2013 budget plan in the amount of \$48,693,616. For FY 2012 – 2013 the City Council adopted a millage rate of 101.0 mils.

**CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide those interested with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Finance Director, City of Spartanburg, Finance Department, 145 W. Broad Street, Spartanburg, South Carolina, 29304.



City of  
**SPARTANBURG**  
south carolina

CITY OF SPARTANBURG, SOUTH CAROLINA

STATEMENT OF NET ASSETS

JUNE 30, 2012

	PRIMARY GOVERNMENT		
	Governmental Activities	Business-Type Activities	Totals
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 14,959,183	96,082	\$ 15,055,265
Restricted Cash and Cash Equivalents	5,145,436	424,934	5,570,370
Property Taxes Receivable, Net	1,341,961	-	1,341,961
Other Receivables, Net:			
Mortgage	115,872	-	115,872
Commercial Loan	89,557	-	89,557
Other	2,685,840	1,510,102	4,195,942
Other Asset	-	26,908	26,908
Prepays and Inventories	280,070	266,630	546,700
Note Receivable	2,840,280	-	2,840,280
Bond Issuance Cost, Net	-	316,194	316,194
Deferred Outflow of Resources	-	1,691,134	1,691,134
Capital Assets:			
Non-Depreciable	29,417,159	7,127,324	36,544,483
Depreciable, Net	44,099,819	37,871,122	81,970,941
<b>TOTAL ASSETS</b>	<b>100,975,177</b>	<b>49,330,430</b>	<b>150,305,607</b>
<b>LIABILITIES</b>			
Accounts Payable	2,417,935	1,132,840	3,550,775
Accrued Interest Payable	326,395	26,924	353,319
Accrued Salaries and Benefits	1,027,072	12,446	1,039,518
Other Liabilities	209,861	-	209,861
Internal Balances	1,404,587	(1,404,587)	-
Retainage Payable	-	218,310	218,310
Intergovernmental Payable	374,591	-	374,591
Customer Deposits	215,442	37,052	252,494
Unclaimed Checks	17,194	-	17,194
Accrued Claims/Premiums	560,027	-	560,027
Unearned Revenues	422,125	176,554	598,679
Derivative Instrument	-	1,691,134	1,691,134
Non-Current Liabilities:			
Due Within One Year	3,518,292	434,689	3,952,981
Due in More Than One Year	35,972,435	22,423,652	58,396,087
<b>TOTAL LIABILITIES</b>	<b>46,465,956</b>	<b>24,749,014</b>	<b>71,214,970</b>
<b>NET ASSETS</b>			
Invested in Capital Assets, Net of Related Debt	49,678,593	22,706,093	72,384,686
Restricted For:			
Debt Service	1,799,421	-	1,799,421
Special Revenue	1,876,028	-	1,876,028
Capital Projects	1,223,211	-	1,223,211
Unrestricted	(68,032)	1,875,323	1,807,291
<b>TOTAL NET ASSETS</b>	<b>\$ 54,509,221</b>	<b>24,581,416</b>	<b>\$ 79,090,637</b>

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

CITY OF SPARTANBURG, SOUTH CAROLINA

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2012

FUNCTIONS/PROGRAMS	PROGRAM REVENUES				NET (EXPENSE) REVENUE AND CHANGE IN NET ASSETS		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Contributions	Primary Government		Total
					Governmental Activities	Business-Type Activities	
<b>PRIMARY GOVERNMENT:</b>							
<b>Governmental Activities:</b>							
Policy Formulation and Administration	\$ 4,858,280	-	-	-	(4,858,280)	-	\$ (4,858,280)
Public Safety	14,047,102	959,335	1,851,029	-	(11,236,738)	-	(11,236,738)
Parks, Recreation, and Special Events	2,628,409	251,713	-	-	(2,376,696)	-	(2,376,696)
Community Development	4,311,104	408,985	1,575,554	-	(2,326,565)	-	(2,326,565)
Public Works	9,271,201	3,033,347	1,147,838	-	(5,090,016)	-	(5,090,016)
Finance and Administrative Services	2,389,918	12,606,571	-	-	10,216,653	-	10,216,653
Operating	6,375,577	-	-	-	(6,375,577)	-	(6,375,577)
Interest and Other Charges	1,983,406	-	-	-	(1,983,406)	-	(1,983,406)
<b>Total Governmental Activities</b>	<b>45,864,997</b>	<b>17,259,951</b>	<b>4,574,421</b>	<b>-</b>	<b>(24,030,625)</b>	<b>-</b>	<b>(24,030,625)</b>
<b>Business-Type Activities:</b>							
Transit	2,124,224	266,724	-	2,193,599	-	336,099	336,099
Parking Enterprise	971,528	342,268	-	-	-	(629,260)	(629,260)
Storm Water	697,833	1,503,209	-	-	-	805,376	805,376
Airport	1,549,591	1,085,466	-	2,279,445	-	1,815,320	1,815,320
CC Woodson	444,010	48,000	-	-	-	(396,010)	(396,010)
Spartanburg Parking Facilities Corporation	858,495	37,500	-	500,000	-	(320,995)	(320,995)
Spartanburg Airport Facilities Corporation	376,667	137,194	-	-	-	(239,473)	(239,473)
<b>Total Business-Type Activities</b>	<b>7,022,348</b>	<b>3,420,361</b>	<b>-</b>	<b>4,973,044</b>	<b>-</b>	<b>1,371,057</b>	<b>1,371,057</b>
<b>TOTAL - PRIMARY GOVERNMENT</b>	<b>\$ 52,887,345</b>	<b>20,680,312</b>	<b>4,574,421</b>	<b>4,973,044</b>	<b>(24,030,625)</b>	<b>1,371,057</b>	<b>(22,659,568)</b>
General Revenues and Transfers:							
General Revenues:							
Taxes:							
Property Taxes Levied for General Purposes					13,458,825	-	13,458,825
Tax Increment					2,347,008	-	2,347,008
Motor Vehicle Taxes					944,522	-	944,522
Hospitality Taxes					3,762,816	-	3,762,816
Other Taxes					823,052	-	823,052
Intergovernmental Revenue - Unrestricted					688,658	-	688,658
Investment Income					77,763	53,141	130,904
Miscellaneous					680,963	-	680,963
Grants and Contributions Not Restricted to Specific Programs					857,561	-	857,561
Gain (Loss) on Sale of Assets					120,202	-	120,202
Special Item - Impairment of Asset					(1,445,731)	-	(1,445,731)
Transfers In (Out)					(2,404,751)	2,404,751	-
<b>Total General Revenues and Transfers</b>					<b>19,910,888</b>	<b>2,457,892</b>	<b>22,368,780</b>
<b>CHANGE IN NET ASSETS</b>					<b>(4,119,737)</b>	<b>3,828,949</b>	<b>(290,788)</b>
NET ASSETS, Beginning of Year					61,380,526	20,752,467	82,132,993
PRIOR PERIOD ADJUSTMENT					(2,751,568)	-	(2,751,568)
NET ASSETS, Beginning of Year, Restated					58,628,958	20,752,467	79,381,425
<b>NET ASSETS - End of Year</b>					<b>54,509,221</b>	<b>24,581,416</b>	<b>\$ 79,090,637</b>

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

CITY OF SPARTANBURG, SOUTH CAROLINA

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2012

	GENERAL	CAPITAL PROJECTS	HOSPITALITY TAX	ST. JOHN - DANIEL MORGAN TIF	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<b>ASSETS</b>						
Cash and Cash Equivalents	\$ 14,948,433	-	-	-	10,750	\$ 14,959,183
Restricted Cash and Cash Equivalents	-	2,432,293	-	872,562	743,719	4,048,574
Property Taxes Receivable, Net	1,278,957	-	-	3,084	59,920	1,341,961
Accounts Receivable, Net	1,631,246	-	323,621	-	11,883	1,966,750
Commercial Loan Receivables	-	-	-	-	89,557	89,557
Intergovernmental Receivables	-	-	-	-	719,090	719,090
Due From Other Funds	1,084,527	870,927	543,603	-	2,213,322	4,712,379
Prepays and Inventories	106,008	-	174,062	-	-	280,070
Note Receivable	-	-	-	2,840,280	-	2,840,280
Mortgages Receivable: Home Loans	-	-	-	-	115,872	115,872
<b>TOTAL ASSETS</b>	<b>\$ 19,049,171</b>	<b>3,303,220</b>	<b>1,041,286</b>	<b>3,715,926</b>	<b>3,964,113</b>	<b>\$ 31,073,716</b>
<b>LIABILITIES AND FUND BALANCES</b>						
Accounts Payable	\$ 810,113	1,188,283	-	23,339	171,274	\$ 2,193,009
Accrued Salaries and Benefits	1,008,394	1,272	-	-	17,406	1,027,072
Customer Deposits	215,442	-	-	-	-	215,442
Unclaimed Checks	16,167	-	-	-	-	16,167
Intergovernmental Payable	374,591	-	-	-	-	374,591
Due To Other Funds	9,467,088	-	-	129,641	450,017	10,046,746
Unearned/Deferred Revenues:						
Taxes	1,058,194	-	-	1,840	47,248	1,107,282
Other	156,402	-	-	2,827,988	468,930	3,453,320
<b>TOTAL LIABILITIES</b>	<b>13,106,391</b>	<b>1,189,555</b>	<b>-</b>	<b>2,982,808</b>	<b>1,154,875</b>	<b>18,433,629</b>
<b>FUND BALANCES</b>						
Nonspendable:						
Prepays and Inventories	106,008	-	174,062	-	-	280,070
Restricted for:						
Debt Service	-	-	-	733,118	1,788,330	2,521,448
Capital Projects	-	2,113,665	-	-	-	2,113,665
Special Revenue	-	-	867,224	-	817,889	1,685,113
Committed for:						
Special Revenue	-	-	-	-	203,019	203,019
Assigned for:						
Utility Projects	650,107	-	-	-	-	650,107
Insurance	250,000	-	-	-	-	250,000
Unassigned	4,936,665	-	-	-	-	4,936,665
<b>TOTAL FUND BALANCES</b>	<b>5,942,780</b>	<b>2,113,665</b>	<b>1,041,286</b>	<b>733,118</b>	<b>2,809,238</b>	<b>12,640,087</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 19,049,171</b>	<b>3,303,220</b>	<b>1,041,286</b>	<b>3,715,926</b>	<b>3,964,113</b>	<b>\$ 31,073,716</b>

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

CITY OF SPARTANBURG, SOUTH CAROLINA

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

JUNE 30, 2012

<b>TOTAL FUND BALANCES - GOVERNMENTAL FUNDS</b>	<b>\$ 12,640,087</b>
<p>Amounts reported for the governmental activities in the Statement of Net Assets are different because of the following:</p>	
<p>Capital assets used in governmental activities (excluding internal service funds) are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets was \$110,447,142 and the accumulated depreciation was \$41,666,914.</p>	68,780,228
<p>Property taxes receivable that will be collected in the future, but are not available soon enough to pay for the current period's expenditures, and therefore have been deferred in the governmental funds.</p>	1,107,282
<p>Note and accounts receivables which are expected to be collected in future years, but are not available soon enough to pay for the current period's expenditures are deferred and not recognized in the governmental funds but are recognized in the Statement of Net Assets.</p>	3,031,195
<p>Land purchased for redevelopment/resale for Community Development is not a financial resource and therefore is not reported as an asset in the governmental funds but is in the Statement of Net Assets</p>	899,885
<p>Accrued interest on the bonds in governmental accounting are not due or payable in the current period, therefore, they have not been reported as a liability in the funds.</p>	(326,395)
<p>The City's net OPEB asset resulting from overfunded annual required contributions to its defined benefit OPEB Plan in the current year is not reported as an asset in the governmental funds but is in the Statement of Net Assets.</p>	237,715
<p>The City's net pension liability resulting from underfunded annual required contributions to its Pension Plan in prior years is not reported as an asset in the governmental funds but is in the Statement of Net Assets.</p>	(1,347,461)
<p>Internal service funds are used by the City to charge the cost of medical insurance and replacement of equipment to the individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Assets.</p>	5,314,085
<p>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. Long-term liabilities at year-end consisted of the following:</p>	
Bonds Payable	(30,976,000)
Landfill Remediation Liability	(1,541,839)
Compensated Absences (Sick Pay and Vacations)	(3,309,561)
	(35,827,400)
<b>TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES</b>	<b>\$ 54,509,221</b>

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

CITY OF SPARTANBURG, SOUTH CAROLINA

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

YEAR ENDED JUNE 30, 2012

	GENERAL	CAPITAL PROJECTS	HOSPITALITY TAX	ST. JOHN - DANIEL MORGAN TIF	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<b>REVENUES:</b>						
Taxes	\$ 13,426,953	-	3,663,876	339,775	3,974,649	\$ 21,405,253
Fees, Licenses, and Permits	12,855,275	-	-	-	-	12,855,275
Fines and Forfeitures	656,368	-	-	-	-	656,368
State Government Contributions	-	-	-	-	445,143	445,143
Federal Government Contributions	-	-	-	-	3,439,345	3,439,345
Intergovernmental Revenues	3,179,792	-	-	-	-	3,179,792
Charges for Services	1,866,123	-	-	-	-	1,866,123
Investment Earnings	-	17,426	2,940	16,968	30,064	67,398
Confiscated Drug Funds	-	-	-	-	14,073	14,073
Donations	-	-	-	495,004	192,704	687,708
Ground Lease Rent	-	-	-	200,000	-	200,000
Other	224,587	-	6,900	-	867,429	1,098,916
<b>TOTAL REVENUES ALL SOURCES</b>	<b>32,209,098</b>	<b>17,426</b>	<b>3,673,716</b>	<b>1,051,747</b>	<b>8,963,407</b>	<b>45,915,394</b>
<b>EXPENDITURES:</b>						
Current:						
Policy Formulation and Administration	4,470,733	-	-	-	-	4,470,733
Public Safety	13,196,470	-	-	-	-	13,196,470
Parks, Recreation, and Special Events	2,126,283	-	-	-	-	2,126,283
Community Development	1,781,632	-	-	-	-	1,781,632
Public Works	7,098,549	-	-	-	-	7,098,549
Finance and Administrative Services	1,545,478	-	-	-	852,465	2,397,943
Operating	-	-	991,563	-	5,384,014	6,375,577
Capital Outlay	933,010	6,288,556	-	-	266,518	7,488,084
Debt Service:						
Principal Retirement	-	-	-	595,000	1,984,000	2,579,000
Interest	-	-	-	791,156	1,194,887	1,986,043
Other	-	-	-	36,271	107,262	143,533
<b>TOTAL EXPENDITURES</b>	<b>31,152,155</b>	<b>6,288,556</b>	<b>991,563</b>	<b>1,422,427</b>	<b>9,789,146</b>	<b>49,643,847</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>1,056,943</b>	<b>(6,271,130)</b>	<b>2,682,153</b>	<b>(370,680)</b>	<b>(825,739)</b>	<b>(3,728,453)</b>
<b>OTHER FINANCING SOURCES (USES):</b>						
Transfers In	603,319	176,350	-	-	2,134,463	2,914,132
Transfers Out	(1,534,991)	-	(2,679,188)	-	(1,073,777)	(5,287,956)
Proceeds from Sale of Capital Assets	12,965	-	-	-	5,784	18,749
Total Other Financing Sources (Uses)	(918,707)	176,350	(2,679,188)	-	1,066,470	(2,355,075)
<b>NET CHANGES IN FUND BALANCES</b>	<b>138,236</b>	<b>(6,094,780)</b>	<b>2,965</b>	<b>(370,680)</b>	<b>240,731</b>	<b>(6,083,528)</b>
FUND BALANCES, Beginning of Year	5,804,544	8,208,445	1,038,321	1,103,798	2,568,507	18,723,615
<b>FUND BALANCES, End of Year</b>	<b>\$ 5,942,780</b>	<b>2,113,665</b>	<b>1,041,286</b>	<b>733,118</b>	<b>2,809,238</b>	<b>\$ 12,640,087</b>

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

CITY OF SPARTANBURG, 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, 2012

<b>TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS</b>	<b>\$ (6,083,528)</b>
Amounts reported for the governmental activities in the Statement of Activities are different because of the following:	
Property tax 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.	(7,291)
Landfill remediation payments reduces the long-term the liability in the Statement of Net Assets, but is an expenditure in the governmental funds.	5,308,569
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces the long-term liabilities in the Statement of Net Assets.	2,579,000
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.	203,436
The City's net OPEB asset, resulting from overfunded annual required contributions, is not reported as an asset in the governmental funds. This amount represents the change in the net OPEB asset during the current year.	(35,603)
The City's net pension liabilities resulting from underfunded annual required contributions to its Pension Plan in prior years is not reported as an asset in the governmental funds. This amount represents the change in this liability during the current year is reported in the Statement of Activities.	(507,772)
Internal service funds are used by management to charge the costs of medical insurance and replacement of equipment in the individual funds. The net revenue (expense) of the internal service fund is reported with governmental activities in the Statement of Activities.	6,966
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.	372,886
The repayment of principal by debtors to the City is considered income in the governmental funds, but the repayment is shown as a reduction of the notes receivable amounts in the Statement of Net Assets.	(432,627)
Governmental funds report purchases of land for redevelopment/sale as expenditures. However, in the Statement of Activities, these expenditures are recorded as an asset. This is the amount of the cost of the land purchased by the City held for resale in the current period.	(2,213,032)
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets that are considered capital asset additions is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital asset additions (\$1,515,928) were exceeded by depreciation expense (\$3,380,938) and impairment (\$1,445,731) in the current period.	(3,310,741)
<b>TOTAL CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES</b>	<b>\$ (4,119,737)</b>

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

CITY OF SPARTANBURG, SOUTH CAROLINA

STATEMENT OF NET ASSETS -  
PROPRIETARY FUNDS

JUNE 30, 2012

	TRANSIT	PARKING	STORM WATER
<b>ASSETS</b>			
Current Assets:			
Cash and Cash Equivalents	\$ 96,082	-	-
Restricted Cash and Cash Equivalents	-	-	-
Accounts Receivable, Net	412,159	970	12,772
Other Assets	26,196	-	-
Due From Other Funds	-	634,226	901,269
Prepays and Inventories	105,782	-	-
Total Current Assets	<u>640,219</u>	<u>635,196</u>	<u>914,041</u>
Non-Current Assets:			
Deferred Outflow of Resources	-	-	-
Capital Assets:			
Non-Depreciable	179,840	-	-
Depreciable, Net	5,154,454	11,927,316	-
Deferred Charges - Bond Issuance Costs, Net	-	-	-
Total Non-Current Assets	<u>5,334,294</u>	<u>11,927,316</u>	<u>-</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 5,974,513</u></b>	<b><u>12,562,512</u></b>	<b><u>914,041</u></b>
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts Payable/Deposits Payable	\$ 36,233	76,618	16,572
Accrued Interest Payable	-	26,924	-
Accrued Salaries and Benefits	-	1,860	-
Retainage Payable	-	-	-
Customer Deposits	-	37,052	-
Due To Other Funds	258,085	-	-
Unearned Revenue	1,523	970	-
Unclaimed Checks	-	-	-
Accrued Claims/Premiums	-	-	-
Current Portion of Compensated Absences	-	-	-
Current Portion of Debt/Capital Leases	-	405,000	-
Total Current Liabilities	<u>295,841</u>	<u>548,424</u>	<u>16,572</u>
Long-Term Liabilities:			
Derivative Instrument	-	-	-
Compensated Absences, Less Current Portion	-	-	-
Debt/Capital Leases, Less Current Portion	-	1,775,000	-
Total Long-Term Liabilities	<u>-</u>	<u>1,775,000</u>	<u>-</u>
<b>TOTAL LIABILITIES</b>	<b><u>295,841</u></b>	<b><u>2,323,424</u></b>	<b><u>16,572</u></b>
<b>NET ASSETS</b>			
Invested in Capital Assets, Net of Related Debt	5,334,294	9,747,316	-
Unrestricted	344,378	491,772	897,469
<b>TOTAL NET ASSETS</b>	<b><u>5,678,672</u></b>	<b><u>10,239,088</u></b>	<b><u>897,469</u></b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 5,974,513</u></b>	<b><u>12,562,512</u></b>	<b><u>914,041</u></b>

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

AIRPORT	CC WOODSON	SPARTANBURG PARKING FACILITIES CORPORATION	SPARTANBURG AIRPORT FACILITIES CORPORATION	TOTALS	TOTAL INTERNAL SERVICE FUNDS
-	-	-	-	96,082	\$ -
-	180,182	230,443	14,309	424,934	1,096,862
1,047,555	-	18,750	17,896	1,510,102	-
712	-	-	-	26,908	-
-	107,475	-	266,486	1,909,456	3,929,780
160,848	-	-	-	266,630	-
<u>1,209,115</u>	<u>287,657</u>	<u>249,193</u>	<u>298,691</u>	<u>4,234,112</u>	<u>5,026,642</u>
-	-	1,125,084	566,050	1,691,134	-
4,069,571	488,948	2,388,965	-	7,127,324	-
1,800,922	6,947,725	8,075,329	3,965,376	37,871,122	4,736,750
-	134,937	122,707	58,550	316,194	-
<u>5,870,493</u>	<u>7,571,610</u>	<u>11,712,085</u>	<u>4,589,976</u>	<u>47,005,774</u>	<u>4,736,750</u>
<b><u>7,079,608</u></b>	<b><u>7,859,267</u></b>	<b><u>11,961,278</u></b>	<b><u>4,888,667</u></b>	<b><u>51,239,886</u></b>	<b><u>\$ 9,763,392</u></b>
933,997	-	46,870	22,550	1,132,840	\$ 224,926
-	-	-	-	26,924	-
10,586	-	-	-	12,446	-
208,310	-	10,000	-	218,310	-
-	-	-	-	37,052	-
173,243	-	73,541	-	504,869	-
-	174,061	-	-	176,554	-
-	-	-	-	-	1,027
-	-	-	-	-	560,027
29,689	-	-	-	29,689	-
-	-	-	-	405,000	806,292
<u>1,355,825</u>	<u>174,061</u>	<u>130,411</u>	<u>22,550</u>	<u>2,543,684</u>	<u>1,592,272</u>
-	-	1,125,084	566,050	1,691,134	-
48,652	-	-	-	48,652	-
-	5,600,000	11,117,592	3,882,408	22,375,000	2,857,035
<u>48,652</u>	<u>5,600,000</u>	<u>12,242,676</u>	<u>4,448,458</u>	<u>24,114,786</u>	<u>2,857,035</u>
<u>1,404,477</u>	<u>5,774,061</u>	<u>12,373,087</u>	<u>4,471,008</u>	<u>26,658,470</u>	<u>4,449,307</u>
5,870,493	1,977,731	(357,018)	133,277	22,706,093	2,007,995
(195,362)	107,475	(54,791)	284,382	1,875,323	3,306,090
<u>5,675,131</u>	<u>2,085,206</u>	<u>(411,809)</u>	<u>417,659</u>	<u>24,581,416</u>	<u>5,314,085</u>
<b><u>7,079,608</u></b>	<b><u>7,859,267</u></b>	<b><u>11,961,278</u></b>	<b><u>4,888,667</u></b>	<b><u>51,239,886</u></b>	<b><u>\$ 9,763,392</u></b>

CITY OF SPARTANBURG, SOUTH CAROLINA

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

YEAR ENDED JUNE 30, 2012

	TRANSIT	PARKING	STORM WATER
<b>OPERATING REVENUES</b>			
Charges for Services	\$ 241,534	337,455	1,503,209
Contributions	-	-	-
Other Revenues	25,190	4,813	-
Sale of Inventory	-	-	-
<b>TOTAL OPERATING REVENUES ALL SOURCES</b>	<b>266,724</b>	<b>342,268</b>	<b>1,503,209</b>
<b>OPERATING EXPENSES</b>			
Personal Services	-	79,812	552,724
Amortization of Bond Issuance Costs	-	-	-
Depreciation	510,165	462,940	-
Other Services and Charges	1,604,820	236,125	145,109
Claims/Premiums	-	-	-
Cost of Goods Sold	-	-	-
Maintenance	-	84,953	-
<b>TOTAL OPERATING EXPENSES</b>	<b>2,114,985</b>	<b>863,830</b>	<b>697,833</b>
<b>OPERATING INCOME (LOSS)</b>	<b>(1,848,261)</b>	<b>(521,562)</b>	<b>805,376</b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
Gain (Loss) on Sale of Assets	(9,239)	-	-
Federal and State Contributions	2,193,599	-	-
Interest Expense	-	(104,123)	-
Investment Earnings	-	3,169	-
Other Revenues (Expenses)	-	(3,575)	-
<b>TOTAL NON-OPERATING REVENUES (EXPENSES)</b>	<b>2,184,360</b>	<b>(104,529)</b>	<b>-</b>
<b>INCOME (LOSS) BEFORE TRANSFERS</b>	<b>336,099</b>	<b>(626,091)</b>	<b>805,376</b>
Transfers In	500,000	917,173	-
Transfers Out	-	(10,500)	(100,000)
<b>CHANGE IN NET ASSETS</b>	<b>836,099</b>	<b>280,582</b>	<b>705,376</b>
NET ASSETS, Beginning of Year	4,842,573	9,958,506	192,093
<b>NET ASSETS, End of Year</b>	<b>\$ 5,678,672</b>	<b>10,239,088</b>	<b>897,469</b>

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

<b>AIRPORT</b>	<b>CC WOODSON</b>	<b>SPARTANBURG PARKING FACILITIES CORPORATION</b>	<b>SPARTANBURG AIRPORT FACILITIES CORPORATION</b>	<b>TOTALS</b>	<b>TOTAL INTERNAL SERVICE FUNDS</b>
138,504	48,000	37,500	137,194	2,443,396	\$ 910,335
-	-	-	-	-	4,242,952
-	-	-	-	30,003	11,250
946,962	-	-	-	946,962	-
<b>1,085,466</b>	<b>48,000</b>	<b>37,500</b>	<b>137,194</b>	<b>3,420,361</b>	<b>5,164,537</b>
430,802	-	-	31,431	1,094,769	-
-	33,734	14,296	15,968	63,998	-
96,982	362,327	227,908	97,249	1,757,571	755,444
271,437	-	-	-	2,257,491	335,383
-	-	-	-	-	4,080,068
744,131	-	-	-	744,131	-
6,239	-	-	-	91,192	-
<b>1,549,591</b>	<b>396,061</b>	<b>242,204</b>	<b>144,648</b>	<b>6,009,152</b>	<b>5,170,895</b>
<b>(464,125)</b>	<b>(348,061)</b>	<b>(204,704)</b>	<b>(7,454)</b>	<b>(2,588,791)</b>	<b>(6,358)</b>
-	-	-	-	(9,239)	101,453
2,254,208	-	-	500,000	4,947,807	-
-	(45,000)	(557,697)	(181,162)	(887,982)	(57,266)
-	165	49,595	212	53,141	64
25,237	(2,949)	(58,594)	(50,857)	(90,738)	-
<b>2,279,445</b>	<b>(47,784)</b>	<b>(566,696)</b>	<b>268,193</b>	<b>4,012,989</b>	<b>44,251</b>
<b>1,815,320</b>	<b>(395,845)</b>	<b>(771,400)</b>	<b>260,739</b>	<b>1,424,198</b>	<b>37,893</b>
400,378	20,000	516,700	254,300	2,608,551	-
(10,500)	-	-	(82,800)	(203,800)	(30,927)
<b>2,205,198</b>	<b>(375,845)</b>	<b>(254,700)</b>	<b>432,239</b>	<b>3,828,949</b>	<b>6,966</b>
3,469,933	2,461,051	(157,109)	(14,580)	20,752,467	5,307,119
<b>5,675,131</b>	<b>2,085,206</b>	<b>(411,809)</b>	<b>417,659</b>	<b>24,581,416</b>	<b>\$ 5,314,085</b>

CITY OF SPARTANBURG, SOUTH CAROLINA

STATEMENT OF CASH FLOWS -  
PROPRIETARY FUNDS

YEAR ENDED JUNE 30, 2012

	TRANSIT	PARKING	STORM WATER
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from Charges for Services	\$ 243,057	340,458	1,503,445
Receipts from Contributions	-	-	-
Receipts from Sale of Inventory	-	-	-
Receipts from Other Revenues	25,190	4,813	-
Payments for Personal Services	-	(83,101)	(552,724)
Payments for Services and Charges	(1,674,200)	(251,247)	(160,616)
Payments for Cost of Goods Sold	-	-	-
Payments for Other Expenses	-	-	-
Payments for Claims/Premiums	-	-	-
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>(1,405,953)</u>	<u>10,923</u>	<u>790,105</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>			
Transfers from Other Funds	753,111	705,531	-
Transfers to Other Funds	-	(10,500)	(790,105)
Non-Operating State and Federal Grants	2,047,721	-	-
NET CASH PROVIDED BY (USED IN) NON-CAPITAL FINANCING ACTIVITIES	<u>2,800,832</u>	<u>695,031</u>	<u>(790,105)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Acquisition of Capital Assets	(1,444,654)	-	-
Proceeds on Sale of Capital Assets	28,090	-	-
Bond, Note and Capital Lease Proceeds	-	-	-
Bond, Note, and Capital Lease Principal Payments	-	(605,000)	-
Bond, Note, and Capital Lease Interest Payments	-	(104,123)	-
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(1,416,564)</u>	<u>(709,123)</u>	<u>-</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Investment Earnings	-	3,169	-
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>-</u>	<u>3,169</u>	<u>-</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(21,685)</b>	<b>-</b>	<b>-</b>
CASH AND CASH EQUIVALENTS, Including Restricted Cash, Beginning of Year	<u>117,767</u>	<u>-</u>	<u>-</u>
<b>CASH AND CASH EQUIVALENTS, Including Restricted Cash, End of Year</b>	<b>\$ 96,082</b>	<b>-</b>	<b>-</b>
Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities:			
Operating Income (Loss)	\$ (1,848,261)	(521,562)	805,376
Adjustments to Reconcile Operating Income (Loss) to Net Cash from Operating Activities:			
Depreciation Expense	510,165	462,940	-
Bond Amortization	-	-	-
Other Revenues (Expenses)	-	(3,575)	-
Change in Accounts Representing			
Operating Activities:			
Accounts Receivable	-	(416)	236
Other Assets	(26,196)	-	-
Prepays and Inventories	(20,331)	-	-
Accounts Payable/Deposits Payable	(22,853)	73,406	(15,507)
Accrued Salaries and Benefits	-	(3,289)	-
Customer Deposits	-	3,003	-
Compensated Absences	-	-	-
Claims/Premiums	-	-	-
Deferred Revenue	1,523	416	-
Net Cash Provided by (Used in) Operating Activities	<u>\$ (1,405,953)</u>	<u>10,923</u>	<u>790,105</u>
Supplemental Disclosures of Cash Flow Information Noncash Investing, Capital and Financing Activities:			
Acquisition of Capital Assets Not Yet Paid For	\$ -	-	-

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

AIRPORT	CC WOODSON	SPARTANBURG PARKING FACILITIES CORPORATION	SPARTANBURG AIRPORT FACILITIES CORPORATION	TOTALS	TOTAL INTERNAL SERVICE FUNDS
138,504	(1)	37,500	128,621	2,391,584	\$ 910,335
-	-	-	-	-	4,242,952
946,962	-	-	-	946,962	-
25,237	-	-	-	55,240	11,250
(448,092)	-	-	(31,431)	(1,115,348)	-
(389,500)	-	(1,740)	22,551	(2,454,752)	(167,463)
(743,308)	-	-	-	(743,308)	-
-	(2,949)	(58,594)	(50,857)	(112,400)	-
-	-	-	-	-	(3,975,927)
(470,197)	(2,950)	(22,834)	68,884	(1,032,022)	1,021,147
104,098	-	590,240	58,880	2,211,860	-
(10,500)	-	-	(82,800)	(893,905)	(593,422)
1,780,818	-	-	500,000	4,328,539	-
1,874,416	-	590,240	476,080	5,646,494	(593,422)
(1,404,219)	-	(8,828)	(1,675,761)	(4,533,462)	(1,147,905)
-	-	-	-	28,090	105,972
-	-	-	-	-	2,050,000
-	-	-	-	(605,000)	(396,436)
-	(45,000)	(557,697)	(181,162)	(887,982)	(57,266)
(1,404,219)	(44,999)	(566,525)	(1,856,923)	(5,998,353)	554,365
-	165	49,595	212	53,141	64
-	165	49,595	212	53,141	64
-	(47,784)	50,476	(1,311,747)	(1,330,740)	982,154
-	227,966	179,967	1,326,056	1,851,756	114,708
-	180,182	230,443	14,309	521,016	\$ 1,096,862
(464,125)	(348,061)	(204,704)	(7,454)	(2,588,791)	\$ (6,358)
96,982	362,327	227,908	97,249	1,757,571	755,444
-	33,734	14,296	15,968	63,998	-
25,237	(2,949)	(58,594)	(50,857)	(90,738)	-
-	-	-	(8,573)	(8,753)	-
117	-	-	-	(26,079)	-
823	-	-	-	(19,508)	-
(111,941)	-	(1,740)	22,551	(56,084)	167,920
(13,750)	-	-	-	(17,039)	-
-	-	-	-	3,003	-
(3,540)	-	-	-	(3,540)	-
-	-	-	-	-	104,141
-	(48,001)	-	-	(46,062)	-
(470,197)	(2,950)	(22,834)	68,884	(1,032,022)	\$ 1,021,147
1,093,911	-	10,000	-	1,103,911	\$ -

**CITY OF SPARTANBURG, SOUTH CAROLINA**

**STATEMENT OF NET ASSETS AND LIABILITIES -  
FIDUCIARY FUND TYPES**

**JUNE 30, 2012**

	<b>PENSION TRUST</b>	<b>AGENCY</b>
	General Employees'	Donation Fund
<b>ASSETS</b>		
Restricted Cash and Cash Equivalents	\$ 7,924,743	\$ -
Restricted Investments:		
Money Market Mutual Funds	81,537	-
Accounts Receivable:		
Interest	8	-
Other	-	80,708
<b>TOTAL ASSETS</b>	<b>\$ 8,006,288</b>	<b>\$ 80,708</b>
<b>LIABILITIES</b>		
Accounts Payable	\$ -	\$ 7,663
Due to Others	-	73,045
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>80,708</b>
<b>NET ASSETS</b>		
Held in Trust for Pension Benefits	8,006,288	-
<b>TOTAL NET ASSETS AND LIABILITIES</b>	<b>\$ 8,006,288</b>	<b>\$ 80,708</b>

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

**CITY OF SPARTANBURG, SOUTH CAROLINA**

**STATEMENT OF CHANGES IN NET ASSETS -  
FIDUCIARY FUND**

**YEAR ENDED JUNE 30, 2012**

	<b>PENSION TRUST</b>
	<u>General Employees'</u>
<b>ADDITIONS</b>	
Contributions:	
Employer	\$ 548,235
Member	18,850
Total Contributions	<u>567,085</u>
Investment Earnings:	
Interest	125,552
Realized and Unrealized Appreciation in Fair Value of Investments	(99,338)
Total Investment Earnings	<u>26,214</u>
<b>TOTAL ADDITIONS ALL SOURCES</b>	<b><u>593,299</u></b>
<b>DEDUCTIONS</b>	
Pension Benefits	1,649,524
Administrative Expense	54,654
TOTAL DEDUCTIONS	<u>1,704,178</u>
<b>CHANGE IN NET ASSETS</b>	<b>(1,110,879)</b>
NET ASSETS, Beginning of Year	<u>9,117,167</u>
<b>NET ASSETS, End of Year</b>	<b><u>\$ 8,006,288</u></b>

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

## CITY OF SPARTANBURG, SOUTH CAROLINA

### NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2012

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The City of Spartanburg, South Carolina (the "City") embraces an area of approximately 20 square miles. Chartered as a town in 1831, the City has grown into a cultural, educational, recreational, and transportation center for the upstate of South Carolina. It serves approximately 40,000 city residents and over 275,000 residents in the Greater Spartanburg area. The governing body of the City is a council-manager form of government. The mayor and six members of council ("City Council") establish policy for the City. Administrative functions are directed by the City Manager.

#### 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.

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 three blended component units.

##### **Blended Component Unit**

###### **Spartanburg Public Facilities Corporation**

The Spartanburg Public Facilities Corporation (the "Corporation") is a blended component unit of the City. The Corporation is a South Carolina non-profit corporation organized in May, 2002: (a) to acquire real and/or personal property and develop, finance, construct, acquire, install and operate a conference center and related improvements (including but not limited to road, water and sewer infrastructure) (the "Project"), (b) to acquire, by gift, lease or purchase, and to sell, convey, assign, mortgage, pledge or otherwise encumber any property, real or personal, incidental to carrying out the Project, (c) to finance or refinance the costs of acquiring, constructing, and installing the Project by issuance and sale from time to time by the Corporation of its certificates of participation (the "Certificates"), or such other financing means as may be deemed necessary and desirable by the Corporation in accordance with applicable law, (d) to convey to the City unencumbered fee title and exclusive possession and use of the Project, including any additions to the Project, upon discharge of the Certificates, and (e) to carry on or engage in any other activity which the Corporation may deem proper or convenient in connection with the purposes hereinabove stated, provided, however, that the Corporation shall at all times be operated as a non-profit corporation.

The Corporation is governed by a three member Board of Directors which is solely appointed by the City's Council. The City Council has the power at any time to remove a director with or without cause and to appoint a successor for such director. Separate financial statements for the Corporation are not issued.

CITY OF SPARTANBURG, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2012

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I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. The Reporting Entity (Continued)

**Blended Component Unit (Continued)**

**Spartanburg Recreational Facilities Corporation**

The Spartanburg Recreational Facilities Corporation (“SRFC” or “CC Woodson”) is a blended component unit of the City. The SRFC is a South Carolina non-profit corporation organized in December 2008: (a) to assist the City by acquiring, selling, donating, contributing, owning, operating, leasing or managing, itself or by and through its subsidiaries and affiliates, recreational facilities in the City (“Recreational Facilities”), for the use and benefit of the City and its citizens, and to otherwise take such action as may assist the City as permitted by applicable law, (b) to carry on or engage in any other activities which the SRFC may deem necessary, proper or convenient with the purposes herein above stated; provided however, that the SRFC shall at all times be operated as a nonprofit corporation as provided in the South Carolina Nonprofit Corporation Act of 1994, and (c) to exercise all the rights, privileges, powers, and immunities available to nonprofit corporations under the laws of the State of South Carolina.

The SRFC is governed by a three member Board of Directors which consists of the City Manager, Finance Director, and Director of Community Services of the City. The City Council has the power at any time to remove a director with or without cause and to appoint a successor for such director. The SRFC is the managing member of CC Woodson LLC which is a blended component unit of the SRFC. Most of the activities of the SRFC are carried out by its blended component unit CC Woodson LLC. Separate financial statements are prepared and are available at the offices of SRFC, Attention: Finance Division, P.O. Box Drawer 1749, and 145 W. Broad Street, Spartanburg, SC 29304.

**Spartanburg Parking Facilities Corporation**

The Spartanburg Parking Facilities Corporation (“SPFC” or “Spartanburg Parking Facilities Corporation”) is a blended component unit of the City. The SPFC is a South Carolina non-profit corporation organized in January 2009: (a) to assist the City by acquiring, selling, donating, contributing, owning, operating, leasing or managing, of real property and improvements thereon (“Parking Facilities”), including, but not limited to, parking facilities, for the use and benefit of the City and its citizens, or by granting to third parties rights of use, possession and enjoyment of Parking Facilities for the purpose of constructing, operating or managing such Parking Facilities, or any portion thereof, for the use and benefit of the City and its citizens, and to otherwise take such action as may assist the City as permitted by applicable law, (b) to carry on or engage in any other activities which the SPFC may deem necessary, proper or convenient with the purposes herein above stated; provided however, that the SPFC shall at all times be operated as a nonprofit corporation as provided in the South Carolina Nonprofit Corporation Act of 1994, and (c) to exercise all the rights, privileges, powers, and immunities available to nonprofit corporations under the laws of the State of South Carolina.

The SPFC is governed by four member Board of Directors which consists of the City Manager, Assistant City Manager, Community Services Director, and Finance Director of the City. The City Council has the power at any time to remove a director with or without cause and to appoint a successor for such director. Separate financial statements are prepared and are available at the offices of SPFC, Attention: Finance Division, P.O. Box Drawer 1749, and 145 W. Broad Street, Spartanburg, SC 29304.

**Spartanburg Airport Facilities Corporation**

In February 2009, the City entered into a NMTA project to construct a 700-space public parking facility on St. John Street (“Parking Project” – Note IV.A “New Market Tax Credits – Spartanburg Parking Facilities Corporation” for more details). The cost of the Parking Project came in significantly lower than budgeted. In December 2009, the City Council approved transferring/loaning proceeds of approximately \$3,882,000 from the Parking Project to the Spartanburg Airport Facilities Corporation (“SAFC”) (a new blended component unit) for various airport improvements. These funds along with a \$500,000 grant from Aeronautics Commission were used for the design, renovation and construction of the existing airport terminal building, terminal building parking lot, and the design and construction of two new T-hangars.

CITY OF SPARTANBURG, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2012

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I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. The Reporting Entity (Continued)

Blended Component Unit (Continued)

Spartanburg Airport Facilities Corporation (Continued)

The SAFC is governed by a three member Board of Directors which consists of the City Manager, Assistant City Manager, and Finance Director of the City. The City Council has the power at any time to remove a director with or without cause and to appoint a successor for such director. Separate financial statements are prepared and are available at the offices of SPFC, Attention: Finance Division, P.O. Box Drawer 1749, 145 W. Broad Street, Spartanburg, SC 29304.

Related Organizations

The City Council has various responsibilities with the following organizations of either appointing a limited number of board members to the organizations listed below or ministerial approval of certain transactions. The City does not believe that any of the following organizations are fiscally dependent upon the City and thus these organizations are not considered component units as defined by GASB Statements No. 14 and 39:

Spartanburg Water System	Spartanburg Housing Authority
Northside Development Corporation	Spartanburg Development Corporation

Major Operations

The City's major governmental operations include police and fire protection, parks and recreation, economic and community development, public works and general administrative services. In addition, the City operates seven enterprise funds as of June 30, 2012, consisting of Transit, Parking, Storm Water, Airport, CC Woodson, Spartanburg Parking Facilities Corporation, and Spartanburg Airport Facilities Corporation.

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

*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 segments 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 basic financial statements** are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the Proprietary Fund and Fiduciary Fund basic financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

CITY OF SPARTANBURG, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2012

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I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The government-wide basic financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the non-fiduciary activities of the City (the primary government). The effect of interfund activity has been removed from these statements.

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

**Governmental fund basic 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. For this purpose, the government considers 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, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, 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. All other revenue items are considered to be measurable and available only when cash has been received by the government.

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

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

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

**Governmental fund types** are those through which most governmental functions of the City are financed. The City's expendable financial resources and related assets and liabilities (except for those accounted for in the Proprietary funds) 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.

Following are the City's major and nonmajor governmental fund types:

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 unreserved fund balance is generally considered a resource available for use.

CITY OF SPARTANBURG, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2012

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I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The *Capital Projects Fund, a major fund* and a budgeted fund, is used to account for financial resources expended for the acquisition or construction of major capital facilities (other than those financed by Proprietary Funds and Special Revenue Funds). These funds are also used to carry on specified ongoing major improvement projects or major equipment acquisitions usually spanning more than one fiscal year. In addition, the City's blended component unit is accounted for in the Capital Projects Fund. The Corporation's activities are not accounted for in a separate fund or sub-fund, but have been blended into the activities of the Capital Project's Fund. Projects for this fund are designated by City officials. Budgets for capital projects are approved on a project-by-project basis and not on an annual or biennial basis.

The *Hospitality Tax Fund, a major special revenue fund* and a budgeted fund, is used to account for hospitality tax revenue paid for by businesses within City limits.

The *St. John-Daniel Morgan TIF Fund, a major debt service fund*, is used to account for the accumulation of resources and payment of bond principal and interest from a redevelopment area consisting of approximately 97.62 acres located in the downtown area of the City.

The *Other Special Revenue Funds, non-major funds*, and in general unbudgeted funds, are used to account for the proceeds of designated specific revenue sources that are restricted to expenditures for specified purposes. Special revenue funds that exist solely for the management of grants contain budgets that are incorporated into the grant agreements which are approved by the City Manager.

The *Other Debt Service Funds, non-major funds*, are used to account for the accumulation of resources for, and payment of, long-term debt principal, interest, and related costs for the City.

*Proprietary fund types* are accounted for based on the flow of economic resources measurement focus and use of 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 the enterprise fund are primarily charges for services and sales of inventory. Operating expenses for the enterprise fund include the cost of sales, 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:

CITY OF SPARTANBURG, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2012

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I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

- i. The **Transit Fund** is used to account for the local fixed-route public transportation system.
- ii. The **Parking Fund** is used to account for the City's parking garage system.
- iii. The **Storm Water Fund** is used to account for the City's activities of storm water maintenance and repairs.
- iv. The **Airport Fund** is used to account for the activities of the City's downtown airport.
- v. The **CC Woodson Fund** is used to account for the activities associated with the acquisition of land, construction of a new recreation center known as CC Woodson, renovations at the Northwest Recreation Center, and subsequent operation and leasing activities.
- vi. The **Spartanburg Parking Facilities Corporation Fund** is used to account for all of the activities associated with the ownership, construction, operation, and leasing of the new 700-space parking garage on St. John Street.
- vii. The **Spartanburg Airport Facilities Corporation Fund** is used to account for the design, renovation, and construction of the existing airport terminal building, terminal building parking lot, and the design and construction of two new T-hangers.

*Internal Service Funds* are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City, or to other governments, on a cost-reimbursement basis.

The City has the following Internal Service Funds:

- i. The **Equipment Replacement Fund** is used to account for the funding of the estimated amounts to replace the moveable City equipment used in day to day operations.
- ii. The **Medical Insurance Trust Fund** is used to account for the collection of medical insurance premiums and payment of medical claims under the City's self-insured health insurance plan.

For the government-wide basic financial statements, the doubling up effect of internal service activity has been eliminated. Remaining financial activities that are not eliminated are reported in the governmental activities column of the government-wide statements.

CITY OF SPARTANBURG, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2012

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I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, and Equity

1. Cash, Cash Equivalents, and Investments

*Fiduciary fund types* include the *Pension Trust Fund* and the *Agency Fund*. These funds are used to account for assets held by the City in a trustee capacity for individuals, other governments, and/or other funds. Pension Trust Funds are accounted for in essentially the same manner as Proprietary Funds and are used to account for the City's single-employer defined benefit retirement plan. The Agency Fund is generally used to account for miscellaneous assets that the government holds on behalf of others. The Agency fund is custodial in nature and does not present results of operations.

The City considers all highly liquid investments (including restricted assets) with original maturities of three months or less when purchased and money market mutual funds to be cash equivalents. Securities with an initial maturity of more than three months (from when initially purchased) and other non-money market mutual funds are reported as investments.

The City's operating cash and investment policy is designed to operate within existing statutes (which are identical for all non-fiduciary funds, fund types and component units within the State of South Carolina). The statutes of the State of South Carolina authorize the City to invest in the following:

- (a) Obligations of the United States and its agencies, the principal and interest of which is fully guaranteed by the United States.
- (b) Obligations issued by the Federal Financing Bank, Federal Farm Credit Bank, the Bank of Cooperatives, the Federal Intermediate Credit Bank, the Federal Land Banks, the Federal Home Loan Banks, the Federal Home Loan Mortgage Corporation, the Federal National Mortgage Association, the Government National Mortgage Association, the Federal Housing Administration, and the Farmers Home Administration, if, at the time of investment, the obligor has a long-term, unenhanced, unsecured debt rating in one of the top two ratings categories, without regard to a refinement or gradation of rating category by numerical modifier or otherwise, issued by at least two nationally recognized credit rating organizations.
- (c) (i) General obligations of the State of South Carolina or any of its political units; or (ii) revenue obligations of the State of South Carolina or its political units, if at the time of investment, the obligor has a long-term, unenhanced, unsecured debt rating in one of the top two ratings categories, without regard to a refinement or gradation of rating category by numerical modifier or otherwise, issued by at least two nationally recognized credit rating organizations.
- (d) Savings and Loan Associations to the extent that the same are insured by an agency of the federal government.
- (e) Certificates of deposit where the certificates 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 of deposit 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.
- (f) Repurchase agreements when collateralized by securities as set forth in this section.

**CITY OF SPARTANBURG, SOUTH CAROLINA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2012**

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

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

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

- (g) 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), (c), and (f) 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 reports its cash and investments at fair value which is normally determined by quoted market prices. The City currently or in the past year has used the following investments in its non-fiduciary activities:

- Local Government Investment Pool ("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 \$1.00.
- Open ended mutual funds which are primarily invested in money market funds which invest in short term obligations of the United States and related agencies.

**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. Operating subsidies are also recorded as transfers. City management determines the classification of amounts recorded as subsidies or advances. To the extent that certain transactions between funds would not be paid or received as of a year end, interfund amounts or payables would be recorded. Internal service funds are used to record charges to all City departments as operating revenue. All City funds record these payments to the internal service funds as operating expenditures or expenses. The City uses the pooling of cash method of accounting whereby the General Fund makes all receipts and disbursements for the other funds.

All trade and property taxes receivable are shown net of an allowance for uncollectible amounts. Trade receivables are comprised of amounts due from entities and individuals for a variety of types of fees, charges and services, including franchise fees, hospitality fees, sanitation, water, sewer, storm water, and other fees and charges.

**CITY OF SPARTANBURG, SOUTH CAROLINA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2012**

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

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

**3. Inventories, Prepaid Items, and Other Assets**

Inventory items consist primarily of automotive parts, airplane parts, and supplies and are stated at cost (first-in, first-out method). Perpetual inventory records are maintained and are adjusted annually to a physical count as of June 30. For governmental and proprietary funds, inventories are reported using the consumption method.

Prepaid items in the proprietary funds are recorded using the consumption method (expensed as used). 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 Funds. 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 financial statements. Capital assets utilized by the Proprietary Funds are reported both in the business-type activities column of the government-wide Statement of Net Assets and in the respective fund financial statements.

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair market value on the date donated. Public domain (“infrastructure”) general capital assets acquired prior to July 1, 2002, consisting of roads, bridges, curbs and gutters, streets, and sidewalks, drainage systems, and lighting systems that were acquired or that received substantial improvements subsequent to July 1, 1980, are reported at estimated historical cost using deflated replacement cost.

Interest costs related to Proprietary Fund construction is capitalized as part of the capitalized value of the asset constructed if significant. Interest costs of tax-exempt borrowings are capitalized net of related investment earnings on the proceeds.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets’ lives are not capitalized. The City maintains a capitalization threshold of \$5,000.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Description	Governmental Activities Estimated Lives	Business-Type Activities Estimated Lives
Computer Equipment	3-5 years	3-5 years
Machinery and Equipment	5-10 years	5-10 years
Furniture and Fixtures	5-10 years	N/A
Vehicles	5-20 years	5-20 years
Buildings and Improvements	20-40 years	20-40 years
Sewer Lines and Storm Drains	75 years	75 years
Roads and Streets	25 years	N/A
Bridges and Sidewalks	50 years	N/A
Traffic Signals	15 years	N/A

**CITY OF SPARTANBURG, SOUTH CAROLINA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2012**

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

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

**5. *Compensated Absences***

The City's general leave policy allows accumulation of up to 90 days for unused general leave at the end of each year ending December 31. Individuals accumulate general leave, which constitutes vacation, at a rate of one and one-half days per month. Additional days are earned based upon longevity in excess of five years. Employees terminating or retiring are paid for accumulated general leave based on their hourly rate of pay earned at the time of termination or retirement.

Prior to July 1, 1980, employees' accumulated sick leave at the rate of one day per month with no limit on the maximum number of days accumulated. Any general leave time in excess of 90 days as of December 31, is added to sick leave accrual. Sick leave does not vest and can only be used by employees when they are ill.

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 government-wide financial statements. The portion applicable to the Proprietary Fund is also recorded in the Proprietary Fund financial statements. If applicable, termination payments incurred prior to year end related to governmental funds are recorded in the fund financial statements (if material).

**6. *Accrued Liabilities and Long-Term Obligations***

All payables, accrued liabilities and long-term obligations are reported in the government-wide basic financial statements. Bond premiums, discounts and issuance costs are deferred and amortized over the life of the bonds using the straight-line method (as it approximates the effective interest method) if material. Debt is reported net of applicable bond premiums and discounts.

In the governmental fund financial statements, bond premiums, discounts and bond issuance costs are recognized immediately. The face amount of debt or capital leases issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current financial resources. However, claims and judgments, debt and capital leases, compensated absences, contractually required pension contributions, special termination benefits and other related long-term liabilities that will eventually be paid from governmental funds are not reported as a liability in the fund financial statements until due and payable.

**7. *Fund Balance***

In accordance with Governmental Accounting Standards Board ("GASB") Statement No. 54, "*Fund Balance Reporting and Governmental Fund Type Definitions*" ("GASB 54") which established new fund balance classifications for governmental fund types and clarifies the definitions of the governmental fund types. The City classifies governmental fund balances as follows:

CITY OF SPARTANBURG, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2012

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I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, and Equity (Continued)

7. Fund Balance (Continued)

The City classifies governmental fund balances as follows:

**Nonspendable** – includes amounts that inherently cannot be spent either because it is not in spendable form (i.e., prepaids, inventories, long-term portions of loans receivable, etc.) or because of legal or contractual requirements (i.e., principal on an endowment, etc.).

**Restricted** – includes amounts that are constrained by specific purposes which are externally imposed by (a) other governments through laws and regulations, (b) grantors or contributions through agreements, (c) creditors through debt covenants or other contracts, or (d) imposed by law through constitutional provisions or enabling legislation.

**Committed** – includes amounts that are constrained for specific purposes that are internally imposed by the government through formal action made by the City Council, which is the highest level of decision making authority, before the end of the reporting period. Those committed amounts cannot be used for any other purpose unless the government removes or changes the specified use by taking the same type of action it employed to previously commit those amounts.

**Assigned** – includes amounts that are intended to be used for specific purposes that are neither considered restricted nor committed; in addition, such assignments are made before the report issuance date. The City Council has formally granted the City Manager, Assistant City Manager, Finance Director, or Budget Director the authority to make assignments of fund balance for the City.

**Unassigned** – includes amounts that do not qualify to be accounted for and reported in any of the other fund balance categories. This classification represents the amount of fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund. The General Fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds, if expenditures incurred for specific purposes exceeded the amounts that are restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

The City generally uses restricted amounts first when both restricted and unrestricted (committed, assigned, and unassigned) fund balance is available unless there are legal documents, contracts, or agreements that prohibit doing such. Additionally, the City generally would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

8. Net Assets

Net assets represent the difference between assets and liabilities. 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 the enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

**CITY OF SPARTANBURG, SOUTH CAROLINA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2012**

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

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

**9. Encumbrances**

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

**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 that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**11. Pension and OPEB Plans**

Pension Plan One – The City participates in both the South Carolina Retirement System (“SCRS”) and the South Carolina Police Officers Retirement System (“SCPORS”). Both are multi-employer defined benefit retirement systems.

Pension Plan Two – The retirement plan of the City (“Pension Plan”) is a single-employer defined benefit retirement plan. Participation in this Pension Plan is frozen to those employees employed by the City prior to June 1, 1993, and those who elected not to transfer to either the SCRS or the SCPORS.

OPEB Plan – The other postemployment benefit plan of the City (“OPEB Plan”) is a single-employer defined benefit retirement plan. Participation in the OPEB Plan is based on various eligibility requirements including years of service (See Section IV.E “Other Information – Postemployment Benefits Other Than Pensions” for more details).

The City recognizes in its government-wide basic financial statements the amount for which the Pension Plan Two or OPEB Plan is over or under funded as either a pension or OPEB plan asset or obligation. No amounts are recognized in the governmental fund basic financial statements as these amounts are not a current financial resource or obligation (no amounts are reflected on the proprietary fund financial statements as the portion of the Pension Plan Two and OPEB Plan related to these activities are not significant).

**12. Comparative Data**

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

CITY OF SPARTANBURG, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2012

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**II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**A. Budgetary Information**

The City utilizes the following procedures in establishing the budgetary data reflected in the financial statements:

Prior to June 1, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing July 1. The operating budget includes proposed expenditures and the means of financing them for the General Fund and certain Special Revenue Funds as noted above.

Public meetings are conducted to obtain taxpayer comments. A target date in June is set for legal enactment of the budget through passage of an ordinance. After the City completes the formal budget process, the City prepares and issues a budget report. This report includes all budgeted funds. The City adopts its budgets annually.

The budget is administered by the City Manager, who is authorized by the City Council. The manager is authorized to transfer appropriated funds within and between departments, funds, and agencies of the City, as may be necessary, to achieve the budget objectives set by City Council. The City Manager is authorized to make emergency expenditures from budgeted non-departmental monies for general purposes in an amount not to exceed ten thousand (\$10,000) dollars per expenditure; provided, however, the item is reported to City Council in writing no later than the following regularly scheduled meeting of council.

Revisions that alter the total budgeted expenditures of the City as a whole must be approved by City Council. There were no revisions to the General Fund budget in fiscal year 2012. The level at which expenditures may not legally exceed appropriations is therefore the total revised appropriations amount.

Budgets are adopted on a GAAP basis. Formal budgetary integration is employed as a management control device for the General Fund, Hospitality Tax Fund and certain other non-major Special Revenue Funds (Community Development, Federal Home Program, and Victims Assistance). As noted earlier, only the City Manager may move funds between departments because it is at the departmental level that fiscal responsibility for budgets is enforced as a management tool.

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

**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 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. As of June 30, 2012, none of the City's non-pension trust fund bank balances of approximately \$6,746,000 (book balance of approximately \$6,272,000) was uncollateralized and exposed to custodial credit risk.

CITY OF SPARTANBURG, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2012

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

A. Deposits and Investments (Continued)

*Investments*

As of June 30, 2012, the City’s non-pension trust fund investment portfolio consisted of:

Investment Type	Credit Rating ^	Fair Value	Weighted Average Maturity
State Local Government Investment Pool	*	\$ 13,262,806	~
TDAM Institutional U.S. Government Fund	AAAm, NR, NR	1,091,015	<1 year
Total Primary Government		\$ 14,353,821	

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

\* Investments in U.S. government securities and 2a-7 like funds are considered to have no credit risk and therefore the credit rating for these investments do not have to be disclosed.

~ Interest rate disclosure information is not required for 2a-7 like investment pools.

**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.

**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, 2012, none of City’s investments were exposed to custodial credit risk.

**Credit Risk for Investments:** Credit risk for investments is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City does not have an investment policy for credit risk but follows the investment policy statutes of the State of South Carolina.

**Concentration of Credit Risk for Investments:** The City places no limit on the amount it may invest in any one issuer. Investments issued by or explicitly guaranteed by the U.S. Government and investments in mutual funds, external investment pools, and other pooled investments are exempt from concentration of credit risk disclosures.

***Pension Trust Fund Cash, Cash Equivalents and Investments***

City Council established the Retirement Committee (“Committee”) and designated it to supervise the investment of the resources in the City’s Pension Plan. Decisions regarding the changes to investment and policies may only be enacted by majority vote of the Committee. The Committee developed an Investment Policy Statement (“Policy”) to establish investment objectives and guidelines for the Pension Plan.

CITY OF SPARTANBURG, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2012

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

A. Deposits and Investments (Continued)

*Pension Trust Fund Cash, Cash Equivalents and Investments (Continued)*

The goal of the City’s Pension Plan is to provide employees of the City with a vehicle for retirement savings and, if possible, to provide for cost of living increases through the investment process. The Pension Plan is intended to meet the investment needs of a diverse employee group by offering a range of investments. In order to best meet the investment needs of the Pension Plan, the Pension Plan will invest in multiple asset classes. The Committee believes that using multiple investment managers and alternative asset classes will improve the return on investment and reduce volatility. The Pension Plan’s investment policy finds that the following target mixture of asset classes will produce the desired performance at acceptable fluctuation levels over time:

Investment/Asset Class	Target Benchmark	Minimum Range Benchmark	Maximum Range Benchmark
Large Cap Stocks	35%	30%	50%
Small/Mid Cap Stocks	10%	0%	20%
International Stocks	10%	5%	20%
Broad Bond Market (including CDs)	35%	20%	60%
Alternative Investments	10%	0%	15%
Cash and Cash Equivalents	0%	0%	10%

The Pension Plan trust portfolio at June 30, 2012 is as shown in the following table. The trust reports its investments at fair value.

Investment Type	Credit Rating ^	Fair Value	Weighted Average Maturity
<b><u>Fiduciary - Pension Trust Fund</u></b>			
Money Market Mutual Fund	NR	\$ 81,537	Greater than 5 yrs
State Local Government Investment Pool	NR	7,924,743	~
Total Pension Trust		<u>\$ 8,006,280</u>	

~ Interest rate disclosure information is not required for 2a-7 like investment pools.

**Pension Trust Interest Rate Risk:** The Pension Plan’s goal is to maximize investment income without unduly jeopardizing the safety and liquidity of funds. The Pension Plan does not have a formal policy limiting investment maturities that would help manage its exposure to fair value losses from increasing interest rates.

**Custodial Credit Risk for Pension Trust 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 Pension Plan does not have an investment policy for custodial credit risk. As of June 30, 2012, none of Pension Plan’s investments were exposed to custodial credit risk.

**Credit Risk for Pension Trust Investments:** Credit risk for investments is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Pension Plan does not have an investment policy for credit risk.

**Concentration of Credit Risk for Pension Trust Investments:** The Pension Plan places no limit on the amount it may invest in any one issuer. There were no investments in any one corporate issuer that exceeded 5% of the total portfolio at June 30, 2012. Investments issued or explicitly guaranteed by the U.S government and investments in mutual funds are excluded from this disclosure requirement.

**CITY OF SPARTANBURG, SOUTH CAROLINA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2012**

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**III. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (Continued)**

**B. Receivables and Deferred Revenue**

**Property Taxes Receivables and Loan Receivables**

Property tax for the City is levied by the County each fall on the assessed valuation of property located in the City as of the preceding January 1. Property taxes are generally levied in September. The first penalty, calculated at fifteen percent, is applicable to payments made after the original January 15<sup>th</sup> property tax due date. Property taxes attach as an enforceable lien on January 1<sup>st</sup> and are considered delinquent if not paid by March 15.

Assessed values for real estate are established annually by the County Tax Assessor at 4% of market value for legal residence and 6% of market value for rental and other real property. Real property in the City for the 2011 tax levy was assessed at approximately \$135,177,000. Assessed values for personal property are established by the County Auditor at 10.5% of market value, which was determined by the South Carolina Department of Revenue. The 2011 assessed value was approximately \$18,584,000 for personal property. The City's operating tax rate is currently 101.0 mills. The County bills and collects the City's property taxes. The City had outstanding property taxes receivable of \$1,279,000 and \$63,000 (which is net of an allowance for uncollectibles of approximately \$426,000 and \$20,000 respectively) for general operations and for its tax increment districts, respectively, at June 30, 2012.

The City has outstanding mortgage and commercial loans receivables of approximately \$205,000 at June 30, 2012.

**Note Receivable**

In order to assist the Developer with the Renaissance Park Hotel project (See Note IV.A "Renaissance Park Project" for further details), the City obtained a Section 108 loan from the United States Department of Housing and Urban Development ("HUD Loan") in the amount of \$4,000,000. The City has pledged its Community Development block grant in securing this loan. The City subsequently loaned the proceeds of the HUD loan to the Developer to assist him in financing the construction of the Hotel/Conference Center garage. The City has received a promissory note from the Developer for \$4,000,000. The promissory note's term is for 17.5 years with monthly payments to the City commencing in February, 2004, and ending in July 2021. Monthly payments to the City begin at approximately \$17,000 (initial payments are interest only) and escalate to approximately \$42,000 before the end of the term of the note.

The City recorded the initial amount of the promissory note on its governmental balance sheet and the portion of the notes receivable not collected within 60 days was deferred. Subsequent to its initial recording, the City also accrues interest on any outstanding balances but defers all amounts not collected within 60 days in its governmental funds. The City's outstanding note receivable at June 30, 2012 was approximately \$2,840,000 for which all has been deferred at June 30, 2012 (as it was not available).

CITY OF SPARTANBURG, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2012

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

B. Receivables and Deferred Revenue (Continued)

Deferred and Unearned Revenue

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, 2012, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

Delinquent Property Taxes Receivable (General Fund, St. John Daniel Morgan TIF Fund, and Debt Service Funds) - Deferred	\$ 1,107,282
Note Receivable and Interest Receivable (St. John Daniel Morgan TIF Fund) - Deferred	2,840,279
Mortgage and Loan Receivables (Special Revenue Funds) - Deferred	208,415
Other Unearned Revenue (General Fund, Capital Projects Fund, and Special Revenue Funds) - Unearned	404,626
Total Deferred/Unearned Revenue for Governmental Funds	<u>\$ 4,560,602</u>

C. Capital Assets

Capital asset activity for the City's governmental activities for the year ended June 30, 2012, was as follows:

Governmental Activities:	Restated Beginning Balance *	Increases**	Decreases	CIP Transfers	Ending Balance
Capital Assets, Non-Depreciable					
Land	\$ 27,804,286	47,171	-	-	\$ 27,851,457
Construction In Progress ("CIP")	1,006,724	1,310,031	-	(751,053)	1,565,702
Total Capital Assets, Non-Depreciable	<u>28,811,010</u>	<u>1,357,202</u>	<u>-</u>	<u>(751,053)</u>	<u>29,417,159</u>
Capital Assets, Depreciable					
Buildings and Improvements	26,811,394	34,235	-	454,166	27,299,795
Infrastructure	48,231,718	-	-	235,623	48,467,341
Machinery and Equipment	5,405,884	202,446	(5,732)	61,264	5,663,862
Vehicles	12,012,198	1,069,949	(525,761)	-	12,556,386
Furniture and Fixtures	12,099	-	-	-	12,099
Total Capital Assets, Depreciable	<u>92,473,293</u>	<u>1,306,630</u>	<u>(531,493)</u>	<u>751,053</u>	<u>93,999,483</u>
Less: Accumulated Depreciation for:					
Buildings and Improvements	10,299,861	2,313,181	-	-	12,613,042
Infrastructure	22,868,301	2,162,982	-	-	25,031,283
Machinery and Equipment	4,326,681	312,745	(5,732)	-	4,633,694
Vehicles	7,337,584	793,204	(521,242)	-	7,609,546
Furniture and Fixtures	12,099	-	-	-	12,099
Total Accumulated Depreciation	<u>44,844,526</u>	<u>5,582,112</u>	<u>(526,974)</u>	<u>-</u>	<u>49,899,664</u>
Total Capital Assets, Depreciable, Net	<u>47,628,767</u>	<u>(4,275,482)</u>	<u>(4,519)</u>	<u>751,053</u>	<u>44,099,819</u>
Governmental Activities Capital Assets, Net	<u>\$ 76,439,777</u>	<u>(2,918,280)</u>	<u>(4,519)</u>	<u>-</u>	<u>\$ 73,516,978</u>

\*See the following paragraph for details regarding the restated beginning balance.

\*\* Depreciation expense for Buildings and Improvements includes impairment of \$1,445,731. Discussed below.

CITY OF SPARTANBURG, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2012

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

C. Capital Assets (Continued)

During 2012, the City discovered that it had not been depreciating the Renaissance Conference Center from the time it was placed in service in 2002 until the current year. The City corrected this error by recording the total amount that should have been recorded through June 30, 2011 of approximately \$2,752,000 as a prior period adjustment on the Statement of Activities for its governmental activities during the year ended June 30, 2012. The beginning balance for accumulated depreciation for buildings and improvements in the table above has been restated to reflect this adjustment. The correction also resulted in a decrease of approximately \$306,000 to the previously reported change in net assets for the City's governmental activities for the year ended June 30, 2011. This adjustment had no impact on any of the City's funds, cash flows, or operations.

The cost of equipment recorded under capital lease was approximately \$4,397,000. Accumulated amortization was approximately \$734,000 at June 30, 2012. Amortization of assets recorded under capital lease obligations has been included with depreciation expense.

Depreciation expense for governmental activities (which includes internal service fund depreciation expense of approximately \$755,000) was charged to functions/programs as follows:

Functions/Programs	Depreciation Expense
Policy Formulation and Administration	\$ 357,639
Public Safety	493,462
Parks, Recreation, and Special Events	590,630
Community Development	8,422
Public Works	2,676,079
Finance and Administrative Services	10,149
Totals - Governmental Activities	<u>\$ 4,136,381</u>

On April 23, 2012, City Council approved the closure of the T.K. Gregg Recreation Center. Plans are to demolish the building within the next year. In accordance with GASB#42, "Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries," the City was required to test for impairment since there was a significant change in the manner or expected duration of the use of the T.K. Gregg Recreation Center. As a result, the City wrote down the capital asset in the amount of approximately \$1,446,000. This is shown as a special item in the governmental activities column in the government-wide basic financial statements.

The City receives donated infrastructure from time to time for new subdivisions/projects from various developers and other entities. The Engineering Administrator inspects and approves the installation of the infrastructure by the developer before the City takes over ownership. The Engineering Administrator also estimates the value of the donated infrastructure based on the estimated replacement cost for the infrastructure. For fiscal year 2012, the City did not receive any significant donated infrastructure.

CITY OF SPARTANBURG, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2012

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

C. Capital Assets (Continued)

Capital asset activity for the City's business-type activities for the year ended June 30, 2012, was as follows:

<b>Business-Type Activities:</b>	Beginning Balance	Increases	Decreases	CIP Transfers	Ending Balance
Capital Assets, Non-Depreciable:					
Land	\$ 2,102,668	-	-	-	\$ 2,102,668
Construction In Progress	6,070,630	3,054,139	(28,090)	(4,072,024)	5,024,655
<b>Total Capital Assets, Non-Depreciable</b>	<b>8,173,298</b>	<b>3,054,139</b>	<b>(28,090)</b>	<b>(4,072,024)</b>	<b>7,127,323</b>
Capital Assets, Depreciable:					
Buildings and Improvements	43,793,232	25,236	-	4,062,624	47,881,092
Infrastructure	698,642	69,718	-	-	768,360
Machinery and Equipment	1,234,852	24,938	-	9,400	1,269,190
Vehicles	2,340,097	1,433,536	(22,302)	-	3,751,331
<b>Total Capital Assets, Depreciable</b>	<b>48,066,823</b>	<b>1,553,428</b>	<b>(22,302)</b>	<b>4,072,024</b>	<b>53,669,973</b>
Less: Accumulated Depreciation for:					
Buildings and Improvements	11,549,011	1,332,838	-	-	12,881,849
Infrastructure	776	9,857	-	-	10,633
Machinery and Equipment	655,713	140,195	-	-	795,908
Vehicles	1,848,842	274,681	(13,063)	-	2,110,460
<b>Total Accumulated Depreciation</b>	<b>14,054,342</b>	<b>1,757,571</b>	<b>(13,063)</b>	<b>-</b>	<b>15,798,850</b>
<b>Total Capital Assets, Depreciable, Net</b>	<b>34,012,481</b>	<b>(204,143)</b>	<b>(9,239)</b>	<b>4,072,024</b>	<b>37,871,123</b>
<b>Business-Type Activities Capital Assets, Net</b>	<b>\$ 42,185,779</b>	<b>2,849,996</b>	<b>(37,329)</b>	<b>-</b>	<b>\$ 44,998,446</b>

Depreciation expense for business-type activities was charged to functions/programs as follows:

Functions/Programs	Depreciation Expense
Transit	\$ 510,165
Parking	462,940
Airport	96,982
CC Woodson	362,327
Spartanburg Parking Facilities	227,908
Airport Facilities	97,249
<b>Totals - Business-Type Activities</b>	<b>\$ 1,757,571</b>

CITY OF SPARTANBURG, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2012

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

D. 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. Tax Increment Bonds (“TIB”) are considered a special obligation of the City payable solely from ad valorem taxes generated by improvements to real property within the redevelopment project area. Revenue Bonds (“RB”) are special obligations of the City that are secured by revenue from a specific source. The full faith, credit, and taxing powers of the City are not pledged for the payment of the TIB or RB nor the interest thereon. 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 capital lease obligations nor the interest thereon.

The Promissory Notes (“PN”) are obligations of the City’s blended component units, and as such, the full faith, credit and taxing powers of the City are not pledged for their payment in any way.

Details for each debt issue and outstanding capital lease as of June 30, 2012, are as follows:

Principal Outstanding  
at Year End

***Tax Increment Bonds***

\$2,946,000 Series 2010 – Bonds issued March 31, 2010, in an original amount of \$4,795,000 with an interest rate of 2.47%. The bonds mature April 1, 2015. Interest payments are due April 1<sup>st</sup> of each calendar year. Annual principal payments of \$915,000 began April 1, 2011, and increase in amounts annually until the annual payment reaches \$1,008,000 in year 2015. The proceeds of these bonds were primarily used to currently redeem the 2000 Series TIFs which were issued to: (a) finance a portion of the costs of construction of a municipal parking facility, the development of off-street public parking and the construction of streetscape improvements all within the Broad Street Redevelopment Project Area, and (b) defease certain outstanding debt.

\$6,705,000 Series 2010 – Bonds issued November 2010, in an original amount of \$6,830,000 with an interest rate of 3.24%. The bonds mature April 1, 2025. Interest payments are due April 1<sup>st</sup> of each calendar year. Annual principal payments of \$60,000 began April 1, 2011, and increase in amounts annually until the annual payment reaches \$620,000 in year 2025. The proceeds of these bonds were primarily used to partially defease the Series 2002 A bonds and the Series 2002 B bonds.

***Certificates of Participation (“COPS”)***

\$1,995,000 Series 2005 – Issued June 23, 2005, in an original amount of \$3,310,000 and maturing April 1, 2020. The Bond interest rate is 3.39% and requires semi-annual interest payments and annual principal payments. The principal payments increase annually from \$135,000 in 2006 to \$280,000 in 2020. The bonds are the liability of the Spartanburg Public Facilities Corporation, a South Carolina nonprofit corporation (as noted earlier, it is a blended component unit of the City). The purpose of the debt was to provide funding for the “Morgan Square Project.”

CITY OF SPARTANBURG, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2012

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

D. Long-Term Obligations (Continued)

Principal Outstanding  
at Year End

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*Hospitality Tax Bonds*

\$9,315,000 Series 2010 Refunding – Issued November 2010, in an original amount of \$9,495,000 with an interest rate of 3.17%. The bonds mature April 1, 2025. Interest payments are due April 1<sup>st</sup> and October 1<sup>st</sup> of each year. Principal payments began April 1, 2011, at \$90,000 and increase in amounts annually until the annual payment reaches \$860,000 in year 2025. The proceeds of these bonds were used to partially defease the Series 2002 COPS bonds, for which the proceeds were used to construct the Renaissance Park Conference Center.

*HUD Section 108 Loan*

\$3,285,000 On February 1, 2002, the City entered into a contract with the U.S. Department of Housing and Urban Development for loan guarantee assistance under Section 108 of the Housing Community Development Act of 1974 for the purpose of constructing the Renaissance Hotel/Conference Parking garage. The City provided the amounts drawn under the HUD Section 108 loan of \$4,000,000 to the Developer to assist him in financing the construction of the garage. The Developer has signed a promissory note to repay the City for this loan (See Note III.B “Notes Receivable” for further details). The rate of interest on the loan is 5.50%. The loan matures in August 2021. Interest payments are due February 1<sup>st</sup> and August 1<sup>st</sup> of each calendar year. Annual principal payments of \$40,000 began in August 2005 and increase until the annual payment reaches \$415,000 in year 2021.

*General Obligation Bonds*

\$6,730,000 Series 2010 – Bonds issued in December of 2010, in an original amount of \$6,995,000. The rate of interest ranges from 3.5% to 4.5%. The bond matures in April of 2030. Interest payments are due April 1<sup>st</sup> and October 1<sup>st</sup> of each calendar year. Annual principal payments of \$265,000 began April 1, 2012, and increase in amounts annually until the annual payment reaches \$510,000 in year 2030. The proceeds of these bonds were used to fund the closure of the Arkwright Landfill and the construction of community parks.

*Capital Leases*

\$325,095 In December 2005, the City entered into a 10-year capital lease to purchase a fire truck for its Public Safety Department. The rate of interest is 3.578%. The lease is due in full in October 2015. The lease requires semi-annual payments (interest and principal) of \$49,825. This lease is recorded and funded in the Equipment Replacement Fund (internal service fund).

\$553,539 In December 2009, the City entered into a 7-year capital lease to purchase two automated side loader trucks, one utility truck, and twelve vehicles. The rate of interest is 3.69%. The lease is due in full in October 2016. The lease requires semi-annual payments (interest and principal) of \$67,316. This lease is recorded and funded in the Equipment Replacement Fund (internal service fund).

\$734,692 In December 2010, the City entered into a 5-year capital lease to purchase vehicles. The rate of interest is 2.24%. The lease is due in full in October 2015. The lease requires semi-annual payments (interest and principal) of \$109,710. This lease is recorded and funded in the Equipment Replacement Fund (internal service fund).

CITY OF SPARTANBURG, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2012

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

D. Long-Term Obligations (Continued)

Principal Outstanding  
at Year End

\$2,050,000 In March 2012, the City entered into a 5-year capital lease to purchase vehicles. The rate of interest is 1.33%. The lease is due in full in April 2017. The lease requires semi-annual payments (interest and principal) of \$212,698. This lease is recorded and funded in the Equipment Replacement Fund (internal service fund).

*Revenue Bonds*

\$2,180,000 Series 2008 – Bonds issued October 17, 2008, in an original amount of \$3,565,000 and secured by revenue from the City of Spartanburg Parking System. The bonds mature April 1, 2017. The rate of interest is 3.92%. Interest payments are due April 1<sup>st</sup> and October 1<sup>st</sup> of each calendar year. Principal payments are due annually on April 1<sup>st</sup>. Principal payments began April 1, 2009, at \$295,000 and increase in amounts annually until the annual payment reaches \$470,000 in year 2017. The proceeds of these bonds were used to currently refund the 2002 Bonds, for which the proceeds were used to construct the Magnolia parking garage.

*Promissory Notes – Blended Component Units*

\$5,600,000 CC Woodson Promissory Note (“Note A”) – Note issued January 16, 2009, in an original amount of \$5,600,000. Note A requires interest only payments with the principal due on the maturity date of April 16, 2016. The interest rate is 0.8036%. The proceeds of Note A were used to fund the activities associated with the acquisition of land, construction of a new recreation center known as CC Woodson, and renovations at the Northwest Recreation Center.

\$5,152,901 SPFC Promissory Note A1 (“Note A1”) – Note A1 issued February 5, 2009, in an original amount of \$8,000,000. Note A1 consists of an interest only term and a principal and interest term. The interest only term concludes February 5, 2016 and the principal and interest term concludes February 5, 2021. The interest rate is London Interbank Offered Rate (“LIBOR”) plus 2.5%. The proceeds of Note A1 were originally intended to be used to construct a portion of a 700-space public parking facility on St. John Street. The SPFC entered into an interest rate swap agreement to hedge against the interest rate risk of Note A1 (variable rate loan). See section following on Interest Rate Swap Agreements for more details.

In February 2010, the City executed a debt agreement with the lender, splitting the debt into two components: (1) \$5,152,901 for a portion of the St. John Street parking facility; and (2) \$2,847,099 for the newly formed Spartanburg Airport Facilities Corporation (blended component unit), as described below.

CITY OF SPARTANBURG, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2012

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

D. Long-Term Obligations (Continued)

Principal Outstanding  
at Year End

*Promissory Notes – Blended Component Units (Continued)*

\$3,000,000 SPFC Promissory Note A2 (“Note A2”) – Note A2 issued February 5, 2009, in an original amount of \$3,000,000. Note A2 is interest only with the principal due on the maturity date of February 5, 2016. The interest rate is 4%. The proceeds of Note A2 will be used to construct a portion of a 700-space public parking facility on St. John Street. Issuance costs of approximately \$34,000 were capitalized related to this issue and are being amortized. Note A2 is secured by a \$3,000,000 certificate of deposit from an interested party which will be used at the note maturity date to pay off the debt subject to various terms and conditions.

\$2,964,691 SPFC Promissory Note B (“Note B”) – Note B issued February 5, 2009, in an original amount of \$4,000,000. Note B consists of an interest only term and a deferred payment term. The interest only term concludes February 5, 2016 and the deferred payment term concludes February 5, 2049. The interest rate is LIBOR plus 0.5%. The proceeds of Note B will be used to construct a portion of a 700-space public parking facility on St. John Street. Issuance costs of approximately \$46,000 were capitalized related to this issue and are being amortized. The SPFC entered into an interest rate swap agreement to hedge against the interest rate risk of Note B (variable rate loan). See section following on Interest Rate Swap Agreements for more details. At the end of the interest only term, the obligation to repay the principal balance of this loan can be canceled (subject to various terms and conditions) by making a payment of approximately \$40,000.

In February 2010, the City executed a debt agreement with the lender, splitting the debt into two components: (1) approximately \$2,965,000 for a portion of the St. John Street parking facility; and (2) approximately \$1,035,000 for the newly formed Spartanburg Airport Facilities Corporation as described below.

2,847,099 SAFC Promissory Note A1 (“Note A1”) – Note A1 was issued February 5, 2009, in an original amount of \$8,000,000 as described above. In February 2010, the City split approximately \$2,847,000 of this debt through a debt agreement to use this portion towards the newly formed Spartanburg Airport Facilities Corporation. All of the terms remain unchanged from the original agreement. Issuance costs of approximately \$97,000 were incurred and recorded related to this issue and are being amortized.

\$1,035,309 SAFC Promissory Note B (“Note B”) – Note B was issued February 5, 2009, in an original amount of \$4,000,000. In February 2010, the City split approximately \$1,035,000 of this debt through a debt agreement in order for the City to use this portion towards the newly formed Spartanburg Airport Facilities Corporation (blended component unit). The interest terms remain unchanged from the original agreement. Issuance costs of approximately \$97,000 were incurred and recorded related to this issue. These are the same issuance costs that were listed above for the split Note A.

CITY OF SPARTANBURG, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2012

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

D. Long-Term Obligations (Continued)

Following is a summary of changes in governmental activities long-term obligations for fiscal year 2012:

Long-Term Obligations	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities:</b>					
Debt:					
Tax Increment Bonds:					
2002 Series A	\$ 345,000	-	345,000	-	\$ -
2010 Series - Broad St.	3,880,000	-	934,000	2,946,000	957,000
2010 Series - St. John/DM	6,770,000	-	65,000	6,705,000	420,000
<b>Total Tax Increment Bonds</b>	<b>10,995,000</b>	<b>-</b>	<b>1,344,000</b>	<b>9,651,000</b>	<b>1,377,000</b>
Certificates of Participation					
2002 COPS	480,000	-	480,000	-	-
2005 COPS	2,210,000	-	215,000	1,995,000	220,000
<b>Total Certificates of Participation</b>	<b>2,690,000</b>	<b>-</b>	<b>695,000</b>	<b>1,995,000</b>	<b>220,000</b>
2010 COPS Refunding	9,405,000	-	90,000	9,315,000	590,000
HUD Section 108 Loan	3,470,000	-	185,000	3,285,000	255,000
2010 Series GOB	6,995,000	-	265,000	6,730,000	270,000
<b>Total Debt</b>	<b>33,555,000</b>	<b>-</b>	<b>2,579,000</b>	<b>30,976,000</b>	<b>2,712,000</b>
Capital Leases:					
2005 Capital Lease	410,805	-	85,710	325,095	88,804
2010 Capital Lease	664,662	-	111,123	553,539	115,261
2011 Capital Lease	934,296	-	199,604	734,692	204,100
2012 Capital Lease	-	2,050,000	-	2,050,000	398,227
<b>Total Capital Leases</b>	<b>2,009,763</b>	<b>2,050,000</b>	<b>396,437</b>	<b>3,663,326</b>	<b>806,392</b>
Landfill Rem. and Post-Closure Care Liability	6,850,408	-	5,308,569	1,541,839	1,457,173
Compensated Absences	3,682,447	1,613,800	1,986,686	3,309,561	1,908,470
<b>Total Governmental Activities</b>	<b>\$ 46,097,618</b>	<b>3,663,800</b>	<b>10,270,692</b>	<b>39,490,726</b>	<b>\$ 6,884,035</b>

CITY OF SPARTANBURG, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2012

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

D. Long-Term Obligations (Continued)

Following is a summary of changes in business-type activities long-term obligations for fiscal year 2012:

Long-Term Obligations	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Business-Type Activities:</b>					
Debt:					
GOB - 2002 Series	\$ 220,000	-	220,000	-	\$ -
RB - 2008	2,565,000	-	385,000	2,180,000	405,000
PN - Note A (CC Woodson)	5,600,000	-	-	5,600,000	-
PN - Note A1 (SPFC)	5,152,901	-	-	5,152,901	-
PN - Note A2	3,000,000	-	-	3,000,000	-
PN - Note B	2,964,691	-	-	2,964,691	-
PN - Note A1 (SAFC)	2,847,099	-	-	2,847,099	-
PN - Note B (SAFC)	1,035,309	-	-	1,035,309	-
Total Debt	23,385,000	-	605,000	22,780,000	405,000
Compensated Absences	81,881	23,431	26,971	78,341	29,689
Total Business-Type Activities	\$ 23,466,881	23,431	631,971	22,858,341	\$ 434,689

Presented below is a summary of debt service requirements to maturity by year for the governmental and business-type activities. The following schedule includes the estimated total interest at the actual synthetic rate of 6.10% and 3.70% for the SPFC/SAFC's Note A1 and Note B for the City's business-type activities:

Year Ending June 30,	Debt		Capital Lease Obligations		Totals
	Principal	Interest	Principal	Interest	
<b>Governmental Activities</b>					
2013	\$ 2,712,000	1,096,091	806,392	72,707	\$ 4,687,190
2014	2,806,000	1,009,731	825,030	54,069	4,694,830
2015	2,893,000	919,589	842,906	36,193	4,691,688
2016	1,955,000	826,105	701,711	17,852	3,500,668
2017	2,030,000	754,516	487,287	5,425	3,277,228
2018-2022	10,725,000	2,594,443	-	-	13,319,443
2023-2027	6,385,000	869,446	-	-	7,254,446
2028-2030	1,470,000	133,513	-	-	1,603,513
Totals	\$ 30,976,000	8,203,434	3,663,326	186,246	\$ 43,029,006
<b>Business-Type Activities</b>					
2013	\$ 405,000	886,456	-	-	\$ 1,291,456
2014	420,000	870,580	-	-	1,290,580
2015	435,000	854,116	-	-	1,289,116
2016	13,198,000	721,930	-	-	13,919,930
2017	833,700	487,379	-	-	1,321,079
2018-2021	7,488,300	1,484,576	-	-	8,972,876
Totals	\$ 22,780,000	5,305,037	-	-	\$ 28,085,037

CITY OF SPARTANBURG, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2012

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

D. Long-Term Obligations (Continued)

The General Fund (via transfers out) and the Debt Service funds (General Debt Service Fund and the Broad Street TIF Fund) resources have been used to liquidate the governmental activities debt, capital lease obligations, and landfill remediation and post-closure care liability. The General Fund (via transfers out) and the Parking Fund have been used to liquidate the business-type activities general obligation bonds and revenue bonds. The promissory note debt will be liquidated by the respective blended component unit (CC Woodson or SPFC). The General Fund or the respective Enterprise funds from which the employees originate have been used to liquidate compensated absence liabilities.

Article Eight, Section Seven of the South Carolina Constitution of 1895, as amended, provides that no 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 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, 2012, the City had \$6,730,000 of bonded debt subject to the 8% legal debt limit of approximately \$11,175,000, resulting in an unused legal debt margin of approximately \$4,445,000.

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, 2012.

**Interest Rate Swap Agreements**

**Objective of the Interest Rate Swaps:** With the intended goals of hedging certain variable interest rate exposures and lowering its borrowing costs when compared against fixed-rate bonds at or about the time of issuance in February 2009, the SPFC, a blended component unit of the City, entered into two interest rate swap agreements (the "Interest Rate Swaps") with Carolina First Bank ("Carolina First") in connection with its \$8,000,000 (Note A1) and \$4,000,000 (Note B) variable rate debt (the "Debt"). Carolina First is also the holder of both Note A1 and Note B. TD Bank later acquired Carolina First; all terms of the agreements remained in force subsequent to the acquisition. The intention of the Interest Rate Swaps was effectively to change the SPFC's variable interest rate to an approximate synthetic fixed rate of 6.10% and 3.70%, respectively, (subject to the "credit risk" and other matters described below).

In February 2010, the City split approximately \$2,847,000 of the Note A1 and approximately \$1,035,000 of the Note B of this debt through a debt agreement in order for the City to use these portions towards the newly formed Spartanburg Airport Facilities Corporation (blended component unit). The Interest Rate Swap terms remain unchanged from the original agreement and views the debt as if it had not been split.

**Terms:** The SPFC issued the debt in the original principal amounts of \$8,000,000 (Note A1) and \$4,000,000 (Note B) on February 5, 2009, whereas it entered the Interest Rate Swap with TD Bank on February 6, 2009, and likewise in the initial notional amount of \$8,000,000 and \$4,000,000, respectively. Note A1 and the Interest Rate Swap for the \$8,000,000 Note A1 mature on January 31, 2021. Note B and the Interest Rate Swap for the \$4,000,000 Note B mature on January 31, 2016.

CITY OF SPARTANBURG, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2012

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

D. Long-Term Obligations (Continued)

Interest Rate Swap Agreements (Continued)

**Interest on Promissory Note A1 and Note B:** Promissory Note A1 and Note B are variable rate notes with interest accrued and computed at the applicable London Interbank Offered Rates for United States Dollar deposits (“LIBOR”) as published by the British Banker’s Association plus the LIBOR margin. The LIBOR margin for Note A1 is 250 basis points (2.50%) and for Note B is 50 basis points (0.50%). The interest rate payable hereunder shall adjust on the first day of each calendar month during the term of each note and shall end on the final day of such calendar month (an “Interest Period”) and shall be calculated on the basis of a 360-day year (which computes the daily amount of interest for a hypothetical year of 360 days, and then multiplies such amount by the actual number of days elapsed in an Interest Period). Interest shall be fixed during each Interest Period on the basis of the LIBOR plus the LIBOR Margin applicable to such Interest Period, and shall be subject to variance from Interest Period to Interest Period due to fluctuations, if any, in the LIBOR.

**Interest on Interest Rate Swaps for Note A1 and Note B:** Under the Interest Rate Swap on Note A1, on a monthly basis the SPFC is required to pay TD Bank a fixed payment of 6.10% for Note A1 (the “Fixed Swap Leg”) and receive in return a variable payment computed as that amount equal to the One-Month LIBOR plus 2.50% (the “Variable Swap Leg”). Under the Interest Rate Swap on Note B, on a monthly basis the SPFC is required to pay TD Bank a fixed payment of 3.70% (the “Fixed Swap Leg”) and receive in return a variable payment computed as that amount equal to the One-Month LIBOR plus 0.50% (the “Variable Swap Leg”). The Fixed Swap Leg and the Variable Swap Leg are each calculated upon a notional principal schedule of the Interest Rate Swap, and such payments are netted against each other on each regularly monthly payment date using industry standard calculation and netting procedures. The SPFC did not receive or pay any amount to TD Bank (i.e., any “upfront” payment) when the Interest Rate Swaps were initiated.

**Fair Value of the Interest Rate Swaps for Note A1 and Note B:** The Interest Rate Swaps had a negative fair value to the SPFC of \$1,322,253 for Note A1 and \$368,881 for Note B as of June 30, 2012. Fair value was calculated based on TD Bank’s internal valuation models and available market data.

	Changes in Fair Values for the Year		Fair Values at June 30, 2012		Notional Amount
	Reported as	Amount	Reported as	Amount	
<u>Reported in:</u>					
<i>Business-Type Activities</i>					
Note A-1					
Cash Flow Hedges	Deferred outflow of	\$ (723,601)	Derivative Instrument	\$ (1,322,253)	\$ 8,000,000
Interest Rate Swaps	resources		Liability		
Note B					
Cash Flow Hedges	Deferred outflow of	\$ (196,306)	Derivative Instrument	\$ (368,881)	\$ 4,000,000
Interest Rate Swaps	resources		Liability		

**Credit Risk:** Should TD Bank fail to perform its obligations to the SPFC according to the terms of the Interest Rate Swaps, the SPFC could face a maximum possible loss substantially correlating with the Interest Rate Swaps fair value. TD Bank’s counterparty credit rating was “Aaa” by Moody’s Investors Services and AA- by both Standard & Poor’s and Fitch Ratings as of August 2012. The SPFC does not have a policy for requiring collateral or other securities to support its hedging derivative instruments exposed to credit risk.

CITY OF SPARTANBURG, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2012

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

D. Long-Term Obligations (Continued)

Interest Rate Swap Agreements (Continued)

**Termination Risk:** The Interest Rate Swaps use the 1992 version of the International Swaps and Derivatives Association, Inc. (ISDA®) Master Agreement (Local Currency – Single Jurisdiction) together with a Schedule and Credit Support Annex. The Master Agreement includes standard termination events such as failure to pay, breach of the agreement, default under applicable credit support, misrepresentations, default under other specified transactions, bankruptcy and illegality. Following any event of default or termination event, the SPFC and/or TD Bank will have the right to terminate the Interest Rate Swaps as applicable. If the Interest Rate Swaps are terminated, Note A1 and Note B would no longer carry a synthetic interest rate until such time, if any, that the SPFC obtains a substitute interest rate swap to the extent available to the SPFC in the financial markets. Also, if at the time of termination the Interest Rate Swaps have a negative (positive) fair value, the SPFC would be required to pay or receive from TD Bank a settlement payment in an amount approximately equal to its fair value.

**Swap Payments and Associated Debt:** Debt service requirements under Note A1 and Note B and net payments under the Interest Rate Swaps, assuming current interest rates in effect at June 30, 2012 (2.74% for the variable rate portion and 3.36% for the interest rate swap portion, net, on Note A1 and 0.74% for the variable rate portion and 2.96% for the interest rate swap portion, net, on Note B) remain the same for their terms, are presented below. As rates vary, variable-rate bond interest payments and net swap payments will vary.

Year Ending June 30,	Variable-Rate Bonds		Interest Rate Swap, Net	Total Payments
	Principal	Interest		
2013	\$ -	248,800	387,200	\$ 636,000
2014	-	248,800	387,200	636,000
2015	-	248,800	387,200	636,000
2016	4,148,000	239,503	336,885	4,724,388
2017	363,700	215,145	253,810	832,655
2018-2021	7,488,300	755,267	727,805	8,971,372
Totals	\$ 12,000,000	1,956,315	2,480,100	\$ 16,436,415

CITY OF SPARTANBURG, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2012

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

E. Interfund Payables and Receivables and Transfers In and (Out)

Interfund balances at June 30, 2012, consisted of the following individual fund receivables and payables:

Fund	Receivables	Payables
<b><u>Major Governmental Funds</u></b>		
General Fund	\$ 1,084,527	\$ 9,467,088
Capital Projects Fund	870,927	-
Hospitality Tax Fund	543,603	-
St. John - Daniel Morgan TIF Fund	-	129,641
<b><u>Major Enterprise Funds</u></b>		
Transit Fund	-	258,085
Parking Fund	634,226	-
Storm Water Utility Fund	901,269	-
Airport Fund	-	173,243
CC Woodson	107,475	-
St. John Parking Facility	-	73,541
Spartanburg Airport Facility Corp	266,486	-
<b><u>Non-Major Funds - In Aggregate by Type</u></b>		
Special Revenue Funds	952,889	450,017
Broad Street TIF Fund	1,250,257	-
Debt Service Funds	10,176	-
Internal Service Funds	3,929,780	-
Totals	\$ 10,551,615	\$ 10,551,615

The above receivables reflect cash being held by the General Fund for other funds such as Special Revenue, Debt Service, Hospitality Tax, and Enterprise Funds. The Transit Fund, the Airport Fund, and the Special Revenue Fund payables are for expenses paid by the General Fund and are expected to be paid within one year.

CITY OF SPARTANBURG, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2012

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

E. Interfund Payables and Receivables and Transfers In and (Out) (Continued)

Transfers between funds for the year ended June 30, 2012, consist of the following:

Fund	Transfers Out	Transfers In
<b><u>Major Governmental Funds</u></b>		
General Fund	\$ 1,534,991	\$ 603,319
Capital Projects Fund	-	176,350
Hospitality Tax Fund	2,679,188	-
<b><u>Major Enterprise Funds</u></b>		
Transit Fund	-	500,000
Parking Fund	10,500	917,173
Storm Water Utility Fund	100,000	-
Airport Fund	10,500	400,378
CC Woodson	-	20,000
St. John Parking Facility	-	516,700
Airport Facilities Corp	82,800	254,300
<b><u>Non-Major Funds - In Aggregate By Type</u></b>		
Special Revenue Funds	439,349	244,530
Debt Service Funds	634,428	1,889,933
Internal Service Fund	30,927	-
Total	\$ 5,522,683	\$ 5,522,683

General Fund

Transfers into the General Fund were primarily to recover overhead costs, and to cover overtime costs. Transfers out from the General Fund were primarily for grant matches, to eliminate fund deficits, for capital projects, and to make debt payments.

Capital Project Fund

Transfers in were primarily to fund capital outlays and to cover project deficits and project matches. There were no transfers out during the fiscal year.

Hospitality Tax Fund

Transfers out were primarily for debt payments, special events, special event staff overhead and overtime for public safety officers during special events.

Special Revenue Funds

Transfers in were primarily to fund grant match requirements, make debt payments, and record program income. Transfers out were primarily for grant matches and to close out other grants.

Storm Water utility Fund

There were no transfers in during the fiscal year. Transfers out were primarily to cover overhead cost.

Debt Service Funds

Transfers in and out were primarily for debt service payments and to cover operating deficits.

CITY OF SPARTANBURG, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2012

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

E. Interfund Payables and Receivables and Transfers In and (Out) (Continued)

Transit Fund

Transfers in were for operating grant match.

Parking Fund

Transfers in were for debt service and funding for the Spartanburg Parking Facilities Corporation. The transfer out was for operating funding for the Spartanburg Parking Facilities Corporation.

Airport Fund

Transfers in were primarily for the match for the Airport Apron Project, cover airport fund deficit, and funding for the Spartanburg Airport Facilities Corporation. Transfer out was for operating funding for the Spartanburg Airport Facilities Corporation.

CC Woodson Fund

The transfers in were for operating and to cover additional project cost.

Spartanburg Parking Facilities Corporation Fund

Transfers in were to make debt service payments. There were no transfers out.

Airport Facilities Corporation Fund

Transfers in were to make debt service payments. The transfer out was for match on the Airport Apron Project.

IV. OTHER INFORMATION

A. Agreements

**Renaissance Park Project**

*Ground Lease Agreement*

In February 2002, the City entered into a Ground Lease whereby the City leased 4.85 acres to Renaissance Park Hotel, LLC (the “Developer”) or its successor, to construct, manage, and operate an approximately 250 room hotel, a portion of an approximately 38,000 square foot conference center and a parking garage of approximately 313 spaces to serve the public, including without limitation, patrons of the Hotel and Conference Center. The Developer subsequently defaulted on its loan, and the property was foreclosed by the lender, Bridgeview Capital Solutions LLC (“Bridgeview”).

In early 2011, with City approval, Bridgeview sold the hotel to SMR Inc. SMR assumed all of the owner’s obligations to the City including ground lease payments of \$200,000 annually (which are utilized to pay a portion of the annual debt service for the Tax Increment Financing bonds issued for the project expiring in 2025), the \$1 annual lease on the conference center, and the mortgage and promissory note which the City will utilize to repay the Section 108 CDBG loan through 2022 when the City’s loan from HUD is retired.

To facilitate this acquisition by a stable, well financed, and experienced ownership team, the City amended the ground lease to extend the term to 2059 and provide SMR with a land purchase option for \$1,500,000 exercisable upon retirement of the TIF bonds. The City likewise extended the conference center lease to 2059. In consideration of the above, SMR committed to make investments in the property and ensure adherence to various operating standards through 2059. The hotel continues to operate successfully.

**CITY OF SPARTANBURG, SOUTH CAROLINA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2012**

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**IV. OTHER INFORMATION (CONTINUED)**

**A. Agreements (Continued)**

*Installment Sale Agreement*

The Corporation (a blended component unit) will sell to the City under an Installment Sale Agreement, the: (a) Renaissance Conference Center and related improvements, and (b) the roadways, sidewalks, and storm water, irrigation, landscaping, and other infrastructure located on the land for payment by the City of base fee payments and additional fee payments. The City's semi-annual base fee payments commenced on September, 2002 and continue through March 2025. Scheduled base fee payments are in such amounts that will allow the Corporation to cover its operating costs and to meet its debt service requirements under the 2002 Certificates of Participation. The City has agreed to utilize certain hospitality fees to fund these payments.

**New Market Tax Agreements**

**CC Woodson**

In January 2009, the City, the SRFC (blended component unit), CC Woodson, LLC (blended component unit of SRFC), the Spartanburg Development Corporation ("SDC"), and SunTrust affiliated entities entered into various agreements in order to facilitate the use of new market tax credits ("NMTC") for the activities associated with the acquisition of land, construction of a new recreation center known as CC Woodson, and renovations at the Northwest Recreation Center (the "Project"). The City had available approximately \$4,400,000 of funds that it had set aside or received from interested parties and contributed these resources to the SDC. A foundation also loaned approximately \$1,200,000 to the SDC for the Project with interest at 3.75% over seven years. The SDC gave the combined total (via a leveraged loan) of approximately \$5,600,000 million to a community development entity for the renovations of the community development centers which in turn eventually loaned the funds to CC Woodson via a promissory note (community development loan).

SunTrust affiliated entities also contributed \$2,150,000 in funds toward the construction of the Project (with no requirement for repayment if all terms of the NMTC agreements were fully complied with as SunTrust would receive NMTC of approximately 39% of the total qualified investment). In addition, the City contributed/transferred ownership of the old community centers capital assets to CC Woodson for approximately \$2,142,000 in exchange for a transfer to the City for \$650,000 (the City entered into a lease agreement to rent/use the facilities from CC Woodson until the NMTC waiting period expires for a nominal amount). CC Woodson will use the loan proceeds to acquire additional land and to complete the Project. Once the Project has been completed, after the successful completion of the seven year NMTC waiting period and compliance with other terms and conditions, the City intends to purchase the new renovated community centers for approximately \$5,600,000 ("Purchase Price") from CC Woodson. CC Woodson will then use the proceeds from the sale of the Project to satisfy/payoff its promissory note/community development loan with the SDC. The SDC will in turn satisfy/payoff the foundation loan of \$1,200,000 leaving the SDC with approximately \$4,400,000 available to grant back to the City (in accordance with the City and SDC grant agreement).

**CITY OF SPARTANBURG, SOUTH CAROLINA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2012**

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**IV. OTHER INFORMATION (CONTINUED)**

**A. Agreements (Continued)**

**New Market Tax Agreements (Continued)**

The City committed to appropriate \$171,500 over a seven year period to fund a reserve account. At the end of the seven years, the City will use the funds set aside in the reserve account of approximately \$1,200,000 (excluding interest) to satisfy/repay the SDC's foundation loan. There are four years remaining as of June 30, 2012.

In order to expedite the Project, the City entered into numerous agreements at closing (i.e. grant agreement, property sale agreement, construction agreement, lease agreement, etc.). Of particular importance, the City entered into a lease agreement with CC Woodson which granted the City the right to use/rent the current and future facilities until March 2016. The City prefunded the seven year lease payments during 2009 for approximately \$336,000.

**Spartanburg Parking Facilities Corporation**

In February 2009, the City, the SPFC (blended component unit), and Carolina First Bank affiliated entities entered into various agreements in order to facilitate the use of NMTC to construct a 700-space public parking facility on St. John Street ("Parking Project") in order to support future expansion of USC Business School in downtown Spartanburg. The SPFC entered into three promissory notes for a total of \$15,000,000 to fund the Parking Project. Two of the promissory notes had variable interest rate provisions and thus were effectively hedged with interest rate swap agreements (See III.D "Long-Term Obligations – Interest Rate Swap Agreements" for more details). As the Parking Project progressed during 2010 it was determined that the cost would be substantially lower than expected. As a result of this the City formed another blended component unit, the Spartanburg Airport Facility Corporation ("SAFC"), to make use of the excess note proceeds. Approximately \$3,882,000 of the original \$15,000,000 notes became a liability of the SAFC. The terms of the notes and the interest rate swap agreements were not changed and the interest swap was still an effective hedge.

In order to expedite the Parking Project, the City entered into numerous agreements (i.e. church lease, development agreement, ground lease, etc.). Of particular importance, the City granted a Ground Lease Agreement ("Ground Lease") to SPFC. The Ground Lease provided the SPFC the right to use the land/property for the purpose of constructing the Parking Project from February 2009 until February 2031 for a nominal rent payment of \$1 per year. At the termination or end of Ground Lease the property and improvements shall revert back to the City. The SPFC in turn entered into a Parking Facility Use Agreement ("Use Agreement") whereby the City will rent/use the completed parking facility from the date of the agreement until an event of default had occurred or until February 2031.

The Use Agreement requires the City to make use payments of \$62,500 per month from March 1, 2009 until February 1, 2016, approximately \$71,000 per month from March 1, 2016 until February 1, 2021, and approximately \$95,000 per month from March 1, 2021 until February 1, 2031. These use payments are appropriated/paid from the City's available hospitality taxes. Continuing events of default (i.e. non-payment, etc.) by the City will result in the City losing its rights to use the parking facilities.

**Spartanburg Airport Facilities Corporation**

In December 2009, the City Council approved transferring/loaning proceeds of approximately \$3,882,000 from the Parking Project to the Spartanburg Airport Facilities Corporation (a new blended component unit) for various airport improvements. These funds along with a new \$500,000 grant available from Aeronautics Commission will be used for the design, renovation and construction of the existing airport terminal building, terminal building parking lot, and the design and construction of two new T-hangars.

CITY OF SPARTANBURG, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2012

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IV. OTHER INFORMATION (CONTINUED)

**B. Commitments and Contingencies**

**Commitments**

*Southside Retail Partners Development Project*

From time to time, the City has formed public-private partnerships to promote redevelopment, stimulate private investment, create jobs, and improve the quality of life for its citizens. In December 2006, the City entered into a development project with the SDC and Southside Retail Partners, LLC for an approximately 45,000 square foot commercial retail development. Along with other one-time funding, the City has committed to provide the SDC with an annual operating grant of \$114,500 for the 12 years beginning December 1, 2008.

*NMTC – CC Woodson*

Related to the CC Woodson NMTC project, the City committed to appropriate \$172,000 over the next four years to fund a reserve account (which will be used to satisfy/repay the SDC's foundation loan).

*NMTC – Spartanburg Parking Facilities Corporation*

Related to the SPFC NMTC project, the City entered into a Use Agreement for the future use of the Parking Project facilities. The Use Agreement requires the City to make use payments of approximately \$63,000 per month from March 1, 2009 until February 1, 2016, approximately \$71,000 per month from March 1, 2016 until February 1, 2021, and approximately \$95,000 per month from March 1, 2021 until February 1, 2031.

*Infrastructure Tax Credits*

From time to time, the City enters into incentive arrangements for new developments and projects. These incentive arrangements generally provide developers infrastructure tax credits to reimburse them for a portion of the costs of certain public infrastructure improvements. These tax credits are generally provided to the developer for one to ten years and are calculated as a percentage of future tax growth in the City as a result of the public infrastructure improvements. Since these tax credits involved are not significant, are predicated upon future growth, and are not measurable, no amounts have been recorded in the City's basic financial statements.

*Construction Commitments*

The City has commitments related to construction projects that are still on-going at year end. At June 30, 2012 the total outstanding commitment to complete the projects is approximately \$2,965,000.

**Contingencies**

The City receives significant financial assistance from numerous federal, state, and local governmental agencies in the form of grants. Disbursements of funds received under these programs generally require compliance with the terms and conditions specified in the grant agreements. The disbursements are also subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or overall financial position of the City at June 30, 2012.

Detail information regarding landfill remediation and Post-Closure Care Cost is included in Note IV.F.

**CITY OF SPARTANBURG, SOUTH CAROLINA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2012**

**IV. OTHER INFORMATION (CONTINUED)**

**C. Risk Management**

*Participation in Public Entity Risk Pools*

The City is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, and natural disasters. The City has joined together with other municipalities in the state to form the South Carolina Municipal Insurance and Risk Financing Fund (“SCMIRF”), which is a public entity risk pool currently operating as a common risk management and insurance program. The City obtains its general risk insurance through SCMIRF. It pays an annual premium for this coverage. For the year ended June 30, 2012, the City made premium payments totaling approximately \$406,000. 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, 2011, totaled approximately \$29,608,000. 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 an annual premium to SCMIT. In the year ended June 30, 2012, the City made premium payments totaling approximately \$203,000. 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, 2011, totaled approximately \$46,000,000. 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.

*Self-Insurance Health Plan*

The City maintains a partial self-insurance program for medical insurance coverage for City employees. The City pays the first covered \$105,000 of claims per employee. An insurance provider pays claims that exceed \$105,000 per employee. Both employees and employers contribute to the plan. The self-insurance fund activity is reported in the City’s medical insurance internal service fund.

The claims liability of \$559,000 (which includes unclaimed checks of approximately \$1,000) reported in the medical insurance internal service fund at June 30, 2012 is based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

Changes in the reported liabilities are as follows:

Medical Insurance Fund	Beginning of Fiscal Year Liability	Claims and Changes in Estimates	Claim Payments	End of Fiscal Year Liability
2009 - 2010	\$ 526,987	3,808,037	(3,832,585)	\$ 502,439
2010 - 2011	502,439	3,307,052	(3,352,578)	456,913
2011 - 2012	\$ 456,913	3,817,667	(3,713,526)	\$ 561,054

For the self-insurance health plan, the City has not significantly reduced insurance coverages from the previous year; and settled claims in excess of insurance coverage for the last three years were immaterial.

**CITY OF SPARTANBURG, SOUTH CAROLINA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2012**

**IV. OTHER INFORMATION (CONTINUED)**

**D. Pension Disclosures**

*Plan One – South Carolina Retirement and Police Officer’s Retirement System*

City employees, except for fire and police department employees and those employees electing to remain in the Pension Plan, described later in this section, participate in the South Carolina Retirement System (“SCRS”), a cost-sharing multiple-employer defined benefit pension plan. City police officers and firemen participate in the South Carolina Police Officers’ Retirement System (“SCPORS”), a cost-sharing multiple-employer defined benefit pension plan. Total employee salaries for the City, for employees covered in the SCRS or SCPORS for the year ended June 30, 2012, were approximately \$17,164,000 which, \$8,728,000 and \$8,436,000 were for employees covered by the SCRS and the SCPORS, respectively.

Both the SCRS and the SCPORS (the “Plans”) 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 South Carolina Code of Laws and thus only the State of South Carolina has authority to establish and amend benefits and funding policy. A comprehensive annual financial report containing financial statements and required supplementary information for the SCRS and SCPORS is issued and publicly available by writing to the South Carolina Retirement System, P.O. Box 11960, Columbia, SC 29211-1960.

Both employees and the City are required to contribute to the Plans at rates established under authority of Title 9 of the South Carolina Code of Laws. The City’s contributions are actuarially determined, but are communicated to and paid by the City as a percentage of the employees’ annual earnings.

The City’s contributions to the SCRS for employer and employee portions expressed as a dollar amount and as a percentage of covered payroll for year ended June 30, 2012, were approximately \$819,000 and 9.39%; and \$567,000 and 6.50%, respectively, and the contributions to the SCPORS for the employer and employee portions were approximately \$992,000 and 11.76%; and \$548,000 and 6.5%, respectively. Total required employee and employer contributions and percentages of amounts contributed for the current year and each of the two preceding years are as follows:

<b>Year Ended June 30</b>	<b>SCRS</b>		<b>SCPORS</b>	
	<b>Required *</b>	<b>% Contributed</b>	<b>Required *</b>	<b>% Contributed</b>
2010	\$ 1,405,170	100%	\$ 1,403,423	100%
2011	1,364,360	100%	1,467,025	100%
2012	\$ 1,386,504	100%	\$ 1,540,678	100%

\* Required employer and employee contribution.

*Plan Two – Retirement Plan of the City of Spartanburg*

*Plan Description*

The City sponsors a single-employer defined benefit pension plan (“Pension Plan”). Participation is frozen except to those employees who were participating in the Pension Plan at June 1, 1993, and elected not to transfer to the South Carolina Retirement System, and those firemen who retired prior to June 1, 1991. Only the Retirement Committee has the authority to establish and amend benefits and funding policy. The Pension Plan’s year-end is December 31. Pension Plan financial information can be obtained by writing to Finance Director, City of Spartanburg, and P.O. Box 1749, Spartanburg, SC 29304.

CITY OF SPARTANBURG, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2012

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IV. OTHER INFORMATION (CONTINUED)

D. Pension Disclosures (Continued)

*Plan Two – Retirement Plan of the City of Spartanburg (Continued)*

*Plan Description (Continued)*

Employer membership data consists of the following: retirees and beneficiaries receiving benefits – 98; vested inactive employees not yet receiving benefits – 4; and active employees – 7. Covered payroll for year ended December 31, 2011, was approximately \$246,000; average pay was \$34,021; average age was 54.1; and average past service was 23.6 years.

The Pension Plan provides for a normal retirement age of 62 and completion of at least five years credited service or completion of 25 years continuous service. The normal retirement benefit is 2.00% of average salary for the three highest consecutive years multiplied by years of credited service. The Pension Plan also provides for disability retirement and early retirement.

The following table summarizes the key actuarial assumptions and cost method:

Actuarial Valuation Date:	January 1, 2012
Actuarial Cost Method:	Aggregate Cost
Actuarial Asset Valuation Method:	Market Value using a 3-year phase in for gains and losses.
Actuarial Assumptions:	
Assumed Rate of Return on Investments:	3.89%, compounded annually
Mortality Rate:	RP2000 Combined Healthy Mortality Table for healthy lives and the RP2000 Disabled Retiree Mortality Table for disabled lives.
Rates of Disability:	No disability assumed
Rates of Termination - Sample Rates:	Age 20 - 20% Age 30 - 20% Age 40 - 8.8% Age 50 - 2% Age 60 - 0%
Salary Increases:	Assumed salaries increase at 3.5% per year
Retirement Age:	Ages < 50 - 2.5% Ages 50 - 64 - 15% Age 65 - 100%
Survivor Benefits:	85% of all employees are married and that the wife is three years younger than the husband.
Cost-of-living Adjustments ("COLA"):	3.0% annual COLA
Changes in Actuarial Assumptions/Cost Method:	There was a significant changes in the actuarial assumptions or cost method from the prior year. The assumed Rate of Return on Investments was updated from 8.00% to 3.89% to reflect the new plan investment policy statement.

Please note that the aggregate actuarial cost method does not identify or separately amortize unfunded actuarial liabilities. The annual pension cost recognized by the City in its financial statements is the Pension Plan's normal cost assuming no future cost of living adjustments ("COLA") plus interest on the net pension obligation and an amortization charge.

CITY OF SPARTANBURG, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2012

IV. OTHER INFORMATION (CONTINUED)

D. Pension Disclosures (Continued)

*Plan Two – Retirement Plan of the City of Spartanburg (Continued)*

*Plan Description (Continued)*

The components of the Pension Plan’s net pension cost of approximately \$1,056,000 for the current year consisted of (a) annual required contribution (employer) of approximately \$1,127,000; (b) interest on the net pension obligation of approximately \$67,000; and (c) adjustments to annual required contributions of approximately (\$138,000) (reflects an amortization period equal to the present value of future earnings/current earnings for active participants under the age of 65).

*Actuarially Determined Contribution Requirements and Contributions Made*

The Pension Plan’s funding policy provides for actuarially determined rates deemed sufficient to pay benefits as due. The assumptions used to compute the contribution requirement are the same as those used to compute pension benefits earned as previously described under funding status and progress. Contributions to the Pension Plan for 2012, of approximately \$548,000 for the employer and approximately \$16,000 for the employees were made.

This information indicates the progress made in accumulating sufficient assets to pay benefits when due. An analysis of employer contributions for the past five years for the Pension Plan is as follows:

Year Ended June 30	Actual Contributions (a)	Annual Required Contributions (b)	Annual Percentage Contributed (a/b)	Pension Cost (c)	Percentage Contributed (a/c)	Net Pension Obligation (Asset)
2008	\$ 358,381	412,957	86.78%	437,797	81.86%	\$ (172,803)
2009	248,078	208,870	118.77%	227,583	109.01%	(193,298)
2010	39,244	739,797	5.30%	763,519	5.14%	530,977
2011	546,920	899,946	60.77%	855,632	63.92%	839,689
2012	\$ 548,235	1,126,558	48.66%	1,056,007	51.92%	\$ 1,347,461

*Schedule of Funding Progress*

The aggregate actuarial cost method does not separately identify unfunded actuarial liabilities. Rather, it effectively amortizes them over the average remaining service life of active plan members, as part of the normal cost. In accordance with the provisions of GASB Statement No. 50, *Pension Disclosures*, the City has provided the schedule of funding progress below for the past five years based on the Entry Age Normal Cost Method:

**Schedule of Funding Progress**

Actual Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Aggregate (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage Of covered Payroll ((b-a)/c)
01/01/08	\$ 14,814,108	15,846,372	1,032,264	93.49%	\$ 624,469	165.30%
01/01/09	12,905,500	16,276,670	3,371,170	79.29%	516,784	652.34%
01/01/10	10,842,514	15,947,108	5,104,594	67.99%	264,820	1927.57%
01/01/11	9,088,105	15,453,754	6,365,649	58.81%	210,891	3018.45%
01/01/12	\$ 8,772,394	14,661,291	5,888,897	59.83%	\$ 207,200	2842.13%

CITY OF SPARTANBURG, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2012

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IV. OTHER INFORMATION (CONTINUED)

E. Postemployment Benefits Other Than Pensions

*Plan Description*

In addition to the pension benefits described in Note IV.D, the City sponsors a defined benefit postemployment healthcare plan (the "OPEB Plan") that provides post-retirement medical benefits, in accordance with the City's Human Resources Policy, for regular full-time employees who meet the following requirements:

- **Participants who retire by December 31, 2008** – retirees who were employed by the City for at least 10 years and eligible for retirement through one of the City's retirement plans are provided health insurance up to age 65 and their spouse up to the earlier of age 65 or death of the retiree. The surviving spouse is eligible for COBRA. Currently the City contributes \$100 per month for each retiree for their health premiums.
- **Participants who retire between January 1, 2009 and December 31, 2010** – retirees who were employed by the City for at least 20 years and eligible for retirement through one of the City's retirement plans are provided health insurance for up to 10 years but no later than age 65 and their spouse for up to 10 years, but no later than the earlier of the spouse's age 65 or the death of the retiree. The retiree and spouse rate are the COBRA rate per month less \$200 (the COBRA rate is currently \$545 per month for single coverage and \$1,233 per month for retiree and spouse coverage).
- **Participants who retire after December 31, 2010** – retirees who were employed by the City for at least 20 years and eligible for retirement through the South Carolina Retirement System are provided health insurance for up to 10 years but no later than age 65 (no coverage is provided for the spouse). The retiree rate is the COBRA rate per month less \$200 (the COBRA rate is currently \$545 per month for single coverage).

Information regarding SCRS and SCPORS eligibility may be found above in Note IV.D. The OPEB Plan is approved each year by City Council; the benefit and contribution requirements of the City and plan members are established and amended by City Council. These contributions are neither guaranteed nor mandatory. The City retains the right to unilaterally modify its payments toward retiree health care benefits at any time.

As of July 1, 2011, the actuarial/measurement date, there were 531 covered participants; 55 members are retirees or their spouses receiving benefits and 476 are active participants.

The Plan is affiliated with the South Carolina Other Retirement Benefits Employer Trust ("SC ORBET"), an agent multiple-employer investment plan administered by the Municipal Association of South Carolina ("MASC"). SC ORBET issues a publicly available financial report that includes audited financial statements and required supplementary information for the OPEB Plan. A copy of the report may be obtained by writing to: Chief Financial Officer for Risk Management Services, Municipal Association of South Carolina, P.O. Box 12109, Columbia, South Carolina 29211.

CITY OF SPARTANBURG, SOUTH CAROLINA

NOTES TO THE BASIC FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2012

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IV. OTHER INFORMATION (CONTINUED)

E. Postemployment Benefits Other Than Pensions (Continued)

*Actuarial Methods and Assumptions*

The City’s annual other postemployment benefits (“OPEB”) cost (expense) is calculated based on the annual required contribution (“ARC”) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The current ARC rate is based on a level percent of payroll increasing annually at 3%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the OPEB Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive OPEB Plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The following table summarizes the key actuarial assumptions and cost method:

Actuarial Valuation Date:	July 1, 2011
Actuarial Cost Method:	Projected unit credit
Amortization Method:	Level percent of pay, open
Amortization Period:	30 Years
Asset Valuation Method:	5-Year Smoothed Market Value - 80% - 120% Corridor
Actuarial Assumptions:	
Investment Rate of Return:	6.50%
Medical Cost Trend Rate	10.50% - 5.00%
Ultimate Trend Rate	5.00%
Year to Ultimate Trend Rate	2018
Includes Inflation at	3.00%
Mortality Table:	RP 2000 Employee Mortality Table
Coverage Elections:	37.5% of eligible retirees will elect coverage and remain in TERI for three years
Active Participant Marriage Assumption	100% of all active employees are assumed to be married, with female spouses being 3 years younger than males.

Since 2009 was the implementation year of GASB Statement No. 45, the asset valuation method used initially is market value. The actuarial consultants use a smoothing method over a 5 year period with the assumed investment rate of return. The OPEB Plan’s UAAL is being amortized as a percent of payroll on an open basis. The remaining amortization period at June 30, 2012 was 28 years.

**CITY OF SPARTANBURG, SOUTH CAROLINA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2012**

**IV. OTHER INFORMATION (CONTINUED)**

**E. Postemployment Benefits Other Than Pensions (Continued)**

*Annual OPEB Costs and Rollforward of Net OPEB Obligation*

The City's annual OPEB cost (expense) and the progression of the net OPEB obligation in the OPEB Plan for the most recent plan year (fiscal year 2012) was as follows:

1.	Net OPEB Obligation (Asset), Beginning of the Plan Year	\$ (273,318)
2.	One Year's Interest on the Net OPEB Obligation	(17,766)
3.	Annual Required Contribution (Normal Cost Plus Any Amortization Payments)	323,581
4.	Adjustment to Annual Required Contribution	14,189
5.	Annual OPEB Cost: (2)+(3)+(4)	<u>320,004</u>
6.	Contributions Made for the Plan Year	(284,401)
7.	Increase (Decrease) in Net OPEB Obligation (Asset): (5)-(6)	<u>35,603</u>
8.	Net OPEB Obligation (Asset), End of the Plan Year: (1)+(7)	<u>\$ (237,715)</u>

*Schedule of Employer Contributions*

Contributions include \$110,000 paid by the City to the OPEB Plan to pre-fund benefits and approximately \$174,000 made by the City through payment of covered participants' explicit and implicit subsidized benefits.

Fiscal year 2009 was the year of implementation of GASB Statement #45. Annual OPEB cost, annual OPEB cost contributed, percentage of annual OPEB cost contributed to the OPEB Plan, and the net OPEB obligation (asset) for 2009 through 2012 were as follows:

Applicable to Fiscal Year Ending	Annual OPEB Cost	Annual OPEB Cost Contributed	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation (Asset)
June 30, 2009	\$ 504,000	527,468	104.66%	\$ (23,468)
June 30, 2010	504,000	750,464	148.90%	(269,932)
June 30, 2011	310,799	314,185	101.09%	(273,318)
June 30, 2012	\$ 320,004	284,401	88.87%	\$ (237,715)

*Schedule of Funding Progress*

Fiscal year 2009 was the year of implementation of GASB Statement #45 and the City elected to implement prospectively. The schedule of funding progress will provide trend information about whether the actuarial values of OPEB Plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. The schedule of funding progress for the OPEB Plan is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	Percentage Of Covered Payroll ((b-a)/c)
July 1, 2007	\$ 100,984	5,936,000	5,835,016	1.70%	\$ 15,922,000	36.65%
July 1, 2009	104,027	4,162,904	4,058,887	2.50%	16,588,357	24.47%
July 1, 2011	\$ 335,325	2,950,035	2,614,710	11.37%	\$ 17,006,141	15.38%

**CITY OF SPARTANBURG, SOUTH CAROLINA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2012**

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**IV. OTHER INFORMATION (CONTINUED)**

**F. Landfill Remediation and Post-Closure Care Cost**

The City collected and disposed of municipal waste in the Arkwright Dump (the "Site") from the mid-1950s through 1972. The City signed a Consent Agreement with the United States Environmental Protection Agency ("EPA") in 1999 to perform an investigation (the Remedial Investigation "RI") of the Site and determine remediation alternatives (the Feasibility Study "FS") for the Site. Based on the results of the RI, in September 2002 the EPA issued a record of decision ("ROD") for the site which included installation of an engineered cap for water and contaminated soils, in-situ groundwater treatment for contaminated groundwater, institutional controls, and groundwater monitoring. In October 2008, the City entered into a consent agreement with the South Carolina Department of Health and Environmental Control ("SCDHEC") and has agreed to conduct the work described in the ROD with respect to remediation of the Site.

As of June 30, 2012, the City has paid approximately \$6,131,000 in response costs associated with the RI/FS work. The EPA has issued General Notice and Demand letters to twenty other potential responsible parties ("PRPs") related to the Site. Both the EPA and the City have potential claims against the PRPs for response costs, but neither has initiated action against the PRPs to date. The City anticipates recovery of at least \$500,000 of its response costs paid to date from other PRPs, of which the City has have received approximately \$300,000 as of June 30, 2012.

The City has recorded its best estimate for the liability associated with the Site each year based upon the facts and circumstances available in preparation of the financial statements.

The City hired an environmental consultant in 2009 to determine the remedial costs in accordance with the terms of the consent agreement and ROD. Engineering plans for remediation were developed in 2010 and 2011. Those plans were approved by SCDHEC and EPA in July 2011. In September 2011, the City accepted bids for the remediation work and began remediating the Site. During the fiscal year ended June 30, 2012, the City incurred approximately \$4,786,000 in expenditures and is currently in the final stages of completing the remediation. The total remaining landfill remediation and post-closure care liability at June 30, 2012 is estimated to be approximately \$1,542,000 and is recorded as a long-term obligation in the City's governmental activities in the government-wide basic financial statements.

Included in the total landfill remediation and post-closure care liability at June 30, 2012 is annual monitoring and maintenance costs following the capping of the landfill area with enhanced bioremediation of groundwater. The post closure monitoring period required by state law is 30 years after the entire landfill receives final cover. However, based on conversations with the EPA, SCDEC, and the environmental consultant, a much shorter monitoring period is expected since the landfill has been closed since the early 1970s and that natural remediation has occurred over time. The City believes its estimate of approximately \$127,000 (for three years of monitoring), which is included in the City's total landfill remediation and post-closure care liability of approximately \$1,542,000 as noted above, to be its best estimate for these remaining costs as of June 30, 2012.

**G. Conduit Debt**

The Spartanburg Water System ("Water System") has issued the following Bonds in the name of the City: \$25,050,000 in November 1998; \$14,925,000 in March 2002; \$81,445,000 in February 2007; \$31,200,000 in March 2007; \$33,935,000 in December 2009; and \$7,749,500 in October 2010. The purpose of these bonds was to fund capital improvements. At June 30, 2012, the outstanding balances on these bonds were approximately \$154,805,000 (excluding deferred amounts). The bonds are payable solely from the gross revenues derived from the operation of the Water System after first paying operation and maintenance of the Water System. The bonds are secured by a statutory lien upon the Water System assets granted by the bond ordinances. The City is not obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

**CITY OF SPARTANBURG, SOUTH CAROLINA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2012**

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**IV. OTHER INFORMATION (CONTINUED)**

**H. Fund Balances/Net Assets**

The City has assigned fund balance in the:

General Fund:		
Utility	\$	650,107
Insurance		250,000

The City has committed fund balance in the:

Other Governmental Funds:		
Special Events Fund	\$	203,019

The City has restricted fund balance in the:

St. John-Daniel Morgan TIF	\$	733,118
Other Governmental Funds:		
Federal Home Program		53,166
Miscellaneous Grant		32,676
Victims Assistance		235,918
City Roads Improvement		13,575
Multi County Industrial Park		323,351
Accommodations Tax		79,708
Neighborhood Stabilization Program		2,121
Forfeited Drug-Federal		1,157
Forfeited Drug-State		76,217
General Debt Service		525,401
Broad Street TIF	\$	1,262,929

The City had the following deficit fund balance/net asset at June 30, 2012:

Parking Facilities Corporation	\$	411,809
Medical Insurance Trust	\$	440,727

The City is reviewing these funds and is considering various changes that include, but are not limited to, increasing charges for services, decreasing costs associated with these activities, and/or increasing the amount of support provided by the General Fund (or other available fund sources).

**CITY OF SPARTANBURG, SOUTH CAROLINA**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2012**

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**IV. OTHER INFORMATION (CONTINUED)**

**I. Pending Implementation of GASB Statement on Pensions**

GASB Statement No. 68, *“Accounting and Financial Reporting for Pensions”* (“GASB 68”), was issued by GASB in June 2012. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions and pension plans. It also improves information provided by state and local government employers about financial support for pensions that is provided by other entities. In addition, state and local governments who participate in a cost-sharing multiple employer plan will now be required to recognize a liability for its proportionate share of the net pension liability of that plan. It is GASB’s intention that this new Statement will provide citizens and other users of the financial statements with a clearer picture of the size and nature of the City’s financial obligations to current and former employees for past services rendered.

In particular, this Statement will require the City to report a net pension liability for its participation in the South Carolina Retirement System on financial statements prepared on the economic resources measurement focus and accrual basis of accounting (i.e., the Statement of Net Assets for the government-wide statements) and present more extensive note disclosures. In general, it should not have a significant impact on the City’s governmental funds.

The effect of implementation of this Statement has not been determined at this time, but it is anticipated that it will materially decrease the City’s net assets. GASB 68 is required to be implemented by the City no later than the fiscal year ending June 30, 2015.



City of  
**SPARTANBURG**  
south carolina

CITY OF SPARTANBURG, SOUTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

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

YEAR ENDED JUNE 30, 2012

	<b>GENERAL FUND</b>			
	<b>BUDGETED AMOUNTS</b>		<b>ACTUAL</b>	<b>VARIANCE</b>
	<b>ORIGINAL</b>	<b>REVISED</b>		
<b>REVENUES</b>				
Taxes	\$ 13,857,166	13,857,166	13,426,953	\$ (430,213)
Fees, Licenses, and Permits	12,322,433	12,322,433	12,855,275	532,842
Fines and Forfeitures	584,000	584,000	656,368	72,368
Intergovernmental Revenues	3,149,508	3,149,508	3,179,792	30,284
Charges for Services	1,980,488	1,980,488	1,866,123	(114,365)
Other Revenues	200,100	200,100	224,587	24,487
<b>TOTAL REVENUES ALL SOURCES</b>	<b>32,093,695</b>	<b>32,093,695</b>	<b>32,209,098</b>	<b>115,403</b>
<b>EXPENDITURES</b>				
Policy Formulation and Administration	4,746,761	4,746,761	4,508,539	238,222
Public Safety	13,455,321	13,455,321	13,587,917	(132,596)
Parks, Recreation, and Special Events	2,157,859	2,157,859	2,126,283	31,576
Community Development	1,835,656	1,835,656	1,788,072	47,584
Public Works	7,631,157	7,631,157	7,592,069	39,088
Finance and Administrative Services	1,597,118	1,597,118	1,549,275	47,843
<b>TOTAL EXPENDITURES</b>	<b>31,423,872</b>	<b>31,423,872</b>	<b>31,152,155</b>	<b>271,717</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>669,823</b>	<b>669,823</b>	<b>1,056,943</b>	<b>387,120</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	600,000	600,000	603,319	3,319
Transfers Out	(1,284,823)	(1,284,823)	(1,534,991)	(250,168)
Proceeds from Sale of Capital Assets	15,000	15,000	12,965	(2,035)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(669,823)</b>	<b>(669,823)</b>	<b>(918,707)</b>	<b>(248,884)</b>
<b>NET CHANGES IN FUND BALANCES</b>	<b>-</b>	<b>-</b>	<b>138,236</b>	<b>138,236</b>
FUND BALANCES, Beginning of Year	5,804,544	5,804,544	5,804,544	-
<b>FUND BALANCES, End of Year</b>	<b>\$ 5,804,544</b>	<b>5,804,544</b>	<b>5,942,780</b>	<b>\$ 138,236</b>

Note: The General Fund budgetary comparison schedule has been prepared in accordance with generally accepted accounting principles.

CITY OF SPARTANBURG, SOUTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE - HOSPITALITY TAX FUND

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

YEAR ENDED JUNE 30, 2012

	<b>HOSPITALITY TAX FUND</b>			
	<b>BUDGETED AMOUNTS</b>		<b>ACTUAL</b>	<b>VARIANCE</b>
	<b>ORIGINAL</b>	<b>REVISED</b>		
<b>REVENUES</b>				
Hospitality Taxes	\$ 3,290,000	3,290,000	3,663,876	\$ 373,876
Investment Earnings	5,000	5,000	2,940	(2,060)
Other Revenues	2,500	2,500	6,900	4,400
<b>TOTAL REVENUES ALL SOURCES</b>	<b>3,297,500</b>	<b>3,297,500</b>	<b>3,673,716</b>	<b>376,216</b>
<b>EXPENDITURES</b>				
Operating	618,312	618,312	991,563	(373,251)
<b>TOTAL EXPENDITURES</b>	<b>618,312</b>	<b>618,312</b>	<b>991,563</b>	<b>(373,251)</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>2,679,188</b>	<b>2,679,188</b>	<b>2,682,153</b>	<b>2,965</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers Out	(2,679,188)	(2,679,188)	(2,679,188)	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(2,679,188)</b>	<b>(2,679,188)</b>	<b>(2,679,188)</b>	<b>-</b>
<b>NET CHANGES IN FUND BALANCES</b>	<b>-</b>	<b>-</b>	<b>2,965</b>	<b>2,965</b>
FUND BALANCES, Beginning of Year	1,038,321	1,038,321	1,038,321	-
<b>FUND BALANCES, End of Year</b>	<b>\$ 1,038,321</b>	<b>1,038,321</b>	<b>1,041,286</b>	<b>\$ 2,965</b>

Note: The Hospitality Tax Fund budgetary comparison schedule has been prepared in accordance with generally accepted accounting principles.

**CITY OF SPARTANBURG, SOUTH CAROLINA**

**REQUIRED SUPPLEMENTARY INFORMATION**

**OTHER POST EMPLOYMENT BENEFIT PLAN – DEFINED BENEFIT HEALTHCARE PLAN  
SCHEDULES OF EMPLOYER CONTRIBUTIONS AND FUNDING PROGRESS**

**YEAR ENDED JUNE 30, 2012**

Fiscal year 2009 was the first year of implementation of GASB Statement No. 45 and the City has elected to implement prospectively. Therefore, comparative data is only available since that date.

**SCHEDULE OF EMPLOYER CONTRIBUTIONS**

Applicable to Fiscal Year Ending	Annual Required Contribution	Annual Contribution	Percent Funded
June 30, 2009	\$ 504,000	\$ 527,468	104.66%
June 30, 2010	504,000	750,464	148.90%
June 30, 2011	314,332	314,185	99.95%
June 30, 2012	\$ 320,004	\$ 284,401	88.87%

**SCHEDULE OF FUNDING PROGRESS**

Applicable to Fiscal Year Ending	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll ( c )
July 1, 2007	\$ 100,984	5,936,000	5,835,016	1.70%	\$ 15,922,000
July 1, 2009	104,027	4,162,904	4,058,877	2.50%	16,588,357
July 1, 2011	\$ 335,325	2,950,035	2,614,710	11.37%	\$ 17,006,141



City of  
**SPARTANBURG**  
south carolina

**THE GENERAL FUND**  
**SCHEDULE OF DETAILED REVENUES, EXPENDITURES, AND CHANGES IN FUND**  
**BALANCES—REVISED BUDGET AND ACTUAL**

The General Fund accounts for all revenues and expenditures of a governmental unit that are not accounted for in other funds, and it is usually the largest and most important accounting activity for state and local governments. It normally receives a greater variety and number of taxes and other general revenues than any other fund. This fund has flowing into it such revenues as general property taxes, licenses and permits, fines and penalties, rents, charges for current services, state-shared taxes, and interest earnings. The fund's resources also finance a wider range of activities than any other fund. Most of the current operations of governmental units will be financed from this fund.



City of  
**SPARTANBURG**  
south carolina

CITY OF SPARTANBURG, SOUTH CAROLINA

GENERAL FUND

SCHEDULE OF DETAILED REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
REVISED BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2012

	<b>REVISED BUDGET</b>	<b>ACTUAL</b>	<b>VARIANCE</b>
<b>REVENUES</b>			
<b>Taxes:</b>			
Current	\$ 12,835,836	12,741,049	\$ (94,787)
Prior Years, Including Penalties and Execution Fees	1,021,330	685,904	(335,426)
<b>Total Taxes</b>	<b>13,857,166</b>	<b>13,426,953</b>	<b>(430,213)</b>
<b>Fees, Licenses, and Permits:</b>			
Business Licenses and Penalties	8,722,802	9,326,126	603,324
Utility Franchise Fees	3,256,831	3,113,575	(143,256)
Building Permits	205,000	249,178	44,178
Electrical Permits	20,000	28,099	8,099
Plumbing Permits	13,000	16,494	3,494
Heating & Air Conditioning Permits	20,000	25,063	5,063
Miscellaneous Inspections/License Fees	84,800	96,740	11,940
<b>Total Fees, Licenses, and Permits</b>	<b>12,322,433</b>	<b>12,855,275</b>	<b>532,842</b>
<b>Fines and Forfeitures:</b>			
Criminal Fines	60,000	80,713	20,713
Traffic Fines	456,000	522,434	66,434
Parking Tickets	68,000	53,221	(14,779)
<b>Total Fines and Forfeitures</b>	<b>584,000</b>	<b>656,368</b>	<b>72,368</b>
<b>Intergovernmental Revenues:</b>			
Local Government Funds	690,974	688,658	(2,316)
General Government Funds	212,000	243,291	31,291
Accommodations Tax	28,975	30,207	1,232
County Recreation Supplement	2,000	705	(1,295)
Inventory Tax	694,796	694,796	-
Manufacturing Tax Reimbursement	5,763	6,268	505
Payment in Lieu of Taxes (Housing Authority)	13,000	-	(13,000)
Sunday Alcohol Sales	72,000	91,780	19,780
Water System Payments	1,400,000	1,399,999	(1)
Worker's Compensation Recoveries	30,000	24,088	(5,912)
<b>Total Intergovernmental Revenues</b>	<b>\$ 3,149,508</b>	<b>3,179,792</b>	<b>\$ 30,284</b>

(Continued)

CITY OF SPARTANBURG, SOUTH CAROLINA

GENERAL FUND

SCHEDULE OF DETAILED REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
REVISED BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2012

	<b>REVISED BUDGET</b>	<b>ACTUAL</b>	<b>VARIANCE</b>
<b>Charges for Services:</b>			
District 6 & 7 School Guards	\$ 240,000	165,652	\$ (74,348)
Dorman High School Security	57,000	67,109	10,109
Parks and Recreation	174,000	195,788	21,788
Fleet Charges	40,000	29,840	(10,160)
Sanitation Service Charge	1,469,488	1,407,734	(61,754)
<b>Total Charges for Services</b>	<b>1,980,488</b>	<b>1,866,123</b>	<b>(114,365)</b>
<b>Other Revenues:</b>			
Fair Association	27,500	27,500	-
Interest	20,000	13,752	(6,248)
Miscellaneous	150,600	181,335	30,735
Rents	2,000	2,000	-
<b>Total Other Revenues</b>	<b>200,100</b>	<b>224,587</b>	<b>24,487</b>
<b>TOTAL REVENUES ALL SOURCES</b>	<b>32,093,695</b>	<b>32,209,098</b>	<b>115,403</b>
<b>EXPENDITURES</b>			
<b>Policy Formulation and Administration</b>			
Mayor and Council:			
Personnel Services	93,424	101,238	(7,814)
Operating Expenditures	81,483	72,385	9,098
	<u>174,907</u>	<u>173,623</u>	<u>1,284</u>
Boards and Commissions:			
Operating Expenditures	3,836	1,387	2,449
	<u>3,836</u>	<u>1,387</u>	<u>2,449</u>
City Attorney:			
Personnel Services	261,181	198,969	62,212
Operating Expenditures	83,725	113,012	(29,287)
	<u>344,906</u>	<u>311,981</u>	<u>32,925</u>
City Manager:			
Personnel Services	512,250	444,343	67,907
Operating Expenditures	110,723	114,782	(4,059)
	<u>\$ 622,973</u>	<u>\$ 559,125</u>	<u>\$ 63,848</u>

(Continued)

**CITY OF SPARTANBURG, SOUTH CAROLINA**

**GENERAL FUND**

**SCHEDULE OF DETAILED REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
REVISED BUDGET AND ACTUAL**

**YEAR ENDED JUNE 30, 2012**

	<b>REVISED BUDGET</b>	<b>ACTUAL</b>	<b>VARIANCE</b>
Communication and Marketing:			
Personnel Services	\$ 147,470	127,118	\$ 20,352
Operating Expenditures	99,678	62,895	36,783
	<u>247,148</u>	<u>190,013</u>	<u>57,135</u>
Community Relations:			
Personnel Services	276,177	292,723	(16,546)
Operating Expenditures	50,834	60,874	(10,040)
Capital Outlay	5,366	4,024	1,342
	<u>332,377</u>	<u>357,621</u>	<u>(25,244)</u>
Code Enforcement:			
Personnel Services	177,531	180,797	(3,266)
Operating Expenditures	28,376	23,309	5,067
Capital Outlay	3,078	3,078	-
	<u>208,985</u>	<u>207,184</u>	<u>1,801</u>
Municipal Court:			
Personnel Services	294,944	323,167	(28,223)
Operating Expenditures	73,460	82,654	(9,194)
	<u>368,404</u>	<u>405,821</u>	<u>(37,417)</u>
Non-Departmental Services:			
Operating Expenditures	554,843	795,614	(240,771)
	<u>554,843</u>	<u>795,614</u>	<u>(240,771)</u>
Worker's Compensation:			
Personnel Services	67,332	67,191	141
Operating Expenditures	743,310	388,785	354,525
	<u>810,642</u>	<u>455,976</u>	<u>354,666</u>
Human Resources:			
Personnel Services	205,268	202,223	3,045
Operating Expenditures	51,762	51,856	(94)
Capital Outlay	877	877	-
	<u>257,907</u>	<u>254,956</u>	<u>2,951</u>
Information Technology:			
Personnel Services	172,509	182,274	(9,765)
Operating Expenditures	466,802	437,820	28,982
Capital Outlay	21,262	29,827	(8,565)
	<u>\$ 660,573</u>	<u>649,921</u>	<u>\$ 10,652</u>

(Continued)

CITY OF SPARTANBURG, SOUTH CAROLINA

GENERAL FUND

SCHEDULE OF DETAILED REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
REVISED BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2012

	<b>REVISED BUDGET</b>	<b>ACTUAL</b>	<b>VARIANCE</b>
Employee Development:			
Personnel Services	\$ 86,000	90,489	\$ (4,489)
Operating Expenditures	73,260	54,828	18,432
	<u>159,260</u>	<u>145,317</u>	<u>13,943</u>
<b>Total Policy Formulation and Administration</b>	<b><u>4,746,761</u></b>	<b><u>4,508,539</u></b>	<b><u>238,222</u></b>
<b>Public Safety</b>			
Administration			
Director's Office:			
Personnel Services	480,809	446,068	34,741
Operating Expenditures	105,158	91,381	13,777
Capital Outlay	1,643	1,643	-
	<u>587,610</u>	<u>539,092</u>	<u>48,518</u>
Technical and Support Administration:			
Personnel Services	597,135	512,885	84,250
Operating Expenditures	289,445	310,780	(21,335)
Capital Outlay	3,572	3,572	-
	<u>890,152</u>	<u>827,237</u>	<u>62,915</u>
Total Administration	<u>1,477,762</u>	<u>1,366,329</u>	<u>111,433</u>
Law Enforcement			
Jail:			
Operating Expenditures	76,900	34,218	42,682
	<u>76,900</u>	<u>34,218</u>	<u>42,682</u>
Patrol:			
Personnel Services	4,278,175	4,262,365	15,810
Operating Expenditures	152,955	123,460	29,495
Capital Outlay	156,945	156,304	641
	<u>4,588,075</u>	<u>4,542,129</u>	<u>45,946</u>
Crime Prevention:			
Personnel Services	224,317	250,780	(26,463)
Operating Expenditures	15,870	7,705	8,165
	<u>240,187</u>	<u>258,485</u>	<u>(18,298)</u>
Investigations:			
Personnel Services	1,389,624	1,638,708	(249,084)
Operating Expenditures	170,429	112,049	58,380
Capital Outlay	24,727	24,727	-
	<u>\$ 1,584,780</u>	<u>1,775,484</u>	<u>\$ (190,704)</u>

(Continued)

CITY OF SPARTANBURG, SOUTH CAROLINA

GENERAL FUND

SCHEDULE OF DETAILED REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
REVISED BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2012

	<b>REVISED BUDGET</b>	<b>ACTUAL</b>	<b>VARIANCE</b>
Records:			
Personnel Services	\$ 278,981	298,801	\$ (19,820)
Operating Expenditures	27,379	21,312	6,067
	<u>306,360</u>	<u>320,113</u>	<u>(13,753)</u>
Animal Control:			
Personnel Services	91,065	100,409	(9,344)
Operating Expenditures	91,297	77,045	14,252
Capital Outlay	3,481	3,481	-
	<u>185,843</u>	<u>180,935</u>	<u>4,908</u>
Law Enforcement Administration:			
Personnel Services	301,047	290,920	10,127
Operating Expenditures	24,061	11,828	12,233
	<u>325,108</u>	<u>302,748</u>	<u>22,360</u>
School Crossing Guard:			
Personnel Services	192,259	103,169	89,090
Operating Expenditures	1,300	1,448	(148)
	<u>193,559</u>	<u>104,617</u>	<u>88,942</u>
Total Law Enforcement	<u>7,500,812</u>	<u>7,518,729</u>	<u>(17,917)</u>
Fire			
Fire Administration:			
Personnel Services	387,052	457,935	(70,883)
Operating Expenditures	54,536	37,741	16,795
Capital Outlay	3,889	3,889	-
	<u>445,477</u>	<u>499,565</u>	<u>(54,088)</u>
Fire Suppression:			
Personnel Services	3,519,475	3,676,344	(156,869)
Operating Expenditures	313,964	329,119	(15,155)
Capital Outlay	197,831	197,831	-
	<u>4,031,270</u>	<u>4,203,294</u>	<u>(172,024)</u>
Total Fire	<u>4,476,747</u>	<u>4,702,859</u>	<u>(226,112)</u>
<b>Total Public Safety</b>	<b><u>13,455,321</u></b>	<b><u>13,587,917</u></b>	<b><u>(132,596)</u></b>
<b>Parks, Recreation, and Special Events</b>			
Parks, Recreation, and Special Events Administration:			
Personnel Services	168,412	145,626	22,786
Operating Expenditures	173,370	160,205	13,165
	<u>\$ 341,782</u>	<u>305,831</u>	<u>\$ 35,951</u>

(Continued)

CITY OF SPARTANBURG, SOUTH CAROLINA

GENERAL FUND

SCHEDULE OF DETAILED REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
REVISED BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2012

	<b>REVISED BUDGET</b>	<b>ACTUAL</b>	<b>VARIANCE</b>
Special Events:			
Personnel Services	\$ 203,413	212,533	\$ (9,120)
Operating Expenditures	16,757	16,763	(6)
	<u>220,170</u>	<u>229,296</u>	<u>(9,126)</u>
Parks:			
Personnel Services	215,751	238,757	(23,006)
Operating Expenditures	74,612	99,326	(24,714)
	<u>290,363</u>	<u>338,083</u>	<u>(47,720)</u>
Recreation Centers:			
Personnel Services	504,039	427,887	76,152
Operating Expenditures	90,898	143,800	(52,902)
	<u>594,937</u>	<u>571,687</u>	<u>23,250</u>
Aquatics:			
Personnel Services	529,389	478,510	50,879
Operating Expenditures	48,237	53,610	(5,373)
	<u>577,626</u>	<u>532,120</u>	<u>45,506</u>
Athletics			
Personnel Services	48,675	57,932	(9,257)
Operating Expenditures	84,306	91,334	(7,028)
	<u>132,981</u>	<u>149,266</u>	<u>(16,285)</u>
<b>Total Parks, Recreation, and Special Events</b>	<b><u>2,157,859</u></b>	<b><u>2,126,283</u></b>	<b><u>31,576</u></b>
<b>Community Development</b>			
Economic Development:			
Personnel Services	153,771	203,353	(49,582)
Operating Expenditures	278,127	295,917	(17,790)
	<u>431,898</u>	<u>499,270</u>	<u>(67,372)</u>
Civil Engineering:			
Personnel Services	269,386	258,570	10,816
Operating Expenditures	29,576	64,347	(34,771)
Capital Outlay	1,148	1,148	-
	<u>300,110</u>	<u>324,065</u>	<u>(23,955)</u>
Community Enhancements:			
Personnel Services	248,076	162,303	85,773
Operating Expenditures	55,951	35,833	20,118
Capital Outlay	2,009	2,009	-
	<u>\$ 306,036</u>	<u>200,145</u>	<u>\$ 105,891</u>

(Continued)

CITY OF SPARTANBURG, SOUTH CAROLINA

GENERAL FUND

SCHEDULE OF DETAILED REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
REVISED BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2012

	<b>REVISED BUDGET</b>	<b>ACTUAL</b>	<b>VARIANCE</b>
Inspections:			
Personnel Services	\$ 506,491	481,336	\$ 25,155
Operating Expenditures	32,056	31,653	403
Capital Outlay	3,283	3,283	-
	<u>541,830</u>	<u>516,272</u>	<u>25,558</u>
Parking Enforcement:			
Personnel Services	145,180	151,941	(6,761)
Operating Expenditures	10,380	9,386	994
	<u>155,560</u>	<u>161,327</u>	<u>(5,767)</u>
Construction Management:			
Personnel Services	90,199	82,211	7,988
Operating Expenditures	10,023	4,782	5,241
	<u>100,222</u>	<u>86,993</u>	<u>13,229</u>
<b>Total Community Development</b>	<b><u>1,835,656</u></b>	<b><u>1,788,072</u></b>	<b><u>47,584</u></b>
<b>Public Works</b>			
Public Works Administration:			
Personnel Services	119,332	104,512	14,820
Operating Expenditures	4,168	1,865	2,303
Capital Outlay	1,377	1,377	-
	<u>124,877</u>	<u>107,754</u>	<u>17,123</u>
Street and Ground Maintenance:			
Personnel Services	1,093,069	1,000,398	92,671
Operating Expenditures	392,947	431,602	(38,655)
Capital Outlay	74,589	74,589	-
	<u>1,560,605</u>	<u>1,506,589</u>	<u>54,016</u>
Traffic Engineering:			
Personnel Services	413,388	412,941	447
Operating Expenditures	570,048	689,559	(119,511)
Capital Outlay	12,263	12,263	-
	<u>995,699</u>	<u>1,114,763</u>	<u>(119,064)</u>
Storm Water:			
Operating Expenditures	9,578	6,749	2,829
	<u>\$ 9,578</u>	<u>\$ 6,749</u>	<u>\$ 2,829</u>

(Continued)

CITY OF SPARTANBURG, SOUTH CAROLINA

GENERAL FUND

SCHEDULE OF DETAILED REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
REVISED BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2012

	<b>REVISED BUDGET</b>	<b>ACTUAL</b>	<b>VARIANCE</b>
Building Maintenance:			
Personnel Services	\$ 225,375	236,680	\$ (11,305)
Operating Expenditures	733,910	636,532	97,378
Capital Outlay	4,306	4,306	-
	<u>963,591</u>	<u>877,518</u>	<u>86,073</u>
Fleet Maintenance:			
Personnel Services	616,576	620,599	(4,023)
Operating Expenditures	1,338,196	1,351,533	(13,337)
Capital Outlay	23,297	21,289	2,008
	<u>1,978,069</u>	<u>1,993,421</u>	<u>(15,352)</u>
Solid Waste:			
Personnel Services	1,450,864	1,459,566	(8,702)
Operating Expenditures	168,178	146,013	22,165
Capital Outlay	379,696	379,696	-
	<u>1,998,738</u>	<u>1,985,275</u>	<u>13,463</u>
<b>Total Public Works</b>	<b><u>7,631,157</u></b>	<b><u>7,592,069</u></b>	<b><u>39,088</u></b>
<b>Finance and Administrative Services</b>			
Administrative/Risk:			
Operating Expenditures	487,561	493,871	(6,310)
	<u>487,561</u>	<u>493,871</u>	<u>(6,310)</u>
Finance Administration:			
Personnel Services	542,504	582,026	(39,522)
Operating Expenditures	203,871	117,389	86,482
	<u>746,375</u>	<u>699,415</u>	<u>46,960</u>
Business License Code Enforcement:			
Personnel Services	140,897	139,314	1,583
Operating Expenditures	7,151	7,030	121
Capital Outlay	925	925	-
	<u>\$ 148,973</u>	<u>\$ 147,269</u>	<u>\$ 1,704</u>

(Continued)

**CITY OF SPARTANBURG, SOUTH CAROLINA**

**GENERAL FUND**

**SCHEDULE OF DETAILED REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
REVISED BUDGET AND ACTUAL**

**YEAR ENDED JUNE 30, 2012**

	<b>REVISED BUDGET</b>	<b>ACTUAL</b>	<b>VARIANCE</b>
Procurement and Property:			
Personnel Services	\$ 133,862	142,134	\$ (8,272)
Operating Expenditures	77,475	63,714	13,761
Capital Outlay	2,872	2,872	-
	<u>214,209</u>	<u>208,720</u>	<u>5,489</u>
<b>Total Finance and Administrative Services</b>	<b><u>1,597,118</u></b>	<b><u>1,549,275</u></b>	<b><u>47,843</u></b>
<b>TOTAL EXPENDITURES</b>	<b><u>31,423,872</u></b>	<b><u>31,152,155</u></b>	<b><u>271,717</u></b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b><u>669,823</u></b>	<b><u>1,056,943</u></b>	<b><u>387,120</u></b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	600,000	603,319	3,319
Transfers Out	(1,284,823)	(1,534,991)	(250,168)
Proceeds from Sale of Capital Assets	15,000	12,965	(2,035)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b><u>(669,823)</u></b>	<b><u>(918,707)</u></b>	<b><u>(248,884)</u></b>
<b>NET CHANGES IN FUND BALANCES</b>	<b><u>-</u></b>	<b><u>138,236</u></b>	<b><u>138,236</u></b>
FUND BALANCES, Beginning of Year	<u>5,804,544</u>	<u>5,804,544</u>	<u>-</u>
<b>FUND BALANCES, End of Year</b>	<b><u><u>\$ 5,804,544</u></u></b>	<b><u><u>5,942,780</u></u></b>	<b><u><u>\$ 138,236</u></u></b>



## **SPECIAL REVENUE FUNDS**

Special Revenue Funds – account for revenues derived from earmarked revenue sources. They are usually required by statute, charter provisions, or local ordinance to finance particular functions or activities of government.

## **NON-MAJOR SPECIAL REVENUE FUNDS**

Federal Home Program Fund 210 – to account for funds received to record collections and expenditures related to the Home Program Grant. This program assists in the expansion on the supply of decent and affordable housing for low-income residents.

Spartanburg Residential Development Corporation 314- To account for funds received from the Spartanburg Residential Development Corporation.

Miscellaneous Grant Fund 320 – to account for miscellaneous grant activity.

Victims Assistance Fund 322 – to account for funds received to hire an additional Law Enforcement Victims' Advocate.

Special Events Fund 323 – to account for funds for certain special events promoted by the City.

City Roads Improvement Fund 339 – to account for funds received for the improvement of the City's roads.

Multi-County Industrial Park Fund 380 – to account for revenue received from a multi-county industrial park.

Accommodations Tax Fund 480 – to account for funds received from the State to promote tourism in the City.

Community Development Fund 708 – to account for Community Development Block Grant.

Neighborhood Stabilization Program Fund 709 – to account for funds to address the stabilization of foreclosed upon homes and residential properties.

Forfeited Drug-Federal Fund 803 – to account for funds seized inside the City on Federal Court cases.

Forfeited Drug-State Fund 804 – to account for funds seized inside the City on State Court cases.

CITY OF SPARTANBURG, SOUTH CAROLINA

COMBINING BALANCE SHEET -  
OTHER GOVERNMENTAL FUNDS

JUNE 30, 2012

	NON-MAJOR SPECIAL REVENUE FUNDS	NON-MAJOR DEBT SERVICE FUNDS	TOTAL OTHER GOVERNMENTAL FUNDS
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 10,750	-	\$ 10,750
Restricted Cash and Cash Equivalents	228,494	515,225	743,719
Property Taxes Receivable, Net	-	59,920	59,920
Accounts Receivable	11,883	-	11,883
Commercial Loan Receivables	89,557	-	89,557
Intergovernmental Receivables	719,090	-	719,090
Mortgages Receivable:			
Home Loans	115,872	-	115,872
Due From Other Funds	952,889	1,260,433	2,213,322
<b>TOTAL ASSETS</b>	<b>\$ 2,128,535</b>	<b>1,835,578</b>	<b>\$ 3,964,113</b>
<b>LIABILITIES AND FUND BALANCES</b>			
Accounts Payable	\$ 171,274	-	\$ 171,274
Accrued Salaries and Benefits	17,406	-	17,406
Due To Other Funds	450,017	-	450,017
Deferred Revenue	468,930	47,248	516,178
<b>TOTAL LIABILITIES</b>	<b>1,107,627</b>	<b>47,248</b>	<b>1,154,875</b>
<b>FUND BALANCES</b>			
Restricted For:			
Debt Service	-	1,788,330	1,788,330
Special Revenue	817,889	-	817,889
Committed For:			
Special Revenue	203,019	-	203,019
<b>TOTAL FUND BALANCES</b>	<b>1,020,908</b>	<b>1,788,330</b>	<b>2,809,238</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 2,128,535</b>	<b>1,835,578</b>	<b>\$ 3,964,113</b>

CITY OF SPARTANBURG, SOUTH CAROLINA

COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
OTHER GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2012

	NON-MAJOR SPECIAL REVENUE FUNDS	NON-MAJOR DEBT SERVICE FUNDS	TOTAL OTHER GOVERNMENTAL FUNDS
<b>REVENUES:</b>			
Federal Government Contributions	\$ 3,439,345	-	\$ 3,439,345
State Government Contributions	445,143	-	445,143
Taxes	1,977,291	1,997,358	3,974,649
Investment Earnings	6,009	24,055	30,064
Miscellaneous	867,429	-	867,429
Confiscated Drug Funds	14,073	-	14,073
Donations	192,704	-	192,704
<b>TOTAL REVENUES ALL SOURCES</b>	<b>6,941,994</b>	<b>2,021,413</b>	<b>8,963,407</b>
<b>EXPENDITURES:</b>			
Current:			
Finance and Administrative Services	852,465	-	852,465
Operating	5,384,014	-	5,384,014
Capital Outlay	266,518	-	266,518
Debt Service			
Principal Retirement	-	1,984,000	1,984,000
Interest	-	1,194,887	1,194,887
Other	-	107,262	107,262
<b>TOTAL EXPENDITURES</b>	<b>6,502,997</b>	<b>3,286,149</b>	<b>9,789,146</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>438,997</b>	<b>(1,264,736)</b>	<b>(825,739)</b>
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfers In	244,531	1,889,932	2,134,463
Transfers Out	(439,349)	(634,428)	(1,073,777)
Proceeds from Sale of Capital Assets	5,784	-	5,784
<b>Total Other Financing Sources (Uses)</b>	<b>(189,034)</b>	<b>1,255,504</b>	<b>1,066,470</b>
<b>NET CHANGES IN FUND BALANCES</b>	<b>249,963</b>	<b>(9,232)</b>	<b>240,731</b>
FUND BALANCES, Beginning of Year	770,945	1,797,562	2,568,507
<b>FUND BALANCES, End of Year</b>	<b>\$ 1,020,908</b>	<b>1,788,330</b>	<b>\$ 2,809,238</b>



City of  
**SPARTANBURG**  
south carolina

CITY OF SPARTANBURG, SOUTH CAROLINA

COMBINING BALANCE SHEET -  
NON-MAJOR SPECIAL REVENUE FUNDS

JUNE 30, 2012

	Fund 210	Fund 314
	Federal Home Program Fund	Spartanburg Residential Development Corporation
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ -	-
Restricted Cash and Cash Equivalents	-	-
Accounts Receivable	3,550	-
Intergovernmental Receivables	12,609	-
Mortgages Receivable-Home Loans	101,358	14,514
Due From Other Funds	37,920	175,529
<b>TOTAL ASSETS</b>	<b>155,437</b>	<b>190,043</b>
<b>LIABILITIES</b>		
Accounts Payable	913	-
Accrued Salaries and Benefits	-	-
Due To Other Funds	-	-
Deferred Revenue	101,358	-
<b>TOTAL LIABILITIES</b>	<b>102,271</b>	<b>-</b>
<b>FUND BALANCES</b>		
Restricted	53,166	-
Committed	-	190,043
<b>TOTAL FUND BALANCES</b>	<b>53,166</b>	<b>190,043</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 155,437</b>	<b>190,043</b>

(Continued)

Fund 320	Fund 322	Fund 323	Fund 339	Fund 380
Miscellaneous Grant Fund	Victims Assistance Fund	Special Events Fund	City Roads Improvement Fund	Multi County Industrial Park Fund
-	-	10,750	-	\$ -
228,494	-	-	-	-
-	-	-	-	-
329,870	-	-	-	-
-	-	-	-	-
-	237,937	30,375	15,147	324,351
<b>558,364</b>	<b>237,937</b>	<b>41,125</b>	<b>15,147</b>	<b>324,351</b>
108,495	669	8,616	1,572	1,000
8,387	1,350	2,033	-	-
148,291	-	-	-	-
260,515	-	17,500	-	-
525,688	2,019	28,149	1,572	1,000
32,676	235,918	-	13,575	323,351
-	-	12,976	-	-
32,676	235,918	12,976	13,575	323,351
<b>558,364</b>	<b>237,937</b>	<b>41,125</b>	<b>15,147</b>	<b>\$ 324,351</b>

(Continued)

CITY OF SPARTANBURG, SOUTH CAROLINA

COMBINING BALANCE SHEET -  
NON-MAJOR SPECIAL REVENUE FUNDS

JUNE 30, 2012

	Fund 480	Fund 708
	Accommodations Tax Fund	Community Development Fund
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ -	-
Restricted Cash and Cash Equivalents	-	-
Accounts Receivable	-	8,333
Intergovernmental Receivables	38,101	58,982
Commercial Loan Receivables	-	89,557
Mortgages Receivable-Home Loans	-	-
Due From Other Funds	53,639	-
<b>TOTAL ASSETS</b>	<b>91,740</b>	<b>156,872</b>
<b>LIABILITIES</b>		
Accounts Payable	12,032	2,775
Accrued Salaries and Benefits	-	5,636
Due To Other Funds	-	58,904
Deferred Revenue	-	89,557
<b>TOTAL LIABILITIES</b>	<b>12,032</b>	<b>156,872</b>
<b>FUND BALANCES</b>		
Restricted	79,708	-
Committed	-	-
<b>TOTAL FUND BALANCES</b>	<b>79,708</b>	<b>-</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 91,740</b>	<b>156,872</b>

Fund 709	Fund 803	Fund 804		
Neighborhood Stabilization Program Fund	Forfeited Drug-Federal Fund	Forfeited Drug-State Fund	Combined Funds	
-	-	-	\$	10,750
-	-	-		228,494
-	-	-		11,883
279,528	-	-		719,090
-	-	-		89,557
-	-	-		115,872
-	1,157	76,834		952,889
<b>279,528</b>	<b>1,157</b>	<b>76,834</b>		<b>2,128,535</b>
34,585	-	617		171,274
-	-	-		17,406
242,822	-	-		450,017
-	-	-		468,930
<b>277,407</b>	<b>-</b>	<b>617</b>		<b>1,107,627</b>
2,121	1,157	76,217		817,889
-	-	-		203,019
<b>2,121</b>	<b>1,157</b>	<b>76,217</b>		<b>1,020,908</b>
<b>279,528</b>	<b>1,157</b>	<b>76,834</b>	<b>\$</b>	<b>2,128,535</b>

CITY OF SPARTANBURG, SOUTH CAROLINA

COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
NON-MAJOR SPECIAL REVENUE FUNDS

YEAR ENDED JUNE 30, 2012

	Fund 210	Fund 314
	Federal Home Program Fund	Spartanburg Residential Development Corporation
<b>REVENUES</b>		
Federal Government Contributions	\$ 249,620	-
State Government Contributions	-	-
Property Taxes	-	-
Investment Earnings	2,749	628
Miscellaneous	-	-
Donations	-	192,704
Total Revenues	252,369	193,332
<b>EXPENDITURES</b>		
Finance and Administrative Services	-	-
Operating	294,794	3,289
Capital Outlay	-	-
Total Expenditures	294,794	3,289
<b>EXCESS (DEFICIENCY) OF</b>		
<b>REVENUES OVER EXPENDITURES</b>	<b>(42,425)</b>	<b>190,043</b>
<b>OTHER FINANCING SOURCES (USES)</b>		
Transfers In	-	-
Transfers Out	-	-
Total Other Financing Sources (Uses)	-	-
<b>NET CHANGES IN FUND BALANCES</b>	<b>(42,425)</b>	<b>190,043</b>
FUND BALANCES, Beginning of Year	95,591	-
<b>FUND BALANCES, End of Year</b>	<b>\$ 53,166</b>	<b>190,043</b>

(Continued)

Fund 320	Fund 322	Fund 323	Fund 339	Fund 380
Miscellaneous Grant Fund	Victims Assistance Fund	Special Events Fund	City Roads Improvement Fund	Multi County Industrial Park Fund
1,668,932	-	-	-	\$ -
182,096	-	-	263,047	-
-	-	-	884,791	993,560
46	-	-	-	1,154
362,557	91,065	372,192	-	-
-	-	-	-	-
<b>2,213,631</b>	<b>91,065</b>	<b>372,192</b>	<b>1,147,838</b>	<b>994,714</b>
447,982	39,828	58,296	-	-
1,735,158	52,350	412,369	1,137,239	574,484
185,789	-	-	-	-
<b>2,368,929</b>	<b>92,178</b>	<b>470,665</b>	<b>1,137,239</b>	<b>574,484</b>
<b>(155,298)</b>	<b>(1,113)</b>	<b>(98,473)</b>	<b>10,599</b>	<b>420,230</b>
156,052	-	82,453	6,026	-
(286)	(3,033)	-	-	(290,000)
<b>155,766</b>	<b>(3,033)</b>	<b>82,453</b>	<b>6,026</b>	<b>(290,000)</b>
<b>468</b>	<b>(4,146)</b>	<b>(16,020)</b>	<b>16,625</b>	<b>130,230</b>
32,208	240,064	28,996	(3,050)	193,121
<b>32,676</b>	<b>235,918</b>	<b>12,976</b>	<b>13,575</b>	<b>\$ 323,351</b>

(Continued)

CITY OF SPARTANBURG, SOUTH CAROLINA

COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
NON-MAJOR SPECIAL REVENUE FUNDS

YEAR ENDED JUNE 30, 2012

	Fund 480	Fund 708
	Accommodations Tax Fund	Community Development Fund
<b>REVENUES</b>		
Federal Government Contributions	\$ -	982,242
State Government Contributions	-	-
Property Taxes	-	-
Accommodations Taxes	98,940	-
Investment Earnings	168	774
Miscellaneous	-	41,615
Confiscated Drug Funds	-	-
Donations	-	-
Total Revenues	99,108	1,024,631
<b>EXPENDITURES</b>		
Finance and Administrative Services	-	273,887
Operating	80,214	535,723
Capital Outlay	-	75,021
Total Expenditures	80,214	884,631
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>18,894</b>	<b>140,000</b>
<b>OTHER FINANCING SOURCES (USES)</b>		
Transfers In	-	-
Transfers Out	(6,030)	(140,000)
Proceeds from Sale of Capital Assets	-	-
Total Other Financing Sources (Uses)	(6,030)	(140,000)
<b>NET CHANGES IN FUND BALANCES</b>	<b>12,864</b>	<b>-</b>
FUND BALANCES, Beginning of Year	66,844	-
<b>FUND BALANCES, End of Year</b>	<b>\$ 79,708</b>	<b>-</b>

Fund 709	Fund 803	Fund 804		
Neighborhood Stabilization Program Fund	Forfeited Drug-Federal Fund	Forfeited Drug-State Fund	Combined Funds	
538,551	-	-	\$	3,439,345
-	-	-		445,143
-	-	-		1,878,351
-	-	-		98,940
-	3	487		6,009
-	-	-		867,429
-	-	14,073		14,073
-	-	-		192,704
<u>538,551</u>	<u>3</u>	<u>14,560</u>		<u>6,941,994</u>
32,472	-	-		852,465
500,873	1,263	56,258		5,384,014
4,923	-	785		266,518
<u>538,268</u>	<u>1,263</u>	<u>57,043</u>		<u>6,502,997</u>
<b>283</b>	<b>(1,260)</b>	<b>(42,483)</b>		<b>438,997</b>
-	-	-		244,531
-	-	-		(439,349)
-	-	5,784		5,784
<u>-</u>	<u>-</u>	<u>5,784</u>		<u>(189,034)</u>
<b>283</b>	<b>(1,260)</b>	<b>(36,699)</b>		<b>249,963</b>
<u>1,838</u>	<u>2,417</u>	<u>112,916</u>		<u>770,945</u>
<b>2,121</b>	<b>1,157</b>	<b>76,217</b>	<b>\$</b>	<b>1,020,908</b>

CITY OF SPARTANBURG, SOUTH CAROLINA

FEDERAL HOME PROGRAM FUND

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

YEAR ENDED JUNE 30, 2012

	<b>FEDERAL HOME PROGRAM FUND</b>			
	<b>BUDGETED AMOUNTS</b>		<b>ACTUAL</b>	<b>VARIANCE</b>
	<b>ORIGINAL</b>	<b>REVISED</b>		
<b>REVENUES</b>				
Federal Government Contributions	\$ 1,000,914	1,000,914	249,620	\$ (751,294)
Investment Earnings	2,799	2,799	2,749	(50)
<b>TOTAL REVENUES ALL SOURCES</b>	<b>1,003,713</b>	<b>1,003,713</b>	<b>252,369</b>	<b>(751,344)</b>
<b>EXPENDITURES</b>				
Operating	1,003,713	1,003,713	294,794	708,919
<b>TOTAL EXPENDITURES</b>	<b>1,003,713</b>	<b>1,003,713</b>	<b>294,794</b>	<b>708,919</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>-</b>	<b>-</b>	<b>(42,425)</b>	<b>(42,425)</b>
<b>NET CHANGES IN FUND BALANCES</b>	<b>-</b>	<b>-</b>	<b>(42,425)</b>	<b>(42,425)</b>
FUND BALANCES, Beginning of Year	95,591	95,591	95,591	-
<b>FUND BALANCES, End of Year</b>	<b>\$ 95,591</b>	<b>95,591</b>	<b>53,166</b>	<b>\$ (42,425)</b>

CITY OF SPARTANBURG, SOUTH CAROLINA

VICTIMS ASSISTANCE FUND

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

YEAR ENDED JUNE 30, 2012

	<b>VICTIMS ASSISTANCE FUND</b>			
	<b>BUDGETED AMOUNTS</b>		<b>ACTUAL</b>	<b>VARIANCE</b>
	<b>ORIGINAL</b>	<b>REVISED</b>		
<b>REVENUES</b>				
Other Revenues	\$ 85,000	85,000	91,065	\$ 6,065
<b>TOTAL REVENUES ALL SOURCES</b>	<b>85,000</b>	<b>85,000</b>	<b>91,065</b>	<b>6,065</b>
<b>EXPENDITURES</b>				
Finance and Administrative Services	45,581	45,581	39,828	5,753
Operating	24,961	24,961	52,350	(27,389)
<b>TOTAL EXPENDITURES</b>	<b>70,542</b>	<b>70,542</b>	<b>92,178</b>	<b>(21,636)</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>14,458</b>	<b>14,458</b>	<b>(1,113)</b>	<b>(15,571)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers Out	(14,458)	(14,458)	(3,033)	(11,425)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(14,458)</b>	<b>(14,458)</b>	<b>(3,033)</b>	<b>(11,425)</b>
<b>NET CHANGES IN FUND BALANCES</b>	<b>-</b>	<b>-</b>	<b>(4,146)</b>	<b>(4,146)</b>
FUND BALANCES, Beginning of Year	240,064	240,064	240,064	-
<b>FUND BALANCES, End of Year</b>	<b>\$ 240,064</b>	<b>240,064</b>	<b>235,918</b>	<b>\$ (4,146)</b>

CITY OF SPARTANBURG, SOUTH CAROLINA

COMMUNITY DEVELOPMENT FUND

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

YEAR ENDED JUNE 30, 2012

	<b>COMMUNITY DEVELOPMENT FUND</b>			
	<b>BUDGETED AMOUNTS</b>		<b>ACTUAL</b>	<b>VARIANCE</b>
	<b>ORIGINAL</b>	<b>REVISED</b>		
<b>REVENUES</b>				
Federal Government Contributions	\$ 1,154,501	1,154,501	982,242	\$ (172,259)
Investment Earnings	1,000	1,000	774	(226)
Other Revenues	33,282	33,282	41,615	8,333
<b>TOTAL REVENUES ALL SOURCES</b>	<b>1,188,783</b>	<b>1,188,783</b>	<b>1,024,631</b>	<b>(164,152)</b>
<b>EXPENDITURES</b>				
Finance and Administrative Services	288,124	288,124	273,887	14,237
Operating	671,618	671,618	535,723	135,895
Capital Outlay	89,041	89,041	75,021	14,020
<b>TOTAL EXPENDITURES</b>	<b>1,048,783</b>	<b>1,048,783</b>	<b>884,631</b>	<b>164,152</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>140,000</b>	<b>140,000</b>	<b>140,000</b>	<b>-</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers Out	(140,000)	(140,000)	(140,000)	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(140,000)</b>	<b>(140,000)</b>	<b>(140,000)</b>	<b>-</b>
<b>NET CHANGES IN FUND BALANCES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
FUND BALANCES, Beginning of Year	-	-	-	-
<b>FUND BALANCES, End of Year</b>	<b>\$ -</b>	<b>-</b>	<b>-</b>	<b>\$ -</b>

## **DEBT SERVICE FUNDS**

Debt Service Funds – account for the accumulation of resources and payment of special assessment bond principal and interest from governmental resources, special assessment levies, and sewer fund transfers. The City has the following Debt Service Funds:

General Debt Service Fund – to account for accumulation of resources and payment of bond principal interest and related costs. These particular funds were used for certain capital projects.

Broad Street TIF – Series 2000 Bonds are being issued to finance a portion of the costs of the construction of a municipal parking facility of approximately 640 spaces, the development of off-street parking and the construction of streetscape improvements, all within the Redevelopment Project Area and to decrease the outstanding Series 1989 Bonds.



City of  
**SPARTANBURG**  
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CITY OF SPARTANBURG, SOUTH CAROLINA

COMBINING BALANCE SHEET - NON-MAJOR DEBT SERVICE FUNDS

YEAR ENDED JUNE 30, 2012

	Fund 540	Fund 545	
	<b>GENERAL DEBT SERVICE FUND</b>	<b>BROAD STREET TIF</b>	<b>TOTALS</b>
<b>ASSETS</b>			
Restricted Cash and Cash Equivalents	\$ 515,225	-	\$ 515,225
Property Taxes Receivable, Net	-	59,920	59,920
Due From Other Funds	10,176	1,250,257	1,260,433
<b>TOTAL ASSETS</b>	<b>525,401</b>	<b>1,310,177</b>	<b>1,835,578</b>
<b>LIABILITIES</b>			
Deferred Tax Revenue	-	47,248	47,248
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>47,248</b>	<b>47,248</b>
<b>FUND BALANCE</b>			
Restricted for Debt Service	525,401	1,262,929	1,788,330
<b>TOTAL FUND BALANCES</b>	<b>525,401</b>	<b>1,262,929</b>	<b>1,788,330</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 525,401</b>	<b>1,310,177</b>	<b>\$ 1,835,578</b>

CITY OF SPARTANBURG, SOUTH CAROLINA

COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
NON-MAJOR DEBT SERVICE FUNDS

YEAR ENDED JUNE 30, 2012

	Fund 540	Fund 545	
	<b>GENERAL DEBT SERVICE FUND</b>	<b>BROAD STREET TIF</b>	<b>TOTALS</b>
<b>REVENUES</b>			
Tax Increment	\$ -	1,997,358	\$ 1,997,358
Investment Earnings	24,055	-	24,055
<b>TOTAL REVENUES ALL SOURCES</b>	<b>24,055</b>	<b>1,997,358</b>	<b>2,021,413</b>
<b>EXPENDITURES</b>			
Debt Service:			
Principal	1,050,000	934,000	1,984,000
Interest	1,099,051	95,836	1,194,887
Other	1,075	106,187	107,262
<b>TOTAL EXPENDITURES</b>	<b>2,150,126</b>	<b>1,136,023</b>	<b>3,286,149</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(2,126,071)</b>	<b>861,335</b>	<b>(1,264,736)</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	1,889,932	-	1,889,932
Transfers Out	-	(634,428)	(634,428)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>1,889,932</b>	<b>(634,428)</b>	<b>1,255,504</b>
<b>NET CHANGES IN FUND BALANCES</b>	<b>(236,139)</b>	<b>226,907</b>	<b>(9,232)</b>
FUND BALANCES, Beginning of Year	761,540	1,036,022	1,797,562
<b>FUND BALANCES, End of Year</b>	<b>\$ 525,401</b>	<b>1,262,929</b>	<b>\$ 1,788,330</b>

## **INTERNAL SERVICE FUNDS**

Internal Service Funds – are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City, or to other governments, on a cost-reimbursement basis. The City has the following Internal Service Funds:

Equipment Replace Fund – to account for the funding of the estimated amounts to replace the moveable City equipment used in day to day operations.

Medical Insurance Trust Fund – to account for the collection of medical insurance premiums and payment of medical claims under the City's self-insured health insurance plan.



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CITY OF SPARTANBURG, SOUTH CAROLINA

COMBINING SCHEDULE OF NET ASSETS - ALL INTERNAL SERVICE FUNDS

JUNE 30, 2012

	<u>EQUIPMENT REPLACEMENT</u>	<u>MEDICAL INSURANCE TRUST</u>	<u>TOTALS</u>
<b>ASSETS</b>			
Current Assets:			
Restricted Cash and Cash Equivalents	\$ 1,091,015	5,847	\$ 1,096,862
Due From Other Funds	3,672,718	257,062	3,929,780
Total Current Assets	<u>4,763,733</u>	<u>262,909</u>	<u>5,026,642</u>
Non-Current Assets:			
Capital Assets:			
Depreciable, Net	4,736,750	-	4,736,750
Total Non-Current Assets	<u>4,736,750</u>	<u>-</u>	<u>4,736,750</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 9,500,483</u></b>	<b><u>262,909</u></b>	<b><u>\$ 9,763,392</u></b>
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts Payable/Deposits Payable	\$ 82,344	142,582	\$ 224,926
Claims/Premiums	-	560,027	560,027
Unclaimed Checks	-	1,027	1,027
Current Portion of Capital Lease Payable	806,292	-	806,292
Total Current Liabilities	<u>888,636</u>	<u>703,636</u>	<u>1,592,272</u>
Long-Term Liabilities:			
Capital Lease Payable, Less Current Portion	2,857,035	-	2,857,035
Total Long-Term Liabilities	<u>2,857,035</u>	<u>-</u>	<u>2,857,035</u>
<b>TOTAL LIABILITIES</b>	<b><u>3,745,671</u></b>	<b><u>703,636</u></b>	<b><u>4,449,307</u></b>
<b>NET ASSETS</b>			
Invested in Capital Assets, Net of Related Debt	2,007,995	-	2,007,995
Unrestricted	3,746,817	(440,727)	3,306,090
TOTAL NET ASSETS	<u>5,754,812</u>	<u>(440,727)</u>	<u>5,314,085</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 9,500,483</u></b>	<b><u>262,909</u></b>	<b><u>\$ 9,763,392</u></b>

CITY OF SPARTANBURG, SOUTH CAROLINA

COMBINING SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -  
ALL INTERNAL SERVICE FUNDS

YEAR ENDED JUNE 30, 2012

	<u>EQUIPMENT REPLACEMENT</u>	<u>MEDICAL INSURANCE TRUST</u>	<u>TOTALS</u>
<b>OPERATING REVENUES</b>			
Charges for Services	\$ 910,335	-	\$ 910,335
Contributions	-	4,242,952	4,242,952
Other	11,250	-	11,250
<b>TOTAL OPERATING REVENUES ALL SOURCES</b>	<b><u>921,585</u></b>	<b><u>4,242,952</u></b>	<b><u>5,164,537</u></b>
<b>OPERATING EXPENSES</b>			
Services and Charges	172,499	162,884	335,383
Claims/Premiums	-	4,080,068	4,080,068
Depreciation	755,444	-	755,444
<b>TOTAL OPERATING EXPENSES</b>	<b><u>927,943</u></b>	<b><u>4,242,952</u></b>	<b><u>5,170,895</u></b>
<b>OPERATING INCOME</b>	<b><u>(6,358)</u></b>	<b><u>-</u></b>	<b><u>(6,358)</u></b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
Gain (Loss) on Sale of Assets	101,453	-	101,453
Interest Expense	(57,266)	-	(57,266)
Investment Earnings	64	-	64
<b>TOTAL NON-OPERATING REVENUES (EXPENSES)</b>	<b><u>44,251</u></b>	<b><u>-</u></b>	<b><u>44,251</u></b>
<b>INCOME (LOSS) BEFORE TRANSFERS</b>	<b><u>37,893</u></b>	<b><u>-</u></b>	<b><u>37,893</u></b>
Transfers Out	(30,927)	-	(30,927)
<b>CHANGE IN NET ASSETS</b>	<b><u>6,966</u></b>	<b><u>-</u></b>	<b><u>6,966</u></b>
NET ASSETS, Beginning of Year	<u>5,747,846</u>	<u>(440,727)</u>	<u>5,307,119</u>
<b>TOTAL NET ASSETS, End of Year</b>	<b><u>\$ 5,754,812</u></b>	<b><u>(440,727)</u></b>	<b><u>\$ 5,314,085</u></b>

CITY OF SPARTANBURG, SOUTH CAROLINA

COMBINING SCHEDULE OF CASH FLOWS - ALL INTERNAL SERVICE FUNDS

YEAR ENDED JUNE 30, 2012

	<b>EQUIPMENT REPLACEMENT</b>	<b>MEDICAL INSURANCE TRUST</b>	<b>TOTALS</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from Charges for Services	\$ 910,335	-	\$ 910,335
Receipts from Contributions	-	4,242,952	4,242,952
Receipts from Other Revenues	11,250	-	11,250
Payments for Services and Charges	(123,492)	(43,971)	(167,463)
Payments for Claims/Premiums	-	(3,975,927)	(3,975,927)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>798,093</b>	<b>223,054</b>	<b>1,021,147</b>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>			
Transfers to Other Funds	(370,368)	(223,054)	(593,422)
<b>NET CASH USED IN NON-CAPITAL FINANCING ACTIVITIES</b>	<b>(370,368)</b>	<b>(223,054)</b>	<b>(593,422)</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Acquisition of Capital Assets	(1,147,905)	-	(1,147,905)
Proceeds on Sale of Capital Assets	105,972	-	105,972
Capital Lease Proceeds	2,050,000	-	2,050,000
Capital Lease Payments	(396,436)	-	(396,436)
Interest Paid	(57,266)	-	(57,266)
<b>NET CASH PROVIDED BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>554,365</b>	<b>-</b>	<b>554,365</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Investment Earnings	64	-	64
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	<b>64</b>	<b>-</b>	<b>64</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>982,154</b>	<b>-</b>	<b>982,154</b>
<b>RESTRICTED AND UNRESTRICTED</b>			
CASH AND CASH EQUIVALENTS - Beginning of Year	108,861	5,847	114,708
<b>RESTRICTED AND UNRESTRICTED</b>			
<b>CASH AND CASH EQUIVALENTS - End of Year</b>	<b>\$ 1,091,015</b>	<b>5,847</b>	<b>\$ 1,096,862</b>
Reconciliation of Operating Income to Net Cash from Operating Activities:			
Net Operating Income	\$ (6,358)	-	\$ (6,358)
Adjustments to Reconcile Operating Income to Cash Provided by Operating Activities			
Depreciation Expense	755,444	-	755,444
Change in:			
Accounts Payable	49,007	118,913	167,920
Claims/Premiums	-	104,141	104,141
<b>Net Cash Provided by Operating Activities</b>	<b>\$ 798,093</b>	<b>223,054</b>	<b>\$ 1,021,147</b>



City of  
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## **FIDUCIARY FUNDS**

Fiduciary funds are used to account for assets held by the City in a trustee capacity for individuals, other governments, and/or other funds.



City of  
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CITY OF SPARTANBURG, SOUTH CAROLINA

SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES - FIDUCIARY FUND - AGENCY FUND

YEAR ENDED JUNE 30, 2012

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	<u>Balance at June 30, 2011</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance at June 30, 2012</u>
<b>ASSETS</b>				
Other Receivables	\$ 77,420	204,236	200,948	\$ 80,708
<b>TOTAL ASSETS</b>	<u>\$ 77,420</u>	<u>204,236</u>	<u>200,948</u>	<u>\$ 80,708</u>
<b>LIABILITIES</b>				
Accounts Payable	\$ 713	7,663	713	\$ 7,663
Amounts Held for Custody for Others	76,707	196,573	200,235	73,045
<b>TOTAL LIABILITIES</b>	<u>\$ 77,420</u>	<u>204,236</u>	<u>200,948</u>	<u>\$ 80,708</u>

**CITY OF SPARTANBURG, SOUTH CAROLINA**

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

**YEAR ENDED JUNE 30, 2012**

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Court Fines and Assessments:

Court Fines Collected	\$ 1,243,453
Court Fines and Assessments Retained by City	(694,211)
Total Court Fines and Assessments Remitted to the State Treasurer	<u>\$ 549,242</u>

Court Surcharges:

Court Surcharges Remitted to State Treasurer	<u>\$ 321,221</u>
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Victims Services:

Funds Available for Carryforward, Beginning of the Year	\$ 240,064
Court Assessments allocated to Victim Services	69,734
Court Surcharges allocated to Victim Services	21,331
Victim Services Expenditures	(95,211)
Funds Available for Carryforward, End of Year	<u>\$ 235,918</u>

CITY OF SPARTANBURG, SOUTH CAROLINA

SCHEDULE OF BUDGETED TO ACTUAL COST FOR THE SOUTH CAROLINA DEPARTMENT OF TRANSPORTATION

YEAR ENDED JUNE 30, 2012

DMT Contract #: PT-28099-16					
Performance Period: July 1, 2011 - June 30, 2012					
	Budget	Section 5307	SMTF	Local	Variance
<b>ADMINISTRATION</b>					
Other Salaries and Wages	\$ 278,816	24,707	5,033	84,229	\$ 164,847
Fringe Benefits	49,338	1,665	357	14,905	32,411
Professional and Technical Services	170,410	36,552	6,572	51,480	75,806
Employee Costs/Training	5,000	1,352	259	1,510	1,879
Materials and Supplies	21,000	8,174	1,869	6,344	4,613
Utilities	74,000	20,421	4,273	22,355	26,951
Casualty and Liability	155,000	59,275	13,300	46,825	35,600
Dues and Subscriptions	2,000	587	139	604	670
In-State Travel and Meetings	1,200	616	163	363	58
Advertising and Promotion Media	9,000	511	37	2,719	5,733
<b>TOTAL ADMINISTRATION</b>	<b>765,764</b>	<b>153,860</b>	<b>32,002</b>	<b>231,334</b>	<b>348,568</b>
<b>OPERATIONS</b>					
Operations & Wages	321,184	255,727	40,960	97,028	(72,531)
Operations Overtime	21,000	13,164	689	6,344	803
Operations Fringe Benefits	80,662	27,213	6,410	24,367	22,672
Management Services	99,690	41,614	11,931	30,116	16,029
Contract Maintenance Services	19,600	9,767	2,827	5,921	1,085
Fuel & Lubricants	234,115	85,355	21,200	70,725	56,835
Tires & Tubes	100,000	39,856	17,455	30,209	12,480
Other Materials & Supplies	13,000	92,974	(2,313)	3,927	(81,588)
Vehicle Licensing & Fees	100	559	(3,575)	30	3,086
<b>TOTAL LIABILITIES</b>	<b>889,351</b>	<b>566,229</b>	<b>95,584</b>	<b>268,667</b>	<b>(41,129)</b>
<b>CAPITAL</b>					
Bus Shelters (1)	8,000	7,386	-	1,846	(1,232)
Cameras (2)	10,000	10,000	-	3,107	(3,107)
<b>TOTAL LIABILITIES</b>	<b>18,000</b>	<b>17,386</b>	<b>-</b>	<b>4,953</b>	<b>(4,339)</b>
<b>TOTAL PROGRAM</b>	<b>\$ 1,673,115</b>	<b>737,475</b>	<b>127,586</b>	<b>504,954</b>	<b>\$ 303,100</b>
	<b>Budget</b>	<b>Section 5309</b>	<b>SMTF</b>	<b>Local</b>	<b>Variance</b>
IT Grant (2)	\$ 742,000	692,982	-	127,008	\$ (77,990)
1) Purchased with grant SC 90 X 166					
2) Purchased with grant SC 90 X 240					
Approved Budget	\$ 2,415,115				
Total Federal Costs	(1,430,457)				
Total State Costs	(127,585)				
Total Local Costs	(631,961)				
<b>Budget Balance</b>	<b>\$ 225,112</b>				



City of  
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# STATISTICAL SECTION

This part of City of Spartanburg’s (“City”) comprehensive annual financial report presents detailed information as a context for understanding what the information in the basic 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>	135
Revenue Capacity <i>These schedules contain information to help the reader assess the City’s most significant local revenue source, the property tax.</i>	141
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>	145
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>	153
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>	156

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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CITY OF SPARTANBURG, SOUTH CAROLINA

NET ASSETS BY COMPONENT

LAST TEN FISCAL YEARS  
(Accrual Basis of Accounting)

UNAUDITED

	Fiscal Year									
	2003	2004	2005	2006	2007	2008 *	2009	2010	2011	2012
Governmental Activities										
Invested in Capital Assets, Net of Related Debt	\$ 24,040,173	36,111,112	50,983,377	51,634,856	48,671,539	53,074,516	53,384,024	55,779,502	54,003,930	\$ 49,678,593
Restricted	9,444,663	3,951,159	3,961,178	4,787,389	3,710,337	4,209,971	2,130,497	834,855	3,962,772	4,898,660
Unrestricted	7,579,737	1,983,423	3,714,981	5,544,430	6,658,785	1,443,237	1,018,340	6,026,925	3,413,824	(68,032)
Total Governmental Activities Net Assets	\$ 41,064,573	42,045,694	58,659,536	61,966,675	59,040,661	58,727,724	56,532,861	62,641,282	61,380,526	\$ 54,509,221
Business-Type Activities										
Invested in Capital Assets, Net of Related Debt	\$ 21,122,491	20,667,619	20,814,506	20,887,730	27,110,873	17,282,372	20,908,586	19,354,866	19,671,901	\$ 22,706,093
Restricted	-	-	-	-	-	1,100,000	1,100,000	-	-	-
Unrestricted	2,301,864	2,156,531	957,532	1,074,531	1,570,474	347,749	562,885	1,312,976	1,080,566	1,875,323
Total Business-Type Activities Net Assets	\$ 23,424,355	22,824,150	21,772,038	21,962,261	28,681,347	18,730,121	22,571,471	20,667,842	20,752,467	\$ 24,581,416
Primary Government										
Invested in Capital Assets, Net of Related Debt	\$ 45,162,664	56,778,731	71,797,883	72,522,586	75,782,412	70,356,888	74,292,610	75,134,368	73,675,831	\$ 72,384,686
Restricted	9,444,663	3,951,159	3,961,178	4,787,389	3,710,337	5,309,971	3,230,497	834,855	3,962,772	4,898,660
Unrestricted	9,881,601	4,139,954	4,672,513	6,618,961	8,229,259	1,790,986	1,581,225	7,339,901	4,494,390	1,807,291
Total Primary Government Net Assets	\$ 64,488,928	64,869,844	80,431,574	83,928,936	87,722,008	77,457,845	79,104,332	83,309,124	82,132,993	\$ 79,090,637

Note: Governmental and Business-Type Activities Net Assets was restated for FY 2006 - 2008.

\* Certain amounts have been reclassified to agree to the current year presentation.

CITY OF SPARTANBURG, SOUTH CAROLINA

CHANGES IN NET ASSETS

LAST TEN FISCAL YEARS  
(Accrual Basis of Accounting)

UNAUDITED

	Fiscal Year									
	2003 (A)	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Expenses</b>										
Governmental Activities:										
Policy Formulation and Administration	\$ 3,658,130	3,659,975	2,147,426	3,376,444	4,383,247	9,011,543	5,931,181	6,653,577	5,427,127	\$ 4,858,280
Public Safety	12,537,589	12,268,358	12,364,117	12,704,299	12,198,601	13,118,630	13,645,106	13,499,377	13,814,584	14,047,102
Parks, Recreation, and Special Events	1,601,841	1,566,061	1,652,550	2,326,567	2,423,902	2,434,395	2,137,461	2,550,485	2,665,563	2,628,409
Community Development	1,321,263	3,348,220	6,019,523	5,063,632	2,441,514	1,677,517	2,362,617	2,044,391	1,582,139	4,311,104
Public Works	4,775,331	9,348,159	10,036,742	11,404,120	10,650,667	12,948,923	12,355,374	8,402,885	10,764,474	9,271,201
Finance and Administrative Services	3,175,722	5,874,750	249,930	225,424	3,539,901	2,441,508	2,491,167	2,773,086	2,698,109	2,389,918
Operating	2,937,139	1,878,675	1,124,743	1,035,138	5,578,284	4,246,284	5,066,442	4,323,162	4,706,519	6,375,577
Interest and Other Charges	2,307,463	1,645,958	1,738,012	1,724,908	1,707,435	1,641,700	1,563,341	1,522,450	2,156,316	1,983,406
Total Governmental Activities Expenses	32,314,478	39,590,156	35,333,043	37,860,532	42,923,551	47,520,500	45,552,689	41,769,413	43,814,831	45,864,997
Business-Type Activities:										
Transit	1,199,328	1,484,837	1,773,856	1,759,885	1,755,525	1,806,189	1,927,191	1,936,117	2,112,672	2,124,224
Parking	478,165	995,967	1,060,901	1,063,605	992,650	985,169	1,049,102	884,137	871,809	971,528
Sanitary Sewer	970,103	1,006,352	1,046,756	983,794	1,031,238	621,073	954	1,100,785	77,419	-
Storm Water	-	-	-	-	-	-	-	-	649,945	697,833
Airport	1,416,294	1,621,998	1,609,275	1,540,616	1,669,122	1,936,607	1,613,828	1,651,488	1,468,607	1,549,591
CC Woodson	-	-	-	-	-	-	295,900	538,612	677,770	444,010
Spartanburg Parking Facilities Corporation	-	-	-	-	-	-	313,769	522,162	806,896	858,495
Spartanburg Airport Facilities Corporation	-	-	-	-	-	-	-	102,509	212,804	376,667
Total Business-Type Activities Expenses	4,063,890	5,109,154	5,490,788	5,347,900	5,448,535	5,349,038	5,200,744	6,735,810	6,877,922	7,022,348
Total Primary Government Expenses	\$ 36,378,368	44,699,310	40,823,831	43,208,432	48,372,086	52,869,538	50,753,433	48,505,223	50,692,753	\$ 52,887,345
<b>Program Revenues</b>										
Governmental Activities:										
Charges for Services:										
Public Safety	\$ 1,037,617	792,734	856,813	854,356	1,037,145	1,191,111	1,285,197	1,049,519	1,128,967	\$ 959,335
Parks, Recreation, and Special Events	96,334	85,147	498,030	250,129	244,783	219,537	229,714	255,177	268,951	251,713
Community Development	446,396	479,680	418,235	505,902	666,295	737,226	474,247	415,996	471,430	408,985
Public Works	1,101,491	1,095,882	1,143,193	1,195,221	1,760,990	2,230,552	3,521,417	3,264,799	3,098,216	3,033,347
Finance and Administrative Services	9,582,841	9,974,226	10,125,533	10,588,927	11,652,370	12,026,190	12,255,309	12,262,638	12,511,056	12,606,571
Operating Grants and Contributions										
Public Safety	1,080,513	869,155	979,847	955,071	1,510,345	1,886,705	957,197	1,291,281	1,575,721	1,851,029
Community Development	1,763,284	2,450,901	1,374,662	1,859,746	1,978,525	-	1,006,376	1,729,005	1,578,931	1,575,554
Public Works	\$ 514,137	236,464	302,031	52,181	749,816	530,695	667,390	846,449	710,750	\$ 1,147,838

(Continued)

CITY OF SPARTANBURG, SOUTH CAROLINA

CHANGES IN NET ASSETS

LAST TEN FISCAL YEARS  
(Accrual Basis of Accounting)

UNAUDITED

	Fiscal Year									
	2003 (A)	2004	2005	2006	2007	2008	2009	2010	2011	2012
Capital Grants and Contributions										
Public Safety	\$ -	-	-	-	-	-	-	28,705	-	\$ -
Parks, Recreation, and Special Events	-	-	13,648,798	-	-	-	3,642,158	-	-	-
Community Development	499,971	341,346	259,417	482,744	187,500	60,000	-	-	-	-
Public Works	-	8,103,100	843,151	3,664,155	5,124,710	3,366,293	959,063	3,750,755	-	-
Total Governmental Activities Program Revenues	16,122,584	24,428,635	30,449,710	20,408,432	24,912,479	22,248,309	24,998,068	24,894,324	21,344,022	21,834,372
Business-Type Activities:										
Charges for Services:										
Transit	221,788	216,120	270,214	261,968	273,133	314,853	275,932	291,211	317,707	266,724
Parking	208,659	258,378	248,297	266,147	263,264	278,605	304,189	347,997	341,999	342,268
Sanitary Sewer	1,611,304	1,642,691	1,710,176	1,801,254	1,820,404	1,019,003	35,016	-	-	-
Storm Water	-	-	-	-	-	-	-	-	917,038	1,503,209
Airport	1,340,709	1,476,377	1,400,469	1,478,539	1,494,258	1,728,105	1,195,722	1,200,337	1,154,466	1,085,466
CC Woodson	-	-	-	-	-	-	17,938	48,000	48,000	48,000
Spartanburg Parking Facilities Corporation	-	-	-	-	-	-	-	-	18,750	37,500
Spartanburg Airport Facilities Corporation	-	-	-	-	-	-	-	-	80,961	137,194
Operating Grants and Contributions										
Transit	359,154	848,151	712,806	803,453	783,505	880,601	1,236,057	975,280	904,296	2,193,599
Airport	30,730	32,715	-	3,291	373,844	607,099	338,229	368,397	794,303	2,279,445
Spartanburg Parking Facilities Corporation	-	-	-	-	-	-	-	-	-	500,000
Capital Grants and Contributions										
CC Woodson	-	-	-	-	-	-	2,150,000	-	-	-
Spartanburg Parking Facilities Corporation	-	-	-	-	-	-	-	536,000	-	-
Total Business-Type Activities Program Revenues	3,772,344	4,474,432	4,341,962	4,614,652	5,008,408	4,828,266	5,553,083	3,794,544	4,577,520	8,393,405
Total Primary Government Program Revenues	\$ 19,894,928	28,903,067	34,791,672	25,023,084	29,920,887	27,076,575	30,551,151	28,688,868	25,921,542	\$ 30,227,777
Net (Expense)/Revenue										
Governmental Activities	\$ (16,191,894)	(15,161,521)	(4,883,333)	(17,452,100)	(18,011,072)	(25,272,191)	(20,554,621)	(16,875,089)	(22,470,809)	\$ (24,030,625)
Business-Type Activities	(291,546)	(634,722)	(1,148,826)	(733,248)	(440,127)	(520,772)	352,339	(2,941,266)	(2,300,402)	1,371,057
Total Primary Government Net (Expense)/Revenue	\$ (16,483,440)	(15,796,243)	(6,032,159)	(18,185,348)	(18,451,199)	(25,792,963)	(20,202,282)	(19,816,355)	(24,771,211)	\$ (22,659,568)

CITY OF SPARTANBURG, SOUTH CAROLINA

FUND BALANCES OF GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS

(Modified Accrual Basis of Accounting)

UNAUDITED

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Fund										
Pre-GASB 54*										
Reserved	\$ -	74,844	77,267	97,446	94,826	95,441	84,409	103,654	-	\$ -
Unreserved	5,667,326	5,474,559	5,595,358	4,903,232	4,847,512	4,775,526	4,044,591	4,963,758	-	-
Post-GASB 54*										
Nonspendable	-	-	-	-	-	-	-	-	116,402	106,008
Assigned	-	-	-	-	-	-	-	-	667,200	900,107
Unassigned	-	-	-	-	-	-	-	-	5,020,942	4,936,665
Total General Fund	\$ 5,667,326	5,549,403	5,672,625	5,000,678	4,942,338	4,870,967	4,129,000	5,067,412	5,804,544	\$ 5,942,780
All Other Governmental Funds										
Pre-GASB 54*										
Reserved, Reported In:	\$ -	-	-	-	-	-	318,062	270,062	-	\$ -
Special Revenue Funds	-	-	-	470,675	462,243	163,542	165,086	-	-	-
Capital Projects Funds	-	-	15,668	37,382	41,468	262,145	358,412	1,062,968	-	-
Unreserved, Reported In:										
Special Revenue Funds	2,202,189	2,028,440	2,825,537	3,626,906	2,600,048	3,063,166	1,111,729	1,298,303	-	-
Capital Projects Funds	6,515,749	1,349,394	2,973,812	2,536,144	3,743,918	2,556,208	2,415,584	2,857,583	-	-
Debt Service Funds	506,992	(47,159)	476,049	826,517	192,628	928,763	830,502	743,797	-	-
Post-GASB 54*										
Nonspendable	-	-	-	-	-	-	-	-	222,062	174,062
Restricted	-	-	-	-	-	-	-	-	11,366,916	6,320,226
Committed	-	-	-	-	-	-	-	-	28,996	203,019
Assigned	-	-	-	-	-	-	-	-	1,301,097	-
Total All Other Governmental Funds	\$ 9,224,930	3,330,675	6,291,066	7,497,624	7,040,305	6,973,824	5,199,375	6,232,713	12,919,071	\$ 6,697,307

\* The City implemented GASB 54, Fund Balance Reporting and Governmental Fund type Definitions ("GASB 54") in 2011.

GASB 54 established new, hierarchical fund balance classifications based primarily upon the extent to which a government is bound to observe constraints imposed upon the use of resources reported in governmental funds. The City has elected to apply GASB 54 prospectively and thus has provided fund balance information before ("Pre") and after ("Post") its implementation.

CITY OF SPARTANBURG, SOUTH CAROLINA  
 CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS  
 (Modified Accrual Basis of Accounting)

UNAUDITED

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Revenues</b>										
Taxes	\$ 13,651,628	14,600,556	16,524,585	18,155,144	18,870,136	20,509,688	20,258,175	20,291,332	20,952,315	\$ 21,405,253
Fees, Licenses and Permits	9,891,068	10,297,700	10,342,733	10,873,097	12,094,813	12,538,972	12,571,179	12,469,852	12,783,762	12,855,275
Fines and Forfeitures	571,785	477,550	470,104	469,367	552,608	566,601	548,396	542,713	665,917	656,368
State Government Contributions	1,015,135	396,125	796,914	3,402,406	2,510,496	1,535,012	552,757	978,951	224,118	445,143
Federal Government Contributions	2,680,233	3,379,930	2,092,420	2,953,786	2,324,035	1,569,560	1,833,615	2,874,063	3,223,159	3,439,345
Intergovernmental Revenue	3,071,084	2,906,613	3,333,521	3,301,817	3,731,577	4,296,385	4,608,818	3,830,517	3,503,780	3,179,792
Charges for Services	617,498	452,869	557,621	650,044	658,605	921,596	2,037,283	2,039,231	2,041,770	1,866,123
Investment Earnings	367,779	146,081	91,581	227,427	261,269	167,550	63,889	16,502	37,008	67,398
Confiscated Drug Funds	17,225	2,443	24,358	41,265	90,732	74,020	20,236	120,746	25,044	14,073
Donations	38,720	155,431	833,473	275,000	438,482	393,000	507,500	542,921	538,754	687,708
Ground Lease Rent	-	-	200,000	200,000	-	400,000	200,000	200,000	200,000	200,000
Other	629,619	842,361	1,313,054	1,373,497	1,011,336	2,217,240	1,235,719	884,692	885,940	1,098,916
<b>Total Revenues</b>	\$ 32,551,774	33,657,659	36,580,364	41,922,850	42,544,089	45,189,624	44,437,567	44,791,520	45,081,567	\$ 45,915,394
<b>Expenditures</b>										
Current:										
Policy Formulation and Administration	\$ 3,425,128	3,396,405	3,254,253	3,224,091	3,662,869	5,092,676	5,807,254	4,278,734	4,755,876	4,470,733
Public Safety	11,741,515	11,521,237	11,674,737	11,617,218	11,626,737	12,492,637	12,921,842	12,553,639	12,775,459	13,196,470
Parks, Recreation, and Special Events	1,504,759	1,440,749	912,648	1,666,874	1,726,686	1,789,556	1,989,003	2,109,339	2,049,555	2,126,283
Community Development	1,236,365	1,240,340	2,883,704	2,912,455	3,019,086	3,408,697	2,108,556	2,086,943	1,784,428	1,781,632
Public Works	4,546,067	3,820,463	5,937,159	6,444,504	6,264,411	6,866,608	8,055,305	7,648,214	7,146,465	7,098,549
Finance and Administrative Services	2,748,555	2,809,161	1,546,632	1,671,699	3,494,545	2,420,329	2,466,170	2,776,225	2,668,849	2,397,943
Operating	3,434,581	4,968,699	3,084,983	3,322,576	5,578,284	4,246,284	5,066,442	4,323,162	4,706,519	6,375,577
Capital Outlay	16,233,317	7,889,683	4,606,732	8,435,170	3,886,888	5,203,163	3,376,908	2,569,316	3,700,295	7,488,084
Debt Service:										
Principal Retirement	785,000	1,015,000	1,060,000	1,480,000	1,595,000	1,970,000	2,060,000	1,895,000	17,190,000	2,579,000
Interest	1,767,601	1,698,039	1,654,964	1,694,429	1,657,096	1,586,260	1,510,319	1,428,562	1,493,317	1,986,043
Other	11,440	26,181	10,266	22,621	41,143	50,116	51,662	113,013	614,370	143,533
<b>Total Expenditures</b>	47,434,328	39,825,957	36,626,078	42,491,637	42,552,745	45,126,326	45,413,461	41,782,147	58,885,133	49,643,847
Excess of Revenues Over (Under) Expenditures	\$ (14,882,554)	(6,168,298)	(45,714)	(568,787)	(8,656)	63,298	(975,894)	3,009,373	(13,803,566)	\$ (3,728,453)

(Continued)

**CITY OF SPARTANBURG, SOUTH CAROLINA**  
**CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**

**LAST TEN FISCAL YEARS**  
 (Modified Accrual Basis of Accounting)

**UNAUDITED**

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Other Financing Sources (Uses)</b>										
Transfers In	\$ 4,259,356	2,801,065	2,738,703	4,312,304	3,749,772	5,238,325	5,413,774	4,934,707	3,520,517	2,914,132
Transfers Out	(4,759,661)	(3,155,016)	(2,779,476)	(4,637,125)	(4,874,135)	(5,442,583)	(7,007,964)	(6,112,792)	(5,865,108)	(5,287,956)
2005 COPS Issued	-	-	3,310,000	-	-	-	-	-	-	-
Proceeds from Bond Issue	3,498,604	-	-	-	-	-	-	4,795,000	23,320,000	-
Defeasement of Debt	-	-	-	-	-	-	-	(4,725,000)	182,660	-
Others	-	-	-	-	-	-	-	-	-	-
Proceeds from Sale of Capital Assets	216,695	24,660	13,500	957,544	1,050,000	3,108	53,668	70,462	68,987	18,749
<b>Total Other Financing Sources (Uses)</b>	<b>3,214,994</b>	<b>(329,291)</b>	<b>3,282,727</b>	<b>632,723</b>	<b>(74,363)</b>	<b>(201,150)</b>	<b>(1,540,522)</b>	<b>(1,037,623)</b>	<b>21,227,056</b>	<b>(2,355,075)</b>
<b>Net Change in Fund Balances</b>	<b>\$ (11,667,560)</b>	<b>(6,497,589)</b>	<b>3,237,013</b>	<b>63,936</b>	<b>(83,019)</b>	<b>(137,852)</b>	<b>(2,516,416)</b>	<b>1,971,750</b>	<b>7,423,490</b>	<b>\$ (6,083,528)</b>
<b>Capital Asset Expenditures</b>	<b>\$ 16,233,317</b>	<b>7,889,683</b>	<b>4,606,732</b>	<b>8,435,170</b>	<b>3,886,888</b>	<b>2,353,664</b>	<b>1,040,378</b>	<b>904,094</b>	<b>1,420,695</b>	<b>\$ 2,663,832</b>
<b>Debt Service as a Percentage of Noncapital Expenditures</b>	<b>8.2%</b>	<b>8.6%</b>	<b>8.5%</b>	<b>9.4%</b>	<b>8.5%</b>	<b>8.4%</b>	<b>8.2%</b>	<b>8.4%</b>	<b>33.6%</b>	<b>10.0%</b>

Notes: Facilities and Events Services changed its name to Parks, Recreation, and Special Events in fiscal year 2005 when the City regained control of Parks and Recreation from the County.

CITY OF SPARTANBURG, SOUTH CAROLINA

ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY

LAST TEN FISCAL YEARS

UNAUDITED

Fiscal Year Ended June 30	Assessed Real Property		Assessed Personal Property		Less: Tax-Exempt Real Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Tax Value*	Assessed Value as a Percentage of Actual Value
	Residential Property	Commercial Property	Motor Vehicles	Other					
2003	\$ 73,051,827	13,033,872	12,408,400	9,839,470	614,560	107,719,009	97.0	\$ 1,680,508,153	6.4%
2004	85,502,681	11,499,907	11,776,390	9,428,879	373,550	117,834,307	93.3	1,734,387,856	6.8%
2005	89,880,352	11,829,610	10,523,950	9,884,170	489,980	121,628,102	93.3	1,970,270,358	6.2%
2006	92,507,837	12,593,887	9,949,980	9,940,370	362,070	124,630,004	103.2	2,092,996,381	6.0%
2007	95,424,660	10,884,336	9,035,780	11,156,290	383,190	126,117,876	103.2	2,223,308,433	5.7%
2008	94,244,700	11,146,386	8,972,580	10,854,905	202,790	125,015,781	104.7	2,260,486,536	5.5%
2009	109,316,471	10,012,944	9,553,340	10,585,064	201,590	139,266,229	101.0	2,585,358,227	5.4%
2010	110,320,512	10,032,747	10,141,344	9,917,900	198,090	140,214,413	101.0	2,574,231,919	5.4%
2011	107,489,352	9,569,447	9,045,937	10,321,213	149,260	136,276,689	101.0	2,515,692,359	5.4%
2012	\$ 108,758,305	8,002,130	8,798,688	9,785,311	167,210	135,177,224	101.0	\$ 2,351,928,159	5.7%

Source: Spartanburg County Assessor & Auditor's Office

Notes: Property in the City was reassessed for fiscal year 2009. Tax rates are per \$1,000 of assessed value.

\* Estimated Actual Tax Values for fiscal years 2009 and 2010 have been corrected.

**CITY OF SPARTANBURG, SOUTH CAROLINA**

**PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS**

**LAST TEN FISCAL YEARS**

**UNAUDITED**

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>City Direct Rates:</b>										
Basic Rate	97.00	93.30	93.30	103.20	103.20	104.70	101.00	101.00	101.00	101.00
Total Direct Rate	97.00	93.30	93.30	103.20	103.20	104.70	101.00	101.00	101.00	101.00
<b>County Rates:</b>										
Spartanburg County	69.40	66.20	68.70	65.10	64.80	70.00	68.40	69.50	69.80	70.80
<b>School District Rates:</b>										
School District #7	215.20	214.70	214.90	215.50	215.50	229.50	227.20	273.90	279.20	274.30
<b>Sewer District Rates:</b>										
Spartanburg Sewer District	8.00	7.70	8.20	8.20	8.20	8.20	7.50	7.50	7.50	7.50

Source: Spartanburg County Tax Auditor's Office

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

**CITY OF SPARTANBURG, SOUTH CAROLINA**

**PRINCIPAL PROPERTY TAXPAYERS**

**CURRENT YEAR AND NINE YEARS AGO**

**UNAUDITED**

Taxpayer	2012			2003		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Duke Energy Corp	\$ 3,506,740	1	2.6%	\$ 3,751,180	1	3.5%
Yeomans Charles L III et al	2,785,300	2	2.1%	3,114,410	3	2.9%
Inland Western Spartanburg I	2,071,040	3	1.5%	-		
Bellsouth Telecommunications	1,992,140	4	1.5%	3,121,250	2	2.9%
ERP Hillcrest LLC	1,571,930	5	1.2%	-		
J M Smith Corporation	1,324,870	6	1.0%	-		
Yeomans Susan E	1,064,430	7	0.8%	624,940	8	0.6%
Wal-Mart Stores East LP	1,018,880	8	0.8%	-		
Dennys Corporation	863,150	9	0.6%	-		
White Oak Manor Inc	797,750	10	0.6%	570,250	9	0.5%
Parisians, Inc	-			884,070	4	0.8%
Piedmont Natural Gas	-			838,740	5	0.8%
Spartanburg Narket Square	-			729,620	6	0.7%
Charter Communications	-			679,760	7	0.6%
Cellco Partnership DBA Verizon	-			558,080	10	0.5%
Totals	<u>\$ 16,996,230</u>		<u>12.6%</u>	<u>\$ 14,872,300</u>		<u>13.8%</u>

Source: Spartanburg County Tax Auditor's Office

**CITY OF SPARTANBURG, 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	Amount	Percentage of Levy	Amount	Percentage of Levy
2003	\$ 10,457,511		8,767		10,448,744	90.3%	9,438,485	90.3%	927,318		\$ 10,365,803	99.2%
2004	11,028,793		34,846		10,993,947	92.9%	10,214,132	92.9%	548,313		10,762,445	97.9%
2005	11,161,502		(186,400)		11,347,902	92.2%	10,457,793	92.2%	759,022		11,216,815	98.8%
2006	12,919,126		57,310		12,861,816	90.5%	11,636,964	90.5%	781,004		12,417,968	96.5%
2007	13,020,361		4,997		13,015,364	93.7%	12,201,755	93.7%	743,299		12,945,054	99.5%
2008	13,352,414		263,262		13,089,152	93.2%	12,205,015	93.2%	1,073,449		13,278,464	101.4%
2009	14,515,041		449,151		14,065,889	89.6%	12,600,853	89.6%	914,683		13,515,536	96.1%
2010	13,433,992		(747,671)		14,181,663	90.5%	12,836,305	90.5%	919,962		13,756,267	97.0%
2011	12,995,742		(768,204)		13,763,946	91.3%	12,571,227	91.3%	839,232		13,410,459	97.4%
2012	\$ 13,856,768		(677,544)		14,534,312	87.7%	12,741,049	87.7%	685,904		\$ 13,426,953	92.4%

Source: Spartanburg County Auditor's Office

CITY OF SPARTANBURG, SOUTH CAROLINA

RATIOS OF OUTSTANDING DEBT BY TYPE

LAST TEN FISCAL YEARS

UNAUDITED

Fiscal Year Ended June 30	Governmental Activities			Business-Type Activities			Total Primary Government	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Other Bonds/Debt	Capital Leases	General Obligation Bonds	Other Bonds	Promissory Notes			
2003	\$ -	34,520,000	143,481	1,675,000	4,954,547	-	\$ 41,293,028	5.8%	\$ 1,050
2004	-	33,505,000	88,155	1,515,000	4,845,575	-	39,953,730	5.7%	1,027
2005	-	35,755,000	30,096	1,350,000	4,705,398	-	41,840,494	6.0%	1,084
2006	-	34,275,000	796,582	1,180,000	4,548,973	-	40,800,555	5.9%	1,063
2007	-	33,280,000	724,800	1,005,000	4,361,257	-	39,371,057	5.6%	1,021
2008	-	31,310,000	650,426	820,000	3,490,000	-	36,270,426	5.2%	934
2009	-	29,250,000	573,367	630,000	3,270,000	20,600,000	54,323,367	7.7%	1,399
2010	-	27,425,000	1,265,322	430,000	2,935,000	20,600,000	52,655,322	7.5%	1,377
2011	6,995,000	26,560,000	2,009,762	220,000	2,565,000	20,600,000	58,949,762	8.4%	1,460
2012	\$ 6,730,000	24,246,000	3,663,325	-	2,180,000	20,600,000	\$ 57,419,325	6.6%	\$ 1,538

Notes: Details regarding the City'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.

**CITY OF SPARTANBURG, SOUTH CAROLINA**

**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>
2003	\$ 1,675,000	N/A	\$ 1,675,000	0.1%	\$ 43
2004	1,515,000	N/A	1,515,000	0.1%	39
2005	1,350,000	N/A	1,350,000	0.1%	35
2006	1,180,000	N/A	1,180,000	0.1%	31
2007	1,005,000	N/A	1,005,000	0.0%	26
2008	820,000	N/A	820,000	0.0%	21
2009	630,000	N/A	630,000	0.0%	16
2010	430,000	N/A	430,000	0.0%	11
2011	7,215,000	N/A	7,215,000	0.3%	179
2012	\$ 6,730,000	N/A	\$ 6,730,000	0.3%	\$ 180

Notes: Details regarding the City'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 and the Schedule of Demographic and Economic Statistics for Population and Per Capita data.

**CITY OF SPARTANBURG, SOUTH CAROLINA**

**DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT**

**AS OF JUNE 30, 2012**

**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>			
General County Purpose	\$ 28,073,940	20%	\$ 5,597,944
<b>School District:</b>			
School District 7	63,170,000	58%	36,733,355
School District 6	7,190,000	16%	1,155,433
<b>Sewer District:</b>			
Spartanburg Sanitary Sewer District (Area-City is 45% of Sewer District Area)	\$ 22,560,000	23%	5,265,504
Subtotal, Overlapping Debt			<u>48,752,236</u>
City of Spartanburg Direct Debt (1)			<u>30,976,000</u>
Total Direct and Overlapping Debt			<u>\$ 79,728,236</u>

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

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

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

(1) Excludes capital lease obligations.

CITY OF SPARTANBURG, SOUTH CAROLINA

LEGAL DEBT MARGIN INFORMATION

LAST TEN FISCAL YEARS

UNAUDITED

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Debt Limit	\$ 8,977,820	9,787,524	10,091,027	10,331,180	10,450,209	10,362,042	11,502,078	11,577,932	11,262,914	\$ 11,174,957
Total Net Debt Applicable to Debt Limit	1,675,000	1,515,000	1,350,000	1,180,000	1,005,000	820,000	630,000	430,000	7,215,000	6,730,000
Legal Debt Margin	\$ 7,302,820	8,272,524	8,741,027	9,151,180	9,445,209	9,542,042	10,872,078	11,147,932	4,047,914	\$ 4,444,957
Total Net Debt Applicable to Debt Limit as a Percentage of Debt Limit	18.7%	15.5%	13.4%	11.4%	10.3%	7.9%	5.5%	3.7%	64.1%	60.2%

Legal Debt Margin Calculation for Fiscal Year 2012

Assessed Value*	\$ 135,177,224
Plus: Merchant's Inventory	4,509,740
Total Assessed Value	<u>139,686,964</u>
Debt Limit (8% of Total Assessed Value)	11,174,957
Amount of Debt Applicable to Debt Limit: Total Bonded Debt	<u>6,730,000</u>
Total Amount of Debt Applicable to Debt Limit	<u>6,730,000</u>
Legal Debt Margin	<u>\$ 4,444,957</u>

Source: \*Spartanburg County Auditor's Office

Note: Title 5, Chapter 21, Article I of the Code of Laws of the State of South Carolina, 1976 states that the constitutional debt limit of a municipality may not exceed 8% of the locality's assessed valuation. Debt in excess of the limit must be authorized by a majority of qualified electors.

CITY OF SPARTANBURG, SOUTH CAROLINA

PLEGGED REVENUE COVERAGE

LAST TEN FISCAL YEARS

UNAUDITED

Fiscal Year Ended June 30	Certificates of Participation Debt						Tax Increment Bonds						Revenue Bonds					
	Hospitality Tax	Principal	Debt Service Interest	Coverage	Tax Increment Funds	Less: Operating Expenses	Net Available Revenue	Principal	Debt Service Interest	Coverage	Revenue	Less: Operating Expenses	Net Available Revenue	Principal	Debt Service Interest	Coverage		
																	Hospitality Tax	Principal
2003	\$ 2,458,508	290,000	518,284	3.04	641,294	N/A	641,294	495,000	887,969	0.46	1,929,126	985,723	943,403	32,809	\$ 389,812	2.23		
2004	2,595,537	355,000	280,300	4.09	819,316	N/A	819,316	660,000	899,264	0.53	1,978,342	1,075,520	902,822	108,972	499,316	1.48		
2005	2,931,030	365,000	567,875	3.14	2,481,221	N/A	2,481,221	695,000	868,614	1.59	2,233,505	1,186,328	1,047,177	140,177	493,544	1.65		
2006	3,160,111	515,000	641,750	2.73	2,611,392	N/A	2,611,392	925,000	835,329	1.45	2,390,855	1,164,970	1,225,885	196,425	485,304	1.80		
2007	3,400,824	570,000	649,432	2.79	1,692,322	N/A	1,692,322	965,000	791,419	0.96	2,190,393	1,164,691	1,025,702	247,716	475,071	1.42		
2008	3,530,454	595,000	627,731	2.89	3,131,220	N/A	3,131,220	1,015,000	744,455	1.78	1,837,147	811,975	1,025,173	324,054	462,424	1.30		
2009	3,375,863	620,000	605,059	2.76	2,260,476	N/A	2,260,476	1,070,000	693,785	1.28	797,618	433,991	363,627	365,000	381,407	0.49		
2010	3,287,828	640,000	581,449	2.69	2,430,657	N/A	2,430,657	1,120,000	640,086	1.38	852,418	395,951	456,467	470,000	335,212	0.57		
2011	3,389,122	665,000	555,969	2.78	2,602,280	N/A	2,602,280	1,344,000	535,503	1.38	864,718	387,155	477,563	535,000	315,237	0.56		
2012	\$ 3,673,716	785,000	827,608	2.28	2,554,101	N/A	2,554,101	1,529,000	695,147	1.15	912,792	348,540	564,252	570,000	\$ 292,394	0.65		

Notes: Details regarding the City of Spartanburg's outstanding debt can be found in the notes to the basic financial statements. Operating expenses do not include interest or depreciation.

In 2007, the taxes for the St. John-Daniel Morgan T.I.F. were collected after the 60 day property tax accrual had passed.

Effective 2009, transfers in will be added to revenue for the revenue bonds.

The number for FY 2010 COPS: Debt Service Principal was revised.

N/A: Not Applicable.

**CITY OF SPARTANBURG, SOUTH CAROLINA**

**SECURITY FOR THE SERIES 2000 BONDS**

**FRANCHISE FEES AND COMMISSION OF PUBLIC WORKS PAYMENTS**

**LAST TEN FISCAL YEARS**

**UNAUDITED**

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<u>Fiscal Year</u>		<u>Franchise Fees</u>	<u>CPW Payments</u>		<u>Totals</u>
2003	\$	2,776,100	727,513	\$	3,503,613
2004		2,473,109	770,749		3,243,858
2005		2,252,497	841,575		3,094,072
2006		2,417,874	897,987		3,315,861
2007		2,427,313	1,456,747		3,884,060
2008		2,563,668	1,534,833		4,098,501
2009		3,065,687	1,400,000		4,465,687
2010		3,246,839	1,400,000		4,646,839
2011		3,233,407	1,400,000		4,633,407
2012	\$	3,113,574	1,400,000	\$	4,513,574

**CITY OF SPARTANBURG, SOUTH CAROLINA**

**MILLAGE RATE FOR THE BROAD STREET DEVELOPMENT AREA**

**LAST TEN FISCAL YEARS**

**UNAUDITED**

<b>Fiscal Year</b>	<b>Total Initial Equalized Assessed Value</b>	<b>Total Equalized Assessed Value</b>	<b>Excess of Total Equalized Assessed Value over Initial Equalized Assessed Value</b>	<b>Total Millage Rate</b>	<b>Incremental Tax Revenues</b>	<b>(1) Franchise Fees Received</b>	<b>Total Incremental Tax Revenues and Franchise Fees</b>
2003	\$ 1,176,988	2,751,960	1,574,972	390	581,628	3,503,612	\$ 4,085,240
2004	1,176,998	3,270,000	2,093,002	382	799,645	3,243,858	4,043,503
2005	1,176,998	4,168,680	2,991,682	385	1,152,962	3,094,071	4,247,033
2006	1,176,998	4,910,940	3,733,942	392	1,435,412	3,315,861	4,751,273
2007	1,176,998	5,155,820	3,978,822	392	1,532,016	3,884,060	5,416,076
2008	1,176,998	5,218,550	4,041,552	412	1,612,342	4,098,501	5,710,843
2009	1,176,998	5,535,105	4,358,107	404	1,789,284	4,465,687	6,254,971
2010	1,176,998	6,229,395	5,052,397	452	1,910,208	4,646,839	6,557,047
2011	1,176,998	6,275,401	5,098,403	458	2,069,661	4,633,407	6,703,068
2012	\$ 1,176,998	5,991,511	4,814,513	454	1,997,358	4,513,574	\$ 6,510,932

(1) Franchise fees received equals the amount of total franchise fees and Commission of Public Works payments received for each respective year.

Note: Effective 2007, all Incremental Tax Revenue amounts reflect the actual amount collected instead of expected amounts based on tax values.

**CITY OF SPARTANBURG, SOUTH CAROLINA**

**MILLAGE RATE FOR THE ST. JOHN-DANIEL MORGAN REDEVELOPMENT PROJECT**

**LAST TEN FISCAL YEARS**

**UNAUDITED**

<b>Fiscal Year</b>	<b>Total Initial Equalized Assessed Value</b>	<b>Total Equalized Assessed Value</b>	<b>Excess of Total Equalized Assessed Value over Initial Equalized Assessed Value</b>	<b>Total Millage Rate</b>	<b>Incremental Tax Revenues</b>	<b>Franchise Fees Received</b>	<b>Total Incremental Tax Revenues and Franchise Fees</b>
2003	\$ 657,060	570,810	-	390	-	3,503,612	\$ 3,503,612
2004	657,060	822,100	165,040	382	19,670	3,243,858	3,263,528
2005	657,060	2,537,040	1,879,980	385	578,885	3,094,071	3,672,956
2006*	657,060	2,580,620	1,923,560	392	694,195	3,315,861	4,010,056
2007**	657,060	2,892,160	2,235,100	392	157,496	3,884,060	4,041,556
2008***	657,060	2,734,414	2,077,354	412	1,116,518	4,098,501	5,215,019
2009^	657,060	1,686,429	1,029,369	404	270,019	4,465,687	4,735,706
2010	657,060	1,737,267	1,080,207	452	320,448	4,646,839	4,967,287
2011	657,060	1,710,035	1,052,975	458	331,813	4,633,407	4,965,220
2012	\$ 657,060	1,525,552	868,492	454	339,775	4,513,574	\$ 4,853,349

Notes: This schedule reports data from the first year collections above the total equalized assessed value.  
 \*2006 Incremental Tax Revenues included a significant penalty amount.  
 \*\*In 2007, the taxes for the St. John-Daniel Morgan TIF were collected after the 60 day property tax availability period.  
 \*\*\*2008 includes two years of tax collections.  
 ^ In 2009 there was a significant decrease in the assessed value of the property with in the St. John Daniel Morgan TIF due to reassessment period.

N/A: Not Applicable.

**CITY OF SPARTANBURG, SOUTH CAROLINA**

**DEMOGRAPHIC AND ECONOMIC STATISTICS**

**LAST TEN FISCAL YEARS**

**UNAUDITED**

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<b>Fiscal Year Ended June 30</b>	<b>(1) Population</b>	<b>(2) Personal Income</b>	<b>(2) Per Capita Personal Income</b>	<b>(3) Median Age</b>	<b>(4) School Enrollment</b>	<b>(5) Unemployment Rate</b>
2003	39,315	\$ 713,016,840	\$ 18,136	34.7	9,257	5.3%
2004	38,901	705,508,536	18,136	34.7	8,975	5.8%
2005	38,610	700,230,960	18,136	34.7	8,975	6.1%
2006	38,379	696,041,544	18,136	34.7	7,165	8.0%
2007	38,561	699,342,296	18,136	34.7	7,093	6.0%
2008	38,843	704,456,648	18,136	34.7	7,482	8.0%
2009	38,248	874,234,536	22,857	33.7	7,290	10.0%
2010	40,387	923,125,659	22,857	33.7	7,367	11.5%
2011	40,387	894,289,341	22,143	35.0	7,736	11.7%
2012	37,334	\$ 792,974,160	\$ 21,240	35.5	8,071	10.4%

Data Sources:

- (1) U. S. Census Bureau
- (2) U. S. Census Bureau; 2009 figures in 2008 inflation-adjusted dollars, as estimated by the U. S. Census Bureau
- (3) U. S. Census Bureau
- (4) Spartanburg County School Districts 6 and 7
- (5) SC Department of Employment and Workforce; figures for Spartanburg County.

**CITY OF SPARTANBURG, SOUTH CAROLINA**

**PRINCIPAL EMPLOYERS**

**CURRENT YEAR AND NINE YEARS AGO**

**UNAUDITED**

<b>Employer</b>	<b>2012 *</b>			<b>2003^</b>		
	<b>Number of Employees</b>	<b>Rank</b>	<b>Percentage of Total City Employment</b>	<b>Number of Employees</b>	<b>Rank</b>	<b>Percentage of Total City Employment</b>
Spartanburg Regional	5,627	1	15.07%	-		-
Spartanburg County	1,410	2	3.78%	-		-
Spartanburg School District #7	1,175	3	3.15%	-		-
Walmart	715	4	1.92%	-		-
American Credit Acceptance	715	5	1.92%	-		-
QSI Headquarters	545	6	1.46%	-		-
City of Spartanburg*	467	7	1.25%	-		-
Wofford College	435	8	1.17%	-		-
Denny's Corporation	272	9	0.73%	-		-
Advance America, Inc	272	10	0.73%	-		-
<b>Totals</b>	<b>11,633</b>		<b>31.16%</b>	<b>-</b>		<b>-</b>

Notes: \* Includes part-time City employees. The number of full-time City employees, as indicated in the "Full-time Equivalent City Government Employees by Function" table, is 426.

Source: ^ City of Spartanburg Economic Development Division. Detailed information was not available for 2003.

**CITY OF SPARTANBURG, SOUTH CAROLINA**

**PROPERTY VALUE AND CONSTRUCTION**

**LAST TEN FISCAL YEARS**

**UNAUDITED**

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<b>Fiscal Year</b>	<b>Number of Units</b>	<b>Commercial Building Permit Value (A)</b>	<b>Number of Units</b>	<b>Residential Building Permit Value (A)</b>	<b>Commercial</b>	<b>Residential</b>
2003	33	\$ 56,580,637	20	2,398,498	766,790,695	\$ 679,727,278
2004	31	56,633,064	54	9,549,540	888,391,650	805,705,690
2005	19	26,830,721	76	12,606,965	1,007,710,990	806,699,690
2006	28	26,612,191	106	16,763,283	1,059,530,895	795,761,690
2007	43	56,946,842	108	17,571,100	1,091,156,125	805,601,985
2008	63	62,659,406	70	10,097,199	1,106,771,110	817,853,190
2009	41	29,344,493	37	5,625,034	1,266,018,124	940,342,638
2010	12	32,652,274	35	6,845,804	926,242,482	763,829,407
2011	15	34,706,366	12	1,873,368	952,325,768	767,864,130
2012	10	\$ 28,166,597	24	3,983,669	883,214,881	\$ 740,656,555

Sources: City Inspections Department  
Spartanburg County Assessor's Office

Note A: Fifteen percent has been added to these figures due to subcontractors paying on their own work.

**CITY OF SPARTANBURG, SOUTH CAROLINA**

**FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION**

**LAST TEN FISCAL YEARS**

**UNAUDITED**

Function	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Governmental Activities										
Finance and Administrative Services	14	14	14	13	12	10	12	14	14	14
Community Development	43	42	40	41	43	44	41	22	25	30
Parks, Recreation, and Special Events	8	8	22	20	23	24	23	17	17	14
Policy Formulation and Administration	36	36	36	39	40	38	40	40	35	35
Public Safety	233	231	213	214	217	217	215	221	220	218
Public Works	106	96	108	104	103	115	107	100	102	81
Business-Type Activities										
Parking Enterprise	1	1	1	1	3	3	2	2	3	3
Airport	9	9	9	9	9	11	9	8	10	10
Sewer	13	12	11	12	10	-	-	-	-	-
<b>Total</b>	<b>463</b>	<b>449</b>	<b>454</b>	<b>453</b>	<b>460</b>	<b>462</b>	<b>449</b>	<b>424</b>	<b>426</b>	<b>405</b>

Source: City Payroll

Notes: The City's transit function is provided with the use of outside contract personnel.  
 Schedule does not include part-time and seasonal workers which are primarily employed by the Parks, Recreation, and Special Events Department.  
 Effective January 1, 2008, sewer employees were transferred to Public Works due to the City's transferral of the sewer to Spartanburg Sewer District.

CITY OF SPARTANBURG, SOUTH CAROLINA

OPERATING INDICATORS BY FUNCTION/PROGRAM

LAST TEN FISCAL YEARS

UNAUDITED

Function/Program	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Finance and Administrative Services										
Business Licenses Issued	4,594	4,800	5,481	5,530	5,954	5,517	5,330	5,567	5,763	5,381
Courtesy Summons Issued	522	790	1,206	1,023	976	826	824	610	589	638
Community Development										
Building Permits Issued	2,841	4,505	3,921	4,061	4,220	4,227	2,929	3,026	3,334	3,111
Building Inspections Conducted	6,020	7,936	7,636	7,475	7,513	7,667	5,846	5,042	4,501	4,735
Policy Formulation and Management										
Judicial Cases	14,526	13,202	12,223	14,334	14,683	14,797	13,822	15,319	16,462	14,207
Public Safety - Police										
Calls for Service	72,424	76,938	75,218	76,766	76,312	62,563	62,470	75,313	75,480	76,490
Physical Arrests	4,262	4,476	4,801	4,615	5,645	3,804	3,757	4,073	5,420	6,365
Traffic Violations	11,278	9,370	9,742	12,004	12,082	11,434	11,597	11,793	13,226	11,061
Public Safety - Fire										
Emergency Responses	2,210	2,107	2,140	2,242	2,172	2,031	2,228	2,127	2,254	2,057
Fires Extinguished	319	371	323	345	301	328	347	277	315	294
Inspections	2,864	3,574	3,140	3,325	2,556	3,863	3,085	3,466	1,482	2,927
Public Works										
Roads Maintained (miles)	168	170	171	171	173	173	173	174	177	181
Refuse Collection (tons)	19,415	11,971	12,795	11,100	11,260	10,924	10,581	9,291	9,339	8,596
Yard Waste Collection (tons)	-	-	-	-	-	-	-	6,791	7,152	9,166
Recycling Collection (tons)	-	-	-	-	-	-	-	835	925	802
Transit										
Passengers per Year	475,610	481,530	500,942	542,000	547,418	534,688	534,599	519,084	513,886	524,187
Parking										
Garages	3	3	3	3	3	3	3	4	4	4
Parking Lots	4	4	4	5	5	5	5	5	5	5
Total Public Spaces	2,131	2,131	2,131	2,261	2,261	2,261	2,261	3,011	3,011	3,011
Airport										
Fuel Gallons Sold	259,325	243,100	236,560	258,302	246,987	247,649	162,360	193,796	154,407	168,931
Hours of Aircraft Maintenance	2,012	2,609	2,306	1,784	1,659	1,455	898	1,370	1,229	1,033

Source: These statistics came from various City Departments.

Notes: Operating indicators are presented for all periods that were readily available.

Business License information is based on calendar year.

CITY OF SPARTANBURG, SOUTH CAROLINA  
 CAPITAL ASSET STATISTICS BY FUNCTION

LAST TEN FISCAL YEARS

UNAUDITED

Function	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Community Development										
Traffic Signals	100	100	102	107	123	123	123	123	123	156
Public Safety - Police										
Police Stations	1	1	1	1	1	1	1	1	1	1
Patrol Units	84	84	84	84	86	86	80	80	80	80
Public Safety - Fire										
Fire Station	5	5	5	5	5	5	5	5	5	5
Fire Trucks	12	12	12	12	12	12	13	13	13	11
Public Works										
Streets (in Miles)	168	170	170	171	173	173	173	174	177	181
Collection/Refuse Trucks	39	39	39	39	38	37	34	30	30	23
Parks and Recreation*										
Parks Acreage	-	-	336	300	300	278	278	278	301	301
Parks	-	-	44	24	24	20	21	21	24	24
Ball fields	-	-	10	10	10	10	10	10	9	9
Swimming Pools	-	-	3	2	2	2	2	2	2	2
Community Centers	-	-	4	4	4	4	4	4	4	2
Solid Waste										
Collection/Refuse Trucks	39	39	39	39	38	37	34	30	30	23
Transit										
Passenger Buses	11	11	11	11	11	11	11	11	10	11
Parking										
Garages	3	3	3	3	3	3	3	4	4	4
Airport										
Community Hangars	4	4	4	4	4	4	4	4	4	4
Maintenance Hangars	1	1	1	1	1	1	1	1	1	1
T-Hangars	30	30	30	30	30	30	30	30	46	46

Sources: Various City departments.

Notes: Capital asset statistics are presented for all periods that were readily available.

\* Parks and Recreation was a function of Spartanburg County until the City regained this function in FY 2005. The number of parks decreased due to consolidation of some mini-parks combined at the same location.

During FY 2006, the acreage of the parks was adjusted to exclude property that didn't belong to the City as previously reported. During FY 2008, Woodland Heights was turned over to Spartanburg School District Six, and the Spartan High basketball and tennis courts were turned over to the Spartanburg School District Seven for maintenance. Unmaintained pocket park acreage was not counted.

**City of Spartanburg, South Carolina**

**Schedule of State Appropriations**

**UNAUDITED**

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<b>Fiscal Year</b>	<b>Local Government Fund</b>	<b>Merchants Inventory</b>	<b>Accommodations Tax</b>	<b>Manufacturing Tax</b>	<b>Total</b>
2009	\$ 1,273,314	\$ 694,796	\$ 30,010	\$ 6,028	\$ 2,004,148
2010	1,091,766	694,796	29,406	5,946	1,821,914
2011	881,044	694,796	30,011	6,046	1,611,897
2012	688,658	694,796	30,207	6,268	1,419,929
*2013	\$ 690,974	\$ 694,796	\$ 29,946	\$ 5,763	\$ 1,421,479

\*Budgeted for fiscal year 2013

\*\*This schedule is a part of our Continuing Disclosure for the Outstanding General Obligation Debt

Note: Total anticipated state appropriations subject to withholding under Article X, Sec 14, South Carolina Constitution for current fiscal year



City of  
**SPARTANBURG**  
south carolina

CITY OF SPARTANBURG, SOUTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2012

Program	CFDA Number	Grant / Contract Number	Expenditures
<b>DEPARTMENT OF HOUSING / URBAN DEVELOPMENT</b>			
Direct:			
CDBG Entitlement Grant, 37th	14.218	B-10-MC-45-0004	\$ 784,976
CDBG Entitlement Grant, 38th	14.218	B-11-MC-45-0001	182,661
	Subtotal 14.218		<u>967,637</u>
Home Program Year 2008	14.239	M-08-45-0207	90,298
Home Program Year 2009	14.239	M-09-45-0207	140,378
Home Program Year 2011	14.239	M-10-45-0207	18,944
	Subtotal 14.239		<u>249,620</u>
Neighborhood Stabilization Program	14.228	08-NSP110	538,551
Economic Development Initiative	14.251	B-09-SP-SC-0180	220,783
<b>TOTAL DEPARTMENT OF HOUSING / URBAN DEVELOPMENT</b>			<b><u>1,976,591</u></b>
<b>DEPARTMENT OF HOMELAND SECURITY</b>			
Direct:			
FEMA Assistance to Firefighters Grant	97.044	EMW-2010-FR-00347	805,573
	Subtotal 97.044		<u>805,573</u>
<b>Pass Through City of Anderson</b>			
Upstate Regional Type III Incident Management Team	97.067	9SHSP13	100
<b>TOTAL DEPARTMENT OF HOMELAND SECURITY</b>			<b><u>805,673</u></b>
<b>DEPARTMENT OF JUSTICE</b>			
Direct:			
Cops 2008 Universal Hiring Program	16.710	2008-UM-WX-0013	53,051
ARRA Cops Hiring Recovery Program	16.710	2009-RK-WX-0772	121,593
Cops 2011 Cops Hiring Program	16.710	2011-UM-WX-0168	5,663
	Subtotal 16.710		<u>180,307</u>
Justice Assistance Grant	16.738	2009-DJ-BX-0670	9,710
Justice Assistance Grant	16.738	2010-DJ-BX-0728	4,219
	Subtotal 16.738		<u>13,929</u>
ARRA 2009 JAG Recovery	16.804	2009-SB-B9-0937	4
VAWA / Supplement	16.590	2005-WE-AX-0046	132,378
VAWA / Supplement	16.590	2011-WF-AX-0048	17,541
Project Safe Neighborhood	16.609	1P10004	8,991
Weed & Seed	16.595	2010-WS QX-0039	44,863
	Subtotal 16.595		<u>\$ 44,863</u>

(Continued)

CITY OF SPARTANBURG, SOUTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2012

Program	CFDA Number	Grant / Contract Number	Expenditures
<b>DEPARTMENT OF JUSTICE (Continued)</b>			
Pass Through SC Department of Public Safety: Paul Coverdell Forensic Science	16.742	1WF10007	\$ 8,555
Federal Juvenile Accountability Block Grant	16.523	1JS09007	18,094
Federal Juvenile Accountability Block Grant	16.523	1JS10001	36,015
Federal Juvenile Accountability Block Grant	16.523	1JS10006	16,253
	Subtotal 16.523		<u>70,362</u>
<b>TOTAL DEPARTMENT OF JUSTICE</b>			<b><u>476,930</u></b>
<b>US ENVIROMENTAL PROTECTION AGENCY</b>			
Direct: Brownfield Grant	66.818	BF-95409108-0	48,759
<b>TOTAL US ENVIROMENTAL PROTECTION AGENCY</b>			<b><u>48,759</u></b>
<b>DEPARTMENT OF ENERGY</b>			
Direct: ARRA Energy Efficiency & Conservation Block Grant	81.128	DE-EE0001989	101,194
<b>TOTAL DEPARTMENT OF ENERGY</b>			<b><u>101,194</u></b>
<b>DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
Direct: Drug-Free Communities	93.276	2H79SP012354-08	21,550
Drug-Free Communities	93.276	2H79SP012354-09	77,372
	Subtotal 93.276		<u>98,922</u>
Addressing Teen Pregnancy in South Carolina	93.297	1US8DP002913	4,770
<b>TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			<b><u>103,692</u></b>
<b>DEPARTMENT OF TRANSPORTATION</b>			
Direct: Federal Aviation Administration: Airport Improvement Program (AIP)	20.106	3-45-0051-14	66,232
Airport Improvement Program (AIP)	20.106	3-45-0051-15	2,056,440
Airport Improvement Program (AIP)	20.106	3-45-0051-16	4,300
	Subtotal 20.106		<u>2,126,972</u>
Federal Transit Administration: Operating Assistance	20.507	SC-90-X166-00	7,386
Operating Assistance	20.507	SC-90-X240-00	116,779
Operating Assistance	20.507	SC-90-X248-00	459,694
Operating Assistance	20.507	SC-90-X260-00	153,616
ARRA Capital Assistance	20.507	SC 96-X006-00	633,265
ARRA Capital Assistance	20.507	MT-180RR-U4	2,292
SCDOT VAP Funds	20.500	PT-18009-K3	692,982
	Subtotal 20.507 and 20.500		<u>2,066,014</u>
<b>TOTAL DEPARTMENT OF TRANSPORTATION</b>			<b><u>4,192,986</u></b>
<b>GRAND TOTALS</b>			<b><u>\$ 7,705,825</u></b>

**CITY OF SPARTANBURG, SOUTH CAROLINA**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**YEAR ENDED JUNE 30, 2012**

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**A. – GENERAL**

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) presents the activity of all federal award programs of the City of Spartanburg, South Carolina (the “City”) for the year ended June 30, 2012. Expenditures for federal financial assistance awarded directly from the federal agencies, as well as those passed through other government agencies, are included on the Schedule.

**B. – BASIS OF ACCOUNTING**

The accompanying Schedule is presented using the modified accrual basis of accounting, which is described in the notes to the City’s basic financial statements.

**C. – RELATIONSHIP TO THE BASIC FINANCIAL STATEMENTS**

Federal award expenditures are reported in the City’s basic financial statements as expenditures in the General Fund and Special Revenue Funds for all federal programs and as expenses in the City’s enterprise funds.

**D. – MATCHING COSTS**

Matching costs, i.e., the non-federal share of certain program costs, are not included in the accompanying Schedule.



City of  
**SPARTANBURG**  
south carolina

**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***

Honorable Mayor and City Council  
City of Spartanburg  
Spartanburg, South Carolina

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Spartanburg, South Carolina (the "City") as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 19, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the City is responsible for establishing and maintaining effective 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 opinion on the 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a deficiency in internal control over financial reporting that we consider to be a material weakness.

*A deficiency in internal control* 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 and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2012-1 to be a material weakness.

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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The City's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. 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, the City Council, the audit committee, others within the City, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

  
Greene, Finney & Horton, LLP  
Mauldin, South Carolina  
December 19, 2012

**REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD  
HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON  
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Honorable Mayor and City Council  
City of Spartanburg  
Spartanburg, South Carolina

Compliance

We have audited the City of Spartanburg, South Carolina's (the "City") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2012. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

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

  
Greene, Finney & Horton, LLP  
Mauldin, South Carolina  
December 19, 2012

**CITY OF SPARTANBURG, SOUTH CAROLINA**

**SCHEDULE OF PRIOR AUDIT FINDINGS**

**YEAR ENDED JUNE 30, 2012**

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**FINDINGS – 2011 FINANCIAL STATEMENTS**

**There were no OMB A-133 audit findings in the prior year.**

**CITY OF SPARTANBURG, SOUTH CAROLINA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED JUNE 30, 2012**

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**Section I - Summary of Auditors' Results**

*Financial Statements*

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified?   X   Yes        No  
 Significant deficiencies identified that are not considered to be material weaknesses?        Yes   X   None Reported

Noncompliance material to financial statements noted?        Yes   X   No

*Federal Awards*

Internal control over major programs:

Material weakness(es) identified?        Yes   X   No  
 Significant deficiencies identified that are not considered to be material weaknesses?        Yes   X   None Reported

Type of auditors' report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133        Yes   X   No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
20.507 & 20.500	Federal Transit Administration - Operating Assistance, ARRA Capital Assistance, and SCDOT VAP Funds
81.128	ARRA - Energy Efficiency and Conservation Block Grant
97.044	FEMA Assistance to Firefighters Grant

Dollar threshold used to distinguish between type A and type B programs:           \$300,000          

Auditee qualified as low-risk auditee?   X   Yes        No

CITY OF SPARTANBURG, SOUTH CAROLINA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2012

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Section II – Findings – Current Year Financial Statements Audit

**2012-1: FAILURE TO PROPERLY CLASSIFY CAPITAL ASSETS**

**Condition:** An effective system of internal controls should be operating as planned to provide reasonable assurance that capital assets are being recorded timely and accurately. Overall, the City appears to have designed appropriate policies and procedures over recording and tracking capital assets. However, during our testing of capital assets, we noted a significant asset that was improperly classified as non-depreciable. This resulted in depreciation expense and accumulated depreciation being materially understated.

**Recommendation:** We recommend that the City take the necessary steps to ensure all capital assets are properly classified and tracked.

**Response:** The Accounting Division will implement a procedure for reviewing all non-depreciable fixed assets prior to running the depreciation forecast.

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Section III– Findings and Questioned Costs – Major Federal Awards Programs Audit

None Noted



City of  
**SPARTANBURG**  
south carolina

